# Annual Report 2011

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**
8 Pitino Court
Osborne Park WA
Australia 6017

**Head office**
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)

**2011 Annual General Meeting**
Imdex's AGM will be held at The Celtic Club, 48 Ord St West Perth, Western Australia commencing at 1pm on Thursday 20 October 2011.

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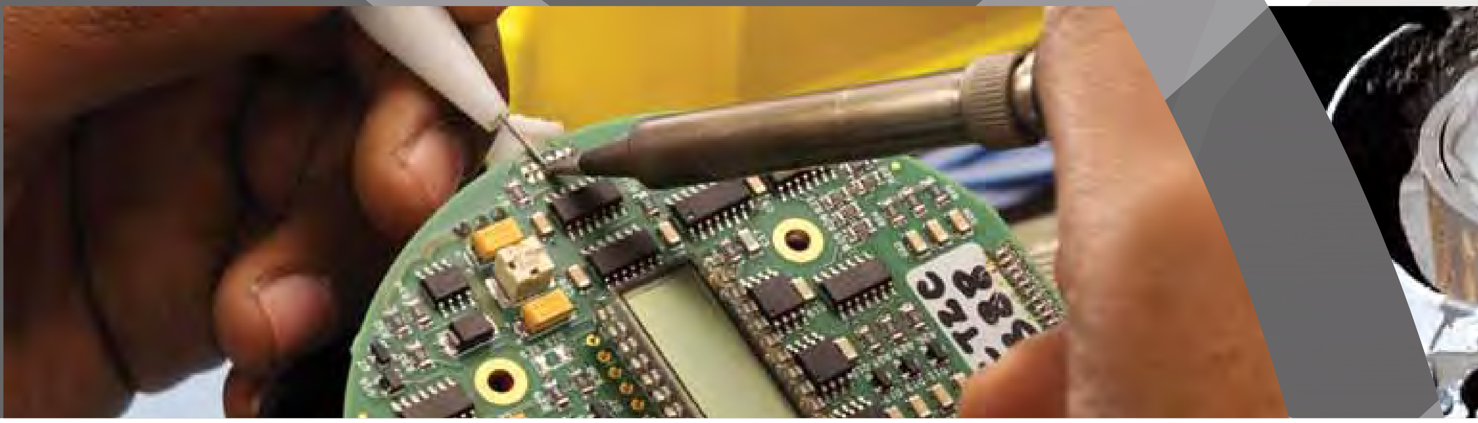
# FY11 and Imdex

The past 12 months have been the most exciting in the history of our Company, owing to the strength of our commitment in meeting our customer's needs at a time when global exploration spending is continuing to set new records. The future looks bright and Imdex is committed to working hard with our customers to ensure a sustainable and rewarding future.

As we wrap up on a busy year, we thank shareholders for their continued support. We hope you enjoy this Annual Report as you discover more about the achievements it details to 30 June 2011 and beyond.

# Imdex Group at a **glance**



## Vital stats as at 30 June 2011

Market capitalisation

$429,353,205

Shares on issue

199,699,165

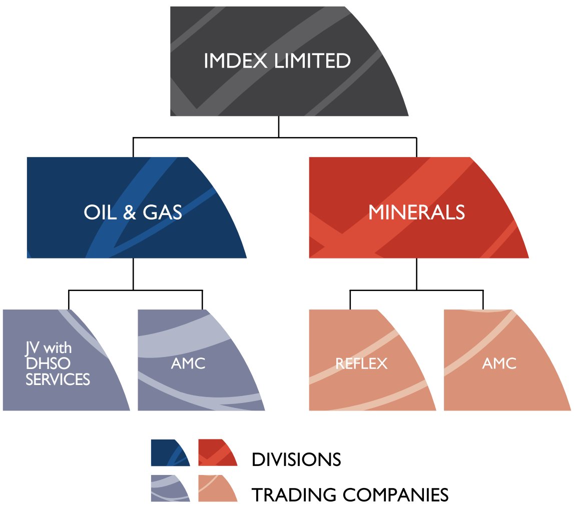
Shareholders

3,636

Employees

399

### Company structure




## An overview of the Imdex Group

Imdex Limited supplies quality drilling fluids and leading down hole instrumentation to the mining, water well and horizontal directional drilling, civil engineering and niche on-shore oil and gas industries. Imdex is represented globally through a wide sales and distribution network and manufactures its own products. In addition, our joint venture with DHSO Services, in which Imdex has 50% ownership, supplies gyroscopic and magnetic surveying services to the global onshore and offshore oil and gas industry.

Imdex has an expert team with extensive technical and product knowledge together with unrivalled field experience. Headquartered in Perth, Western Australia and with regional office locations in Africa, Asia Pacific, the Americas and Europe, we offer on-site technical support to our customers worldwide.

We also have dedicated research and product development facilities, ensuring product improvements, introduction of new products and client support. We provide quality drilling fluids and advanced down hole instrumentation with extensive field experience. We are focussed on expanding our research and product development capability, maintaining our technology leadership position, retaining our commitment to customers and growing our international footprint.

*Conducting onsite AMC mud mixing.*

## Our divisions

Imdex's two divisions position the Group to service our customers in key regions of the world.

### Minerals division

The Minerals division offers AMC branded drilling fluids and Reflex branded down hole instrumentation and is aimed primarily at the mining and mineral exploration, HDD and water well markets throughout the world.

We service our customers in this sector with a complete down hole survey instrumentation and drilling fluid solution encompassing an extensive range of drilling fluids, down hole instrumentation, recycling units, and on-site technical support.

Specialist AMC drilling fluids for the minerals sector include:

- Clay and shale stabilisers
- Flocculants and dispersants
- Lost circulation materials
- Lubricants
- Specialty products and chemicals
- Treating chemicals
- Viscosifiers

"Listed in 1987, Imdex now employs more than 390 people in 20 office locations servicing over 75 different countries."

Imdex's range of instruments for the mining and mineral exploration industries are developed and marketed by Reflex and include the following core orientation and survey instruments:

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

Reflex instruments are manufactured in state-of-the-art manufacturing facilities in Western Australia. Reflex is the leading supplier of down hole survey and core orientation instruments to the global mining and mineral exploration industries. The instruments are renowned for their reliability, ease of use and ability to obtain superior data.

Our current business model focuses on renting rather than selling instrumentation, to provide our customers with greater flexibility and the ability to upgrade instrumentation as it becomes available.

## Oil & Gas division

The Oil & Gas division has the following focus:

- Drilling, completion and production fluids and equipment through AMC Oil & Gas branded products to niche onshore oil and gas, geothermal, HDD water well and CBM industries; and
- Down hole survey services to the global oil and gas industry through the DHSO joint venture.

Imdex's Oil & Gas division is a logical diversification to the cyclical nature of the minerals industry.

Effective 1 July 2011, Imdex formed a 50:50 joint venture with DHS Oil Holdings Pty Ltd (DHSO), majority owned by Lime Rock. The joint venture provides down hole surveying services to the onshore and offshore oil and gas industry. The initial market focus is the Middle East; however, the business will expand globally in the coming years.

AMC Oil & Gas focuses on niche onshore drilling, developing and manufacturing oil and gas drilling fluid products, treating chemicals, and equipment.

By investing in continual development of innovative products, the company is able to meet the demands of its international customers in diverse drilling environments. The company's operations and technical teams have many years of industry experience and knowledge.

AMC Oil & Gas is one of the few drilling fluids companies to manufacture its own products – PHPA, lubricants, surfactants, emulsifiers, speciality products and production chemicals and a range of solids control and waste management equipment. The company offers a premium service with the resources to fully service customers.

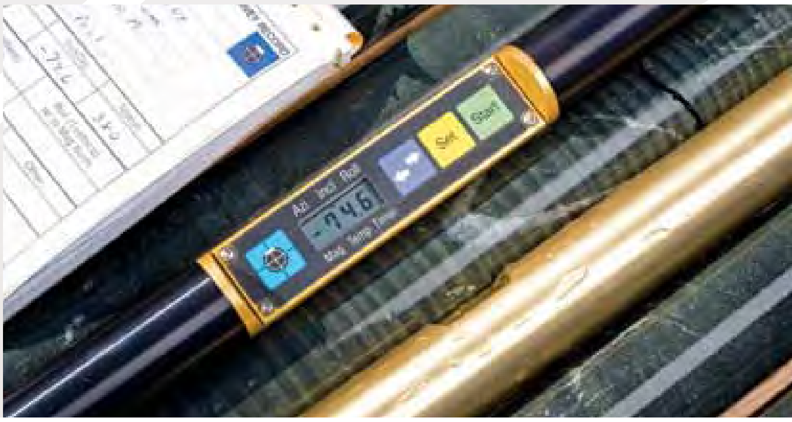
### The following companies form part of this division:

**Wildcat Chemicals** provide services to the oil and gas sector and improve performance through expert advice, quality chemical products and superior customer service. Wildcat are the experts in manufacturing a range of high performance chemicals formulated for every situation and need. The range includes oilfield production and treatment chemicals, contract blending and drilling fluids, and services to the coal bed methane, geothermal wells and production chemicals sectors. This company forms part of AMC Oil & Gas.

**AMC Oil & Gas Europe** specialise in the development, design and manufacture of mud handling equipment, such as mixing units, storage tanks, centrifuges and flocking stations. The Company provides a full mud service, solids control and waste handling services to the oil and gas sector in Europe. This company forms part of AMC Oil & Gas.

**DHSO Services** is a 50:50 joint venture between Imdex and DHS Oil Services Pty Ltd (DHSO), based in Dubai. DHSO provides down hole survey services for both onshore and offshore oil and gas operations using state of the art inertial navigation and MEMS gyro systems and magnetic instruments.

> "By investing in continual development of innovative products, the company is able to meet the demands of its international customers in diverse drilling environments."




## What are drilling fluids?

Drilling fluids, or muds, as they are known in the drilling industry are a key part of the drilling process to ensure productivity and successful completion of the hole in some of the most difficult ground conditions. Imdex offers a broad range of drilling fluids, all with distinctive properties and uses, adapted to specific formations. 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 typically 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.

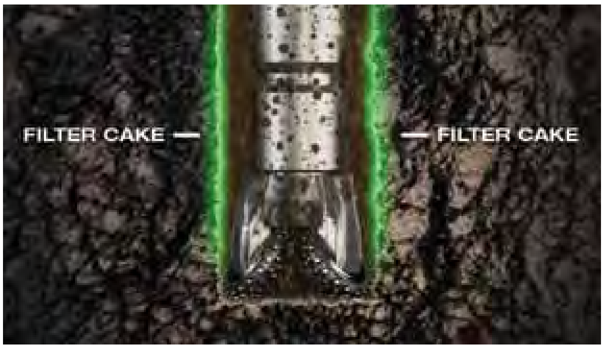
## What is fluid recycling equipment?

AMC has developed drilling fluid recycling units that provide an economical and environmentally acceptable alternative to the conventional mud pits used in the drilling process. They reduce the environmental footprint of a drill site and reduce consumption of water.

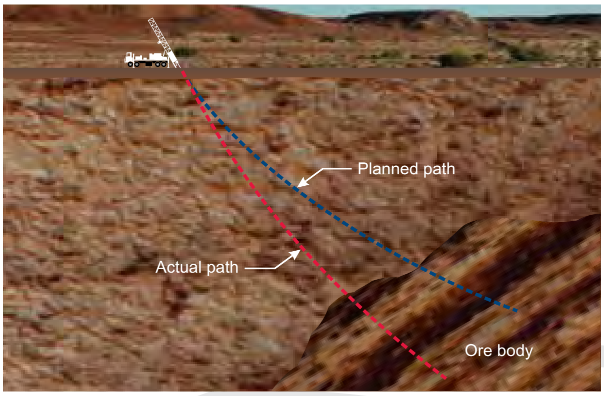
## What are down hole survey and core orientation instruments?

Reflex's down hole survey and core orientation instrumentation are essential for efficient exploration and mine planning and provide accurate data on the path of the bore hole. A 2 degree variation at surface can lead to a 35 metre discrepancy at 1000 metres. Core orientation is the procedure of aligning (or marking) the orientation of a drill core sample in relation to its in situ position, prior to retrieval from the hole allowing geological structure to be defined for planning purposes.

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




*Fluids stabilise and keep the bore hole open.*




*Bore hole deviation from planned path (as described left).*

# FY11 snapshot

## Strategic focus

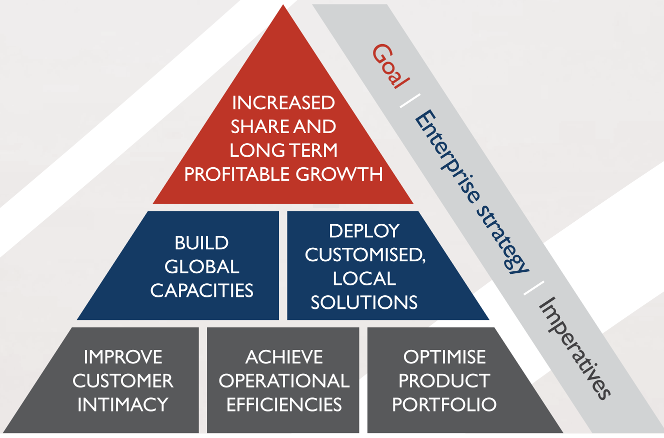
- Consistent growth of our business in key regions of our global network
- Pursuing greater market share in the oil and gas sector
- Continued investment in engineering and product development to maintain Imdex's position as a leader and innovator in drilling fluids and advanced down hole instrumentation
- Identification and achievement of operational efficiencies
- Expand the rental market for our instrumentation
- Capitalise on positive industry dynamics and outlook for future growth
- Superior customer service and support
- Ongoing organic growth of our business and bolt on acquisitions that are earnings accretive.

## Strategic growth

- European based Mud-Data (renamed AMC Oil & Gas Europe) acquired 1 March 2011 strengthening our presence in Europe and integrated into AMC Oil & Gas
- Oilfield Services joint venture between Imdex and DHS Oil to form DHSO Services (from 1 July 2011) to deliver survey services to the global oil and gas market
- Fluidstar was acquired effective 1 September 2010 and integrated into the AMC Minerals brand
- Australian Drilling Specialities (ADS) was acquired effective 1 July 2011, providing access to drilling fluid technology and increased control over supply chain.

## Operational achievements

- Restructuring to manage two main end markets, minerals and oil and gas
- Cross selling benefits gained through the restructuring of the AMC and Reflex businesses along regional lines
- Reflex brand of down hole instrumentation continued to be the market leader for the global mining and exploration industry
- Innovative drilling fluid recycling technology (previously known as the solids control units) to be marketed in the major mining markets around the world
- Overall winner in the Innovator of the Year Awards in the Western Australian Chamber of Commerce's Industry and Export Awards in November 2010
- Both AMC and Reflex posted record revenues in FY11
- Continued improvements in the range of down hole instrumentation
- Continued demand in niche markets for production and completion chemicals developed and produced by Imdex subsidiary Wildcat Chemicals Australia
- AMC and Reflex conducted (and continue to conduct) expert training for customers in the use of our fluid products and down hole instrumentation across our regions
- Imdex Technology Sweden, repair and production facility, successfully transferred to head office in Western Australia in September 2010
- Strengthened AMC's UK and European operations
- Continued investment in engineering and product development to maintain an active technology pipeline for both minerals and oil and gas markets.




## Market review

- Record mining instrumentation rental fleet numbers achieved
- Significantly improved trading activity in Africa, Asia Pacific, the Americas and Europe
- Drilling activity continued to be robust in the four major mining regions with the major drilling contractors estimating increased rig utilisation in the year ahead subject to no material deterioration in their markets
- Strong commodity prices added to upward pressure on the Australian dollar, a mixed blessing for our global business
- Activity in the coal bed methane sector in Australia gathered momentum although was negatively impacted by flooding during the year.

## The resources 'boom' in Australia (and globally) and what's driving it

Australia is one of the world's major exporters of commodities such as nickel, iron ore, copper, coal and precious metals. Demand for these resources is largely due to the huge growth in industry and urbanisation in emerging countries such as China and India. Construction projects in these countries require enormous amounts of steel (from iron ore), copper for wiring and electricity, which is still mostly supplied by coal fired generators. As a result prices for commodities have been increasing and given the resource riches in Australia, it is in a prime position to benefit from this demand. A similar situation exists in the other major mining regions of the world giving rise to robust demand globally for the products and services provided by the Imdex Group.

Prices for gold and other precious metals have also increased dramatically in recent years, known as safe-haven investments. Uncertainties in global share markets and concerns about sovereign debt levels have seen some countries stockpiling metals and minerals.

## Financial performance in FY11

Revenue from continuing operations (excluding interest revenue)

$205,163,000

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

$48,146,000

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

$29,002,000

Cash flow from operations

$35,893,000

Gearing levels net debt / (net debt + equity)

13.44 %

Net assets

$125,409,000

# Chairman's **report**

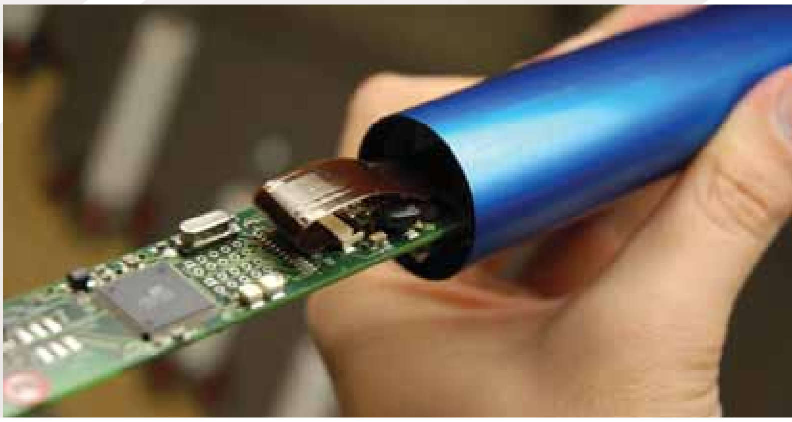
Mr. Ross Kelly AM BE (HONS) FAICD
**Non Executive Chairman**

**On behalf of Imdex Limited's Board, welcome to our 2011 Annual Report. I am pleased to report that the year to 30 June 2011 was an exceptionally positive one for Imdex with record revenue and profit performance and the achievement of key operational milestones.**

Our revenue improved sharply during the 12 months to 30 June 2011 to set a new record at $205.2 million. This was 53% higher than FY10 revenue of $134.3 million. A similar theme was experienced with earnings before interest, taxation and amortisation (EBITA) setting a new record at $48.1 million for the year which was 132% higher than the $20.7 million achieved in FY10. These results are a fitting reward for the expertise and commitment displayed by our staff and management and the consistent delivery of quality products and services to our global customers.

In line with the Board's commitment to pay a growing dividend stream while balancing the capital needs of the business during this exciting growth phase, the Directors were delighted to announce a 2.75 cents per share fully franked final dividend. This is in addition to the 1.75 cents per share fully franked interim dividend paid in March 2011.

> "Looking back on the past year, significant momentum has been built and our achievements have consolidated our place as a major player in our key markets."



## Realising our potential

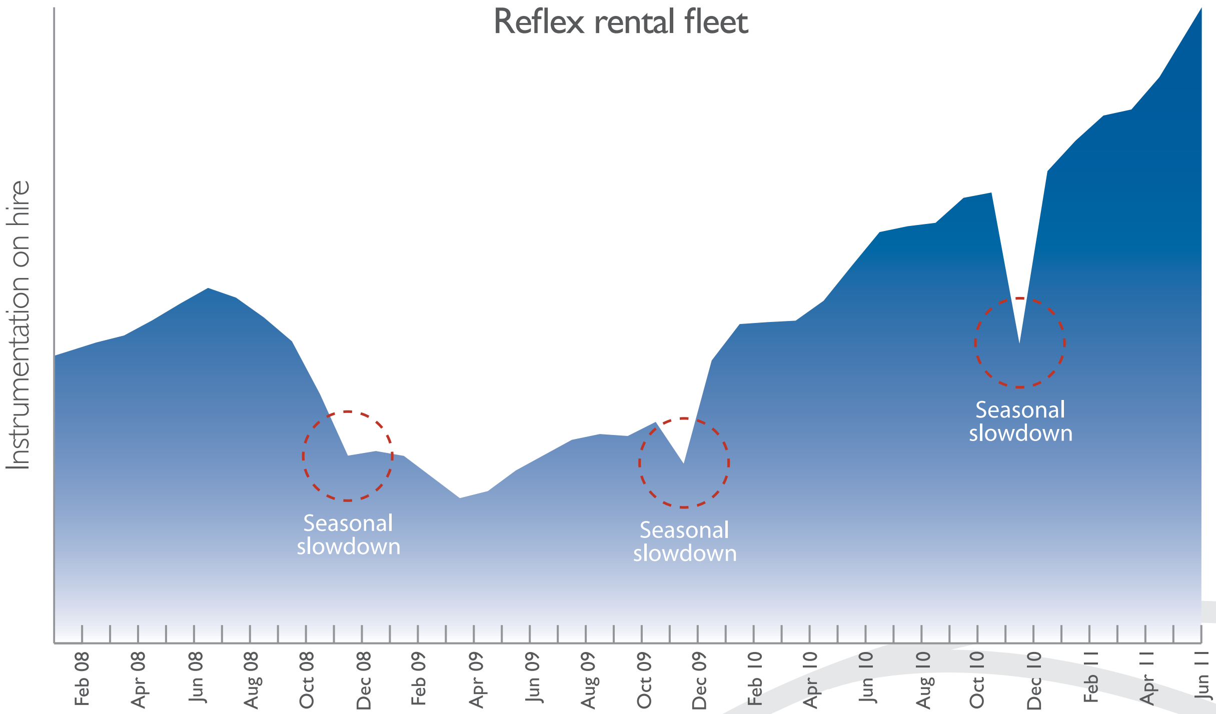
The current financial year allowed the Imdex Group to reap the financial benefit of much work undertaken during the global financial crisis.

Financial benefits have been gained by Imdex continuing to adhere to its proven strategy of being committed to:

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

Imdex's decision to implement a regional structure dividing its minerals business into four operational regions, Africa, Asia Pacific, the Americas and Europe, yielded significant market share growth in FY11, particularly in the Americas and Africa. We expect this strategy to continue to yield further gains in market share across all regions in FY12 and beyond as cross selling opportunities are further unlocked.

Our ongoing research and product development spending saw the continued global uptake of new and improved down hole instrumentation which was a significant driver behind the increase in the size of the rental instrumentation fleet in FY11. By 30 June 2011, Reflex's mining rental fleet had exceeded the previous high point in July 2008 by 79% and we expect new record levels to be achieved in FY12. This is very pleasing for our Company as we have remained focussed on renting rather than selling instrumentation.



## Acquisitions drive growth

Consistent with our strategy to grow Imdex's core business through complementary and strategic acquisitions, Imdex acquired new businesses during the year.

The acquisition of Fluidstar based in Brisbane, Queensland, Australia increased our fluids business in the Australian east coast market and the Asia Pacific region and further built our business in the expanding Coal Bed Methane industry.

The acquisition of Mud-Data in Germany and Romania, allows Imdex to grow its oil and gas fluids footprint in Europe with further potential to enter the growing geothermal market.

Imdex plans to continue to pursue further local and international bolt on acquisitions where synergies and market growth opportunities exist.

## Leading edge technology recognised

Looking back on the past year, significant momentum has been building and our achievements have consolidated our place as a major player in our key markets. We have worked closely with our existing and potential customers, to ensure we meet or exceed their needs in the regions and develop products to enhance their future growth.

Significant achievements continue to be made in the development of Imdex's range of down hole survey instrumentation for application in our markets (see pages 20-21 for further information). Imdex's instrumentation continues to be acknowledged by the industry as being leading edge and was recognised as a finalist in the C.Y. O'Connor Award for Excellence in Engineering and Technology.

Our technology even made headlines helping to save lives in Chile during the mine rescue in August 2010. My sincere thanks to Kelvin Brown and all staff involved for their quick response to this crisis.

## Outlook

Recent volatility in global financial markets has highlighted the uncertainties and concerns that exist in relation to European and US government debt levels and the slow recovery of the US economy. However, the outlook for our key target markets appears strong given the resilience of global commodity prices and continued focus on exploration by minerals and energy companies.

The mineral exploration market is buoyant with strong commodity prices maintained even during the recent period of volatility in global financial markets. Major, intermediate and junior mining companies have increased budgets and are spending on exploration projects. McKinsey/Metals Economics Group predicts a 70% increase in global drilling activity in the 2010 – 2013 period with exploration spending set to exceed and be sustained above previous record levels. This is confirmed by our major customers who expect drill rig utilisation levels to move towards full utilisation levels in calendar 2011.

The oil and gas market remains strong as global demand for these commodities continues to grow. The dearth of new world class discoveries drives exploration into more and more challenging environments where Imdex's expertise and technology are well positioned to assist.

Since 1 July 2011 three new growth initiatives came into operation. The first is the oil and gas services joint venture with DHSO Services. This is expected to generate significant upside in future years as the advanced technology of the Imdex Group is combined with the customer network and industry expertise of DHSO Services. The second is the acquisition of Australian Drilling Specialities (ADS), an AMC dedicated drilling fluids manufacturer in Australia. This acquisition allows improved synergies and ownership of fluids technology and intellectual property. The third is the proposed acquisition of System Mud (Brazil) which provides Imdex access to the growing Brazilian minerals market and the ability to better serve our global customers.


### Key growth drivers for FY12 and beyond for the Imdex Group will be:

- Oil and Gas DHSO Services joint venture operating out of Dubai
- Growth in mud recycling technology rentals / sales business
- Organic growth in all regions, particularly underpenetrated markets in Africa and the Americas
- Growth of Mud-Data, renamed AMC Oil & Gas Europe
- Integration of ADS as dedicated fluids manufacturer for Australia and flow on effects to our global drilling fluids manufacturing
- Further bolt on acquisitions.

I am confident that the Imdex Group will continue to benefit from the work done in the past few years to grow our research and product development capability, maintain our technology leadership position, retain our commitment to customers and grow our international footprint.

On behalf of the Board of Directors and employees, I would like to offer my sincerest thanks to our valued customers, shareholders, staff and management for your ongoing support and hope you will continue to be part of Imdex's exciting future.

*Oilfield rig.*

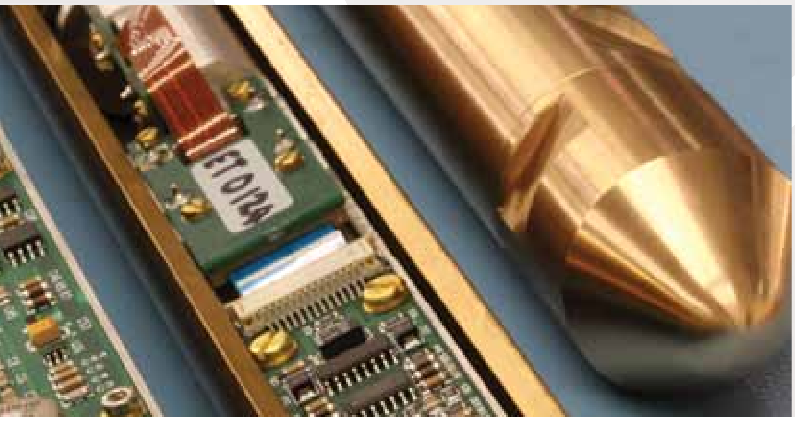
*Mixing of AMC fluids.*

"I am confident that the Imdex Group will continue to benefit from the work done in the past few years to grow our research and product development capability, maintain our technology leadership position, retain our commitment to customers and grow our international footprint."

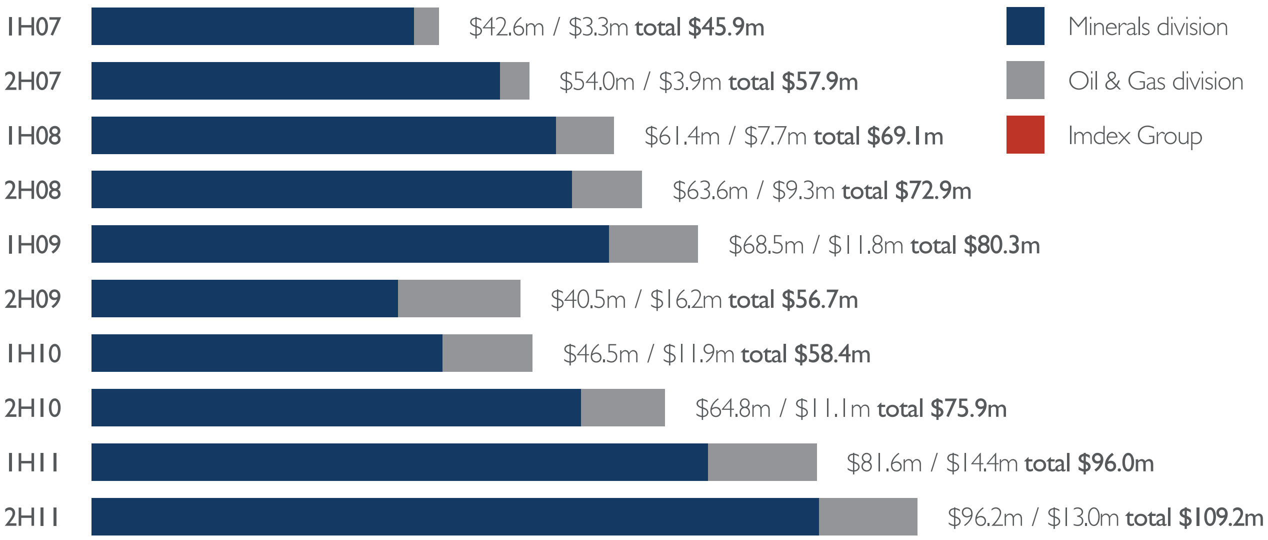
# FY11 comparative financial **performance**

| | 2009 $'000 | 2010 $'000 | 2011 $'000 | Variance % |
|---|---|---|---|---|
| Revenue from continuing operations (excluding interest income) | 136,968 | 134,253 | 205,163 | 53% |
| Operating profit before interest, tax, depreciation and amortisation | 27,817 | 24,893 | 53,867 | 116% |
| Depreciation | (3,318) | (4,182) | (5,721) | 37% |
| Earnings before interest, tax and amortisation (EBITA) | 24,499 | 20,711 | 48,146 | 132% |
| EBITA margin | 18% | 15% | 24% | |
| Amortisation | (6,535) | (6,363) | (6,778) | 7% |
| Earnings before interest and tax (EBIT) | 17,964 | 14,348 | 41,368 | 188% |
| Net interest expense | (826) | (771) | (2,775) | 260% |
| Net profit before tax | 17,138 | 13,577 | 38,593 | 184% |
| Income tax expense | (5,811) | (3,781) | (9,591) | 154% |
| Net profit after tax (before non-operational items) | 11,327 | 9,796 | 29,002 | 196% |
| Forex gain/(loss) on loan to SEH | 1,057 | (677) | - | - |
| Impairment of SEH investment | - | (10,440) | - | - |
| Impairment of intangible assets | - | (23,531) | - | - |
| Tax effect of non-operational items | (317) | 3,304 | - | - |
| Net profit (loss) for the year after tax | 12,067 | (21,548) | 29,002 | - |
| Basic earnings (loss) per share from continuing operations (cents) | 6.37c | (11.05c) | 14.69c | - |
| Net cash provided by operating activities | 16,175 | 5,700 | 35,893 | 530% |
| Cash on hand | 11,975 | 9,007 | 18,388 | 104% |
| Net assets | 116,198 | 94,495 | 125,409 | 33% |
| Total borrowings | 34,039 | 32,018 | 37,860 | 18% |
| Net tangible assets per share | 19.10c | 22.83c | 34.83c | 53% |

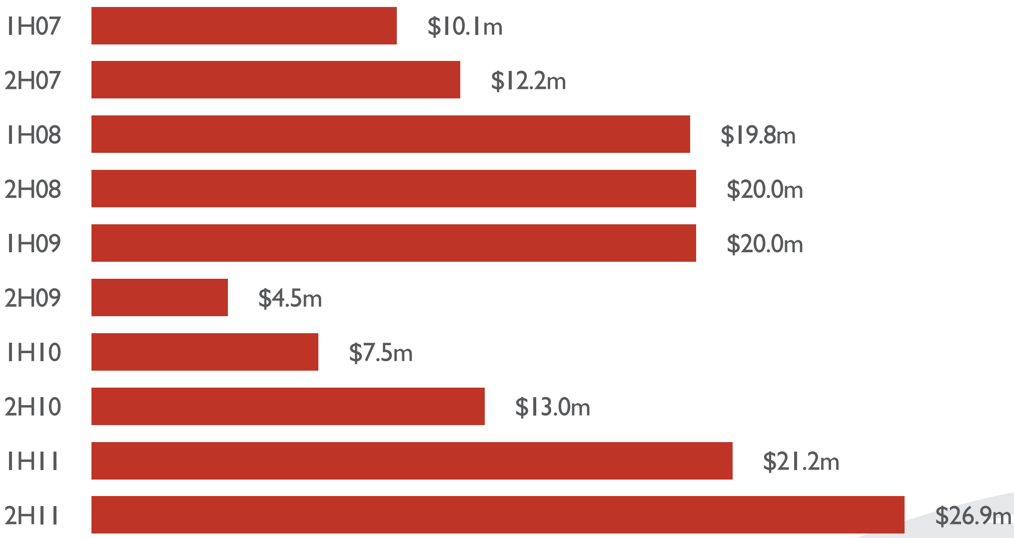
# FY11 comparative financial **performance** continued



## Normalised* revenue by division




## Normalised* EBITA




*Excludes discounted operations and non operational items

# Imdex's board of **directors**

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

**Mr. Ross Kelly AM BE (HONS) FAICD**
Non Executive Chairman
Age 73 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 57 years

- Appointed to the Board 23 May 2000
- Over 26 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
- Non Executive Director of Sino Gas and Energy Holdings Limited

**Mr. Magnus Lemmel B.A.**
Non Executive Director
Age 72 years

- Appointed to the Board 19 October 2006
- Management Consultant based in Brussels, Belgium
- Involved in small business development in Sweden. Former Chairman of Fiberform Vindic Holding AB, previously 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 59 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 Intrepid Mines Limited
- 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 Accountant

**Ms. Betsy Donaghey, B.S. Civil Engineering, M.S. Operations Research**
Non Executive Director
Age 53 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 with BHP Billiton and nine years with Woodside Energy
- Non-executive director of St Barbara Limited

# Managing director's **report**

Mr. Bernard Ridgeway B.Bus (ACCTG) ACA
**Managing Director**

## I am delighted with the achievements we have made this financial year. We have delivered strong revenue and earnings, increased market share in all key regions, record Reflex instrumentation rental levels, and a number of operational highlights, including strategic acquisitions and continuing development of our products for the minerals and oil and gas industries. In a nutshell, the financial year to 30 June 2011 was record breaking for our business on a number of fronts.

Having identified significant opportunities for market penetration for both our drilling fluids and down hole instrumentation products, we deployed regional managers to ensure operational efficiencies, a high level of support for global customers, and the realisation of opportunities to gain market share. This strategy has yielded, and continues to yield, excellent results across all major mining regions of Africa, Asia Pacific, the Americas and Europe.

Drilling contractors continue to report strong demand from the major, intermediate and junior mining companies and global rig utilisation rates are also well up at approximately 75-80%, due mainly to robust commodity prices and increased liquidity.

Imdex has a long and successful history of growth, both organically and through acquisitions. We have integrated several strategic acquisitions into the Group over the past six years. In FY11, the acquisitions of Fluidstar and Mud-Data have been complementary to existing operations, and have integrated smoothly into our Group (discussed in more detail on page 22). In addition, towards the close of FY11, we announced the acquisition of Australian Drilling Specialities (ADS) effective 1 July 2011. ADS is a dedicated manufacturer of drilling fluids and chemicals for AMC and owns proprietary PHPA (Polymer) technology which AMC intends to expand further in strategic overseas locations.

Exciting aspects of the business are our technologies and product development which continue to position us as a leader in both drilling fluids and down hole instrumentation. This requires tremendous effort and dedication from our employees in order to produce leading products using innovation and expertise for global application.

## Best ever results

The highlights of our financial performance for the full 2011 year were:

- Record revenue (excluding interest revenue), up 53% to $205.2 million (FY10: $134.3 million)
- Record normalised EBITA up 132% to $48.1 million (FY10: $20.7 million)
- Record normalised net profit after tax from continuing operations, up 196% to $29.0 million (FY10: $9.8 million)
- Dividend reinstated with the payment of a 1.75 cents per share fully franked interim FY11 dividend and declaration of a 2.75 cents per share fully franked final FY11 dividend
- Exceptional growth in cash flow from operations to $35.9 million, an increase of 530% (FY10: $5.7 million)
- Strong balance sheet with gearing (net debt/capital) reducing to 13.4% (30 June 2010: 19.6%) even after the acquisitions of Fluidstar and Mud-Data
- Net assets up 33% to $125.4 million (FY10: $94.5 million).

"Having identified significant opportunities for market penetration for both our drilling fluids and down hole instrumentation products, we deployed regional managers to ensure operational efficiencies, a high level of support for global customers, and the realisation of opportunities to gain market share. This strategy has yielded, and continues to yield, excellent results across all major mining regions of Africa, Asia Pacific, the Americas and Europe."

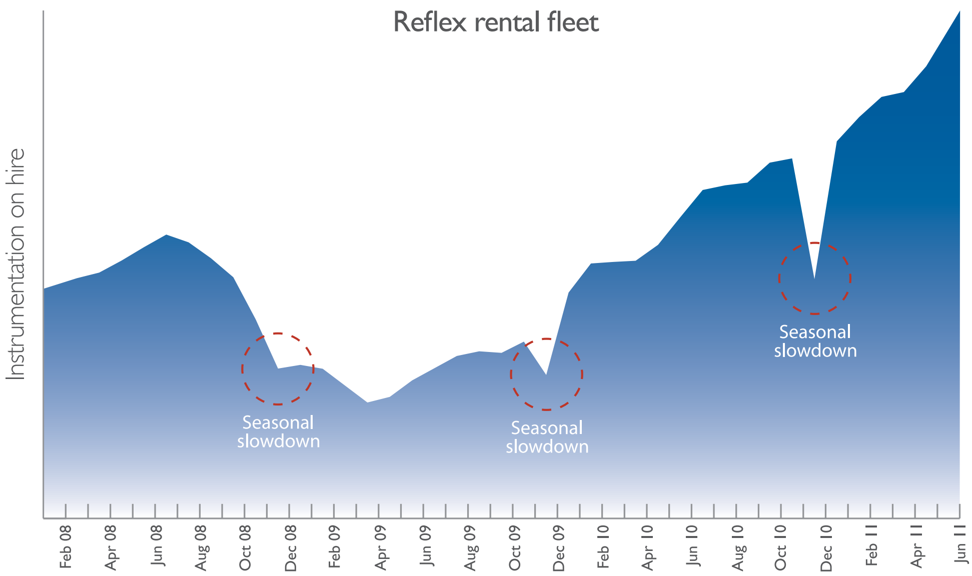
# Divisional performance

## Minerals division

In FY11, the minerals division achieved record revenues up 60% to $177.7 million, representing 87% of the Company's total revenue for the year.

### Key operational highlights

- Reflex instrumentation rental fleet has increased by 337% since the April 2009 low to record levels at the end of June 2011 due to additional drill rig utilisation and growing market share globally (as shown on the graph below)
- Strong performance across all regions, with record sales in Chile, Mexico, Argentina, Africa and parts of Asia Pacific for AMC
- The regional structure has had a significant impact on the business globally, particularly in facilitating product cross selling, operational efficiencies, greater local support for customers, and increasing market share
- Generated the first AMC sales out of Europe during the year
- Record revenue generated given strong demand for Reflex's rental instruments in Africa, Asia Pacific, the Americas and Europe
- Reflex continued its active product development and technology improvements
- Continued development of Imdex's innovative drilling fluid recycling technology (previously known as the solids control units) to be marketed in the major mining markets around the world
- Overall winner in the Innovator of the Year Awards in the Western Australian Chamber of Commerce's Industry and Export Awards held on 4 November 2010
- Demand continues to grow for Reflex's newly launched MEMS gyro down hole survey instrument within the global mining and mineral exploration market.



## Oil & Gas division

Oil & Gas division revenue was up 19% to $27.5 million, representing 13% of the Company's total revenue for the year.

The oil and gas sector has significant growth potential and is a logical diversification from the cyclical minerals industry. Imdex has exciting growth opportunities in the oil and gas sector through an oilfield services joint venture (DHSO) and the acquisition of Mud-Data (as outlined on page 22).

The Queensland and central Australia floods had a negative effect on sales of our conventional oil and gas drilling fluids and coal bed methane fluid products during the second half of FY11.

### Key operational highlights

- AMC Oil & Gas brand continues to grow in niche South East Asian markets and onshore Australia and PNG
- Further demand in niche markets for production and completion chemicals developed and produced by Wildcat Chemicals Australia, a wholly owned subsidiary of Imdex
- Continued investment in engineering and product development to maintain an active technology pipeline
- As announced to the ASX on 22 March 2011, Imdex completed the acquisition of Mud-Data, a drilling fluids and equipment supplier to the oil and gas and geothermal markets in Germany and key parts of Europe, a market with attractive growth opportunities
- Completed a joint venture agreement with DHSO Services allowing Imdex to penetrate the global oil and gas down hole survey services markets, effective 1 July 2011. Details of the joint venture are outlined in the Investors section of our website.

## Platform for growth

As we look toward the new financial year, our focus will be in six key areas:

- Expanding our capabilities and presence in the oil and gas and geothermal markets in Germany and the rest of Europe
- Developing organic initiatives, particularly the fluids recycling technology for delivery to major mining markets around the world
- Continuing to invest in research and product development to extend our product offering and maintain technology market leadership
- Expanding the DHSO oil and gas services joint venture globally
- Continuing to grow market share in under-penetrated minerals markets globally
- Integrating the bolt on acquisitions of ADS and System Mud.

Trading conditions globally are conducive to growing our business and Imdex is well positioned to respond to the growing needs of the sectors in which we specialise.

Subject to there being no material deterioration in our end markets, Imdex's sound fundamentals and balance sheet, comfortable liquidity position and low gearing, global footprint, leading brands and technologies, and strong customer relationships, place the Company in a strong position to accelerate future growth. We look forward to partnering with our customers to ensure our mutual success in FY12 and beyond.

I wish to congratulate everyone, particularly our hardworking, dedicated and loyal staff, who contributed to our record results, recent awards success and our growing number of loyal customers. We remain focused on seizing new opportunities and growing our business for the benefit of all customers and shareholders.

# FY11 initiatives


## Experts in the field

From 1 July 2010, Imdex's new regional operating structure for the Minerals division came into effect. This divided the business into four operational regions – Africa, Asia Pacific, the Americas and Europe. Many of our customers in the fluids and down hole instrumentation sectors are common so the change has allowed Imdex to facilitate important cross selling opportunities. There are significant opportunities for market penetration for our drilling fluids and down hole instrumentation products, particularly in Africa, the Americas and Europe where benefits have emerged from the shift to greater local representation of technical expertise in these sometimes challenging environments.

The drilling fluids product development laboratory in Osborne Park, Western Australia is adding value with specialised analytical equipment to test and develop drilling fluids used in oil and gas, mining, water well and specialised drilling sectors. The ability to offer these services gives Imdex a significant competitive advantage within the drilling fluids market, in particular.

During the year, Reflex published a professional reference guide to drilling, titled *A guide to borehole deviation and surveying*. The essential guide contains 40 pages of detailed instructions with accompanying visual diagrams on managing every aspect of drilling, including surveying techniques, measuring principles and interpreting survey data. The guide is aimed at all professionals involved in drilling, including drillers, geologists and down hole surveyors. The guide is also being provided to tertiary students intent on entering the workforce to supplement their theoretical and practical understanding of drilling and instrumentation.

AMC's popular drilling fluid training continued during the year to educate our customers and staff on various aspects in the optimum use of AMC's drilling fluids.

The training is designed to address specific customer requirements and provide a unique hands-on opportunity to work with AMC drilling fluids and equipment. The schools are an integral part of the superior level of service and training accessible to our customers worldwide.

Over the past two years, we have centralised our manufacturing facilities for the down hole instrumentation used in the mining and exploration sectors. This was to enhance operational efficiencies, generate cost saving benefits, and allow greater control over the manufacturing and research and product development functions. The first of these activities relocated Reflex's manufacturing facility at Imdex Technology in the United Kingdom to Osborne Park, Western Australia. The repair and production facility at Imdex Technology, Sweden was successfully transferred to Imdex's premises in Osborne Park, Western Australia at the end of September 2010. Imdex upgraded its Osborne Park premises into a dedicated facility for ongoing research, product development and future growth.

The operations of AMC in the European region were strengthened during the year with the relocation of an experienced AMC Sales Manager to Europe to establish AMC's drilling fluids division in Europe. Customers in the European region (including Ireland, Turkey, Kazakhstan and Kyrgyzstan) were previously supported from Australia and Canada but will now be supported directly from Europe.

> "There are significant opportunities for market penetration for both our drilling fluids and down hole instrumentation products"

## Advancing technology

Since introducing the concept of our Solids Control Unit (SCU) (MK1) in 2009 to the diamond drilling industry, the process of commercialisation continued with positive results from several field trials conducted in Western Australia in 2H11. The unique design of the unit is being developed to conserve water, contain used drilling fluids and enable the responsible disposal of solids and reduce the digging of mud pits. The unit will initially be rolled out in the Asia Pacific market and will move to the other major mining markets of Africa, Canada and Latin America in 2H12.

A recent successful field trial involved access to a restricted area of national park in northwest Australia. Previously off limits to exploration drilling, crews had not been permitted to operate in this highly sensitive area. With the contained drilling fluid system, drillers were given permission to enter the area and drilling operations were successfully conducted.

> "AMC was the winner of 2010 WA Innovator of the Year award for its unique SCU design. This award is made for outstanding achievement or excellence in developing an innovative commercial product, process, service or technology."

## Award winning products

Imdex subsidiaries, Reflex and AMC, were both nominated as finalists in the Western Australian (WA) Industry and Export Awards.

The awards, described by the Western Australian Chamber of Commerce as WA's most prestigious, acknowledge the importance of WA businesses and the contributions they make to the local economy. The awards cover various industry and export categories and recognise the innovation and hard work of business, both large and small.

AMC was the winner of 2010 WA Innovator of the Year award for its unique SCU design. This award is made for outstanding achievement or excellence in developing an innovative commercial product, process, service or technology.

Reflex was selected as a finalist for the C.Y. O'Connor Award for Excellence in Engineering and Technology category. The C.Y. O'Connor Award is awarded for excellence in engineering, technology, medical technology, information technology and/or technical research and development. Reflex was selected for its design and development of the Reflex ACT II Rapid Descent core orientation instrument. Key benefits of this instrument are speed, accuracy and ease of use making it the industry wide preferred tool for core orientation.

## Organic and acquisition growth

Imdex has enjoyed a consistently successful history of acquisitions to increase its global presence, product offerings and expertise. FY11 was no exception.

The acquisition of Fluidstar became effective 1 September 2010, and its specialist products were integrated with AMC's range of drilling fluids. The business is now benefiting from a combined sales team and an expanded sales presence in South East Asia.

The acquisition of the European based Mud-Data was effective 1 March 2011. This provides a base for Imdex to effectively penetrate the oil and gas and geothermal drilling fluids markets in Europe, with considerable potential for market growth in Germany and Romania. It will deliver an expanded product range, excellent capabilities and enhanced exposure to these industries across Europe.

The acquisition was funded from existing cash resources. Whilst Mud-Data did not contribute to profits in FY11, the business is well placed to generate significant revenue and profits in FY12 and future periods.

> "Imdex has enjoyed a consistently successful history of acquisitions to increase its global presence, product offerings and expertise. FY11 was no exception."

## Reflex to the rescue

Imdex was proud to play a role in the successful rescue mission of 33 miners who became trapped at the San Jose underground mine in Northern Chile on 5 August 2010.

Reflex's Global Product Manager, Kelvin Brown, assisted with the planning and design of the drill hole which successfully intercepted the refuge chamber in which the miners were trapped, some 700 metres below the surface.

Mr. Kelvin Brown was flown to Chile to help direct the drilling and was on site working with the rescue team when it first made contact with the miners on 22 August, 2010. Reflex's EZ-Trac survey instrument, renowned for its superior accuracy and speed, was utilised to survey the communications bore hole and orientate the HX Navimotors.

In addition, AMC drilling fluid was also used to increase drilling effectiveness through the hard rock formations. The product is a unique high performance extreme pressure lubricant and cutting oil, with excellent lubricating characteristics that improve drilling penetration rates and reduce wear to drilling equipment.

Since returning, Kelvin has presented on behalf of Reflex at various forums to share the experience and learnings with industry professionals. and has been awarded the WA Spatial Excellence award for his role in the rescue.

Kelvin Brown also received the "Miner of the Year" and "Outstanding Contribution to Mining" awards at the Australian Mining Prospect industry ceremony held in Sydney on 7 September 2011. Reflex is very pleased to be recognised in this way and sincerely thank Kelvin and the Reflex team for their quick response and role played in the mine rescue.

## Committed to health and safety

During the year, Imdex maintained an excellent record of health and safety for its people, customers and others with whom we interact. During FY11, Imdex achieved a number of quality ISO9001 certifications, including AMC Chile and Reflex Chile. More information about these achievements is outlined on page 26.

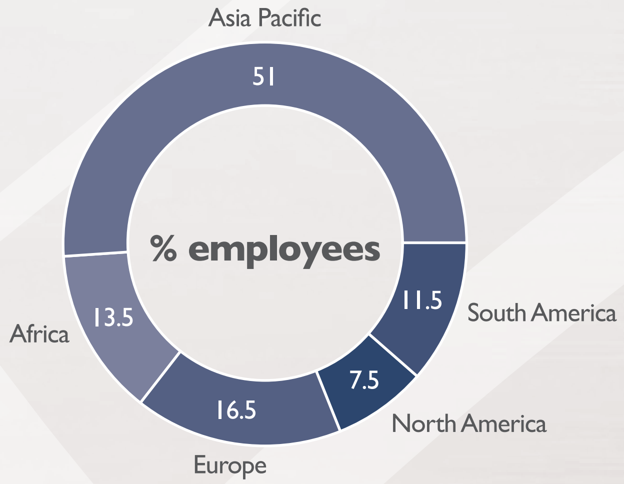
> "Imdex was proud to play a role in the successful rescue mission of 33 miners who became trapped at the San Jose underground mine in Northern Chile on 5 August 2010. Reflex's Global Product Manager, Kelvin Brown, assisted with the planning and design of the drill hole which successfully intercepted the refuge chamber in which the miners were trapped, some 700 metres below the surface."

*Operator inserts Reflex EZ-Trac.*

*Onsite testing of AMC fluids.*

# Global **business**

Imdex is well established globally with operations in all key global markets, including Africa, Asia Pacific, Europe, North America and South America.




We are set apart by our ability to provide innovative drilling fluids and advanced down hole instrumentation with unrivalled onsite technical support.

# Quality, health, safety and the **environment**

Imdex's dedicated Quality, Health, Safety and Environmental (QHSE) department oversees the Company's commitment to continuous improvement, and the safety and wellbeing of its employees, customers and others with whom it interacts.

## Key achievements for FY11

- Imdex Limited, AMC, Reflex Asia Pacific, Imdex Technology, Flexit Australia, AMC Africa (Samchem), Wildcat and Reflex Canada successfully maintained certification to ISO9001:2007
- Imdex South America including AMC Chile and Reflex Chile achieved ISO9001 certification
- Imdex's integrated QHSE Management System was rolled out in March, providing universal QHSE standards, checklists for responsible managers and documentation for audit purposes
- Imdex Limited, including AMC Asia Pacific, Reflex Asia Pacific and Imdex Technology were successfully certified to the internationally recognised Occupational Health and Safety standard OHSAS18001:2007 and Australian Standard AS/ANZ4801.

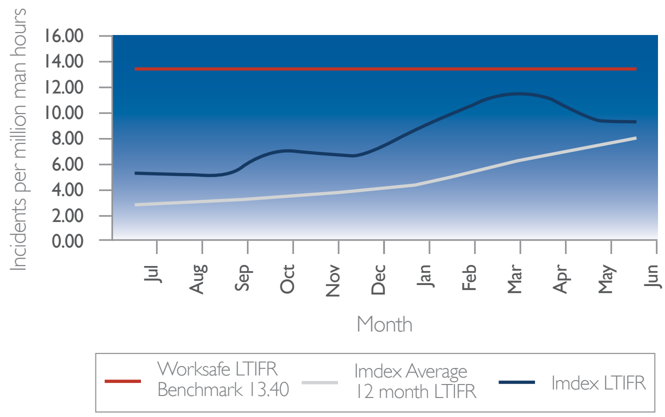
## Injury Statistics for FY11

Globally, the Imdex Group Lost Time Injury Frequency Rate (LTIFR) was below the stringent Western Australian WorkSafe benchmark. 6 lost time injuries occurred globally, with a total of 23 days lost.

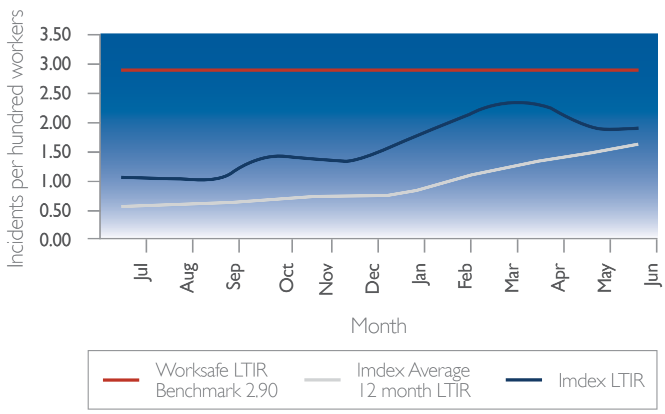
LTIFR = Number of lost time injuries / diseases for each one million hours worked.

| WorkSafe benchmark | Imdex Group |
|---|---|
| LTIFR = 13.4 | LTIFR = 9.26 |

Imdex Group Lost Time Injury Frequency Rate (LTIFR)
June 2011 = 9.26 (incidents per million hours worked)




Imdex Group Lost Time Incident Rate (LTIR)
June 2011 = 1.90 (incidents per hundred workers)



# Managing **risk**

## 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 and Risk Management function which regularly conducts reviews and location based internal audits and risk reviews.

> "Imdex has a strong and stable management team with extensive technical and product knowledge together with unrivalled hands-on experience. With regional managers based in Africa, Asia Pacific, the Americas and Europe, we can offer on-site technical support to our customers worldwide."

## 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 risk mitigation strategies to reduce risk exposure
- 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.

# FY11 financial report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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 2011.

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 AM | Non Executive Chairman | 73 | ▪ Engineer<br>▪ Director since 14 January 2004<br>▪ Appointed as Chairman on 15 October 2009<br>▪ Member of the Audit and Compliance Committee<br>▪ Chairman of the Remuneration Committee until 14 December 2009<br>▪ Previously Chairman and Non Executive Director of Clough Limited, Sumich Group Limited, Orbital Corporation Limited, Beltreco Limited and Director of Aurora Gold Limited, PA Consulting Services Ltd and the Fremantle Football Club. |
| Mr B W Ridgeway | Managing Director | 57 | ▪ Chartered Accountant<br>▪ Director since 23 May 2000<br>▪ Over 25 years experience with public and private companies as owner, director and manager<br>▪ Member of the Institute of Chartered Accountants in Australia and Australian Institute of Company Directors.<br>▪ Director of Sino Gas and Energy Holdings Ltd |
| Mr K A Dundo | Independent, Non Executive Director | 58 | ▪ Lawyer<br>▪ Chairman of the Audit and Compliance Committee<br>▪ Member of the Remuneration Committee<br>▪ Director since 14 January 2004<br>▪ Director of Red 5 Limited and Synergy Plus Limited<br>▪ Previously Director of Intrepid Mines Ltd |
| Mr M Lemmel | Independent, Non Executive Director | 72 | ▪ Management Consultant<br>▪ Director since 19 October 2006<br>▪ Chairman of the Remuneration Committee from 14 December 2009<br>▪ Chairman of Fiberform Vindic AB<br>▪ 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 | 53 | ▪ Civil Engineer<br>▪ Director since 28 October 2009<br>▪ Member of the Audit and Compliance Committee from 14 December 2009<br>▪ Member of the Remuneration Committee from 14 December 2009<br>▪ Director of St Barbara Limited<br>▪ 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 B W Ridgeway | Sino Gas and Energy Holdings Limited | Non Executive Director | 2007 – Current |
| Mr K A Dundo | Red 5 Limited<br>Synergy Plus Limited<br>Intrepid Mines Ltd | Non Executive Director<br>Non Executive Director<br>Non Executive Director | 2010 – Current<br>2006 – Current<br>2002 – 2009 |
| Ms E Donaghey | St Barbara Limited | Non Executive Director | 2011 – Current |

**(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, six Board meetings, three Audit and Compliance Committee meetings and five Remuneration Committee meetings were held.

| | Board of Directors | | Audit and Compliance Committee | | Remuneration Committee | |
|---|---|---|---|---|---|---|
| | Held | Attended | Held | Attended | Held | Attended |
| R W Kelly | 6 | 6 | 3 | 3 | - | - |
| B W Ridgeway | 6 | 6 | - | - | - | - |
| K A Dundo | 6 | 6 | 3 | 2 | 5 | 5 |
| M Lemmel | 6 | 5 | - | - | 5 | 5 |
| E Donaghey | 6 | 6 | 3 | 3 | 5 | 5 |

**(e) Directors' Shareholdings**

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

| Directors | Shares Held Directly | Shares Held Indirectly | Options Held Directly |
|---|---|---|---|
| R W Kelly | - | 380,000 | - |
| B W Ridgeway | - | 2,435,000 | - |
| K A Dundo | - | 300,000 | - |
| M Lemmel | 903,921 | - | - |
| E Donaghey | 185,000 | - | - |

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 32. Details of performance rights 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 $374,300, including statutory superannuation. The Board determines the apportionment of directors' fees between each Director.

***Managing Director***

The Managing Director's remuneration is determined by the Remuneration Committee with due regard to current market rates.

The Managing Director has a short term incentive bonus amounting to 28% of his base remuneration package. Each year the Remuneration Committee sets key performance indicators (KPIs) for the Managing Director to earn this short term incentive bonus. These KPIs typically 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 typically 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 and Mr M L Quesnel's contract provided for a 30 day notice period. No additional benefits above those already entitled to will become payable on termination.

**Director and Senior Management details**

The Directors of Imdex Limited during the year were:

(i) Mr R W Kelly (Non Executive Chairman);
(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).

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

(i) Mr G E Weston (Project General Manager; General Manager: Oil & Gas division);
(ii) Mr D J Loughlin (General Manager: Minerals division);
(iii) Mr M L Quesnel (General Manager: Fluids and Chemicals (Oil & Gas division); resigned 31 August 2010);
(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 principally motor vehicles;
(ii) Post-employment benefits – superannuation;
(iii) Equity – share options granted under the Staff Option Scheme (note 32) or performance rights granted under the Performance Rights Plan (note 33) 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 2011:

| | 30 June 2011 | 30 June 2010 | 30 June 2009 | 30 June 2008 | 30 June 2007 |
|---|---|---|---|---|---|
| Revenue – continuing and discontinued operations ($000s) | 205,334 | 135,625 | 138,992 | 150,493 | 119,340 |
| Net profit / (loss) before tax from continuing operations ($000s) | 38,593 | (21,071) | 18,195 | 31,885 | 18,115 |
| Net profit / (loss) after tax from continuing operations ($000s) | 29,002 | (21,548) | 12,067 | 21,081 | 11,950 |
| Share price at start of year (cents) | 73.0 | 64.5 | 165 | 150 | 61 |
| Share price at end of year (cents) | 215.0 | 73.0 | 64.5 | 165 | 150 |
| Interim dividend (cents) – fully franked | 1.75 | - | 1.00 | 1.75 | 1.00 |
| Final dividend (cents) – fully franked | 2.75 * | - | - | 2.25 | 1.50 |
| Basic earnings / (loss) per share (cents) – continuing operations | 14.69 | (11.05) | 6.37 | 11.22 | 7.72 |
| Diluted earnings / (loss) per share (cents) – continuing operations | 14.25 | (11.05) | 6.23 | 10.79 | 7.09 |

* - Declared post year end on 12 August 2011 hence the financial effect of this dividend has not been recognised in the financial statement at 30 June 2011.

**Year ended 30 June 2011**

| | Short-term employee benefits | | | | Post Employment | | Other long-term employee benefits | Termination Benefits | Share-based payment | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Equity-settled ^ | | Cash settled | Other | |
| | Salary & fees | Bonus | Non-monetary | Other | Super-annuation | Other | | | Shares & Units | Options & Rights | | | |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Executive Director** | | | | | | | | | | | | | |
| B W Ridgeway, Managing Director | 574,363 | 140,000 | 10,626 | - | 51,693 | - | 42,671 | - | - | 53,076 | - | - | 872,429 |
| **Non Executive Directors** | | | | | | | | | | | | | |
| R W Kelly, Chairman | 110,000 | - | - | - | 9,900 | - | - | - | - | - | - | - | 119,900 |
| K A Dundo | 80,000 | - | - | - | 7,200 | - | - | - | - | - | - | - | 87,200 |
| M Lemmel | 80,000 | - | - | - | - | - | - | - | - | - | - | - | 80,000 |
| E Donaghey | 80,000 | - | - | - | 7,200 | - | - | - | - | - | - | - | 87,200 |
| | 924,363 | 140,000 | 10,626 | - | 75,993 | - | 42,671 | - | - | 53,076 | - | - | 1,246,729 |

| | Short-term employee benefits | | | | Post Employment | | Other long-term employee benefits | Termination Benefits | Share-based payment | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Equity-settled ^ | | Cash settled | Other | |
| | Salary & fees | Bonus | Non-monetary | Other | Super-annuation | Other | | | Shares & Units | Options & Rights | | | |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Group Executives** | | | | | | | | | | | | | |
| G E Weston, Project General Manager, General Manager: Oil & Gas Division | 383,350 | 178,500 | - | - | 34,502 | - | 40,991 | - | - | 155,388 | - | - | 792,731 |
| D J Loughlin, General Manager: Minerals Division | 339,590 | 113,150 | - | - | 30,563 | - | 11,422 | - | - | 99,340 | - | - | 594,065 |
| M L Quesnel, General Manager: Fluids and Chemicals (Oil & Gas) Division * | 36,666 | - | - | - | - | - | - | - | - | - | - | - | 36,666 |
| P A Evans, Chief Financial Officer / Company Secretary | 343,500 | 149,650 | - | - | 30,915 | - | 11,101 | - | - | 113,068 | - | - | 648,234 |
| | 1,103,106 | 441,300 | - | - | 95,980 | - | 63,514 | - | - | 367,796 | - | - | 2,071,696 |

* - Mr P J Mander ceased to be a Group Executive on 1 July 2010 when changed internal reporting structures came into effect. Mr M L Quesnel resigned on 31 August 2010. 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.

**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.

(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 short term cash bonus of $140,000 in the current year. This bonus was achieved for exceeding budgeted EBITA levels by more than a set percentage and for achieving one of three product development milestones. An additional $40,000 could have been earned by Mr Ridgeway had the remaining two product development targets and one cash flow related target been met. Mr Ridgeway earned a short term cash bonus of $10,000 in the prior year on the achievement of operational targets.

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

The grant of 196,579 performance rights to Mr Ridgeway in the current year was approved by the shareholders at the Annual General Meeting on 14 October 2010. The Managing Director is subject to two hurdles each with equal weighting. The first is that the Total Shareholder Return (TSR) of Imdex Limited must exceed the average TSR of the ASX300 over the 3 year measurement period. The second is that the Earnings Per Share of Imdex Limited must exceed the average EPS of the ASX300 over the 3 year measurement period. The performance hurdle in relation to these performance rights will be measured after the audit sign off of the FY13 financial statements on or about August 2013. No value has therefore been received by Mr Ridgeway in the current year. Refer note 33 for further details.

The grant of 234,375 performance rights to Mr Ridgeway in the prior year was approved by the shareholders at the Annual General Meeting on 15 October 2009. All of these performance rights expired in the prior year due to the FY10 EBITA performance hurdles not being met. No value was therefore received by Mr Ridgeway. Refer note 33 for further details.

(ii) **Mr G E Weston** is party to a service contract with Imdex Limited, which sets out a fixed compensation package, reviewable annually. The service contract stipulates a twelve month notice period in the event that the contract is terminated. There are no termination benefits specified in this contract. Performance incentives may be agreed between Mr Weston and Imdex 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.

Mr Weston earned a short term cash bonus of $178,500 on achievement of specified profitability hurdles. This was the maximum possible bonus that Mr Weston could have earned. No short term cash bonus was earned in the prior year 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 32 for further details.

Mr Weston was granted 120,897 performance rights in the current period under the Performance Rights Plan. It is expected that the hurdles applicable to all of these performance rights will be achieved in the current year. These 120,897 performance rights will be settled via the issue of 120,897 fully paid ordinary shares in Imdex Limited in equal one third tranches annually on or about August each year starting in August 2011 on condition that Mr Weston remains employed by Imdex Limited at that time. Refer note 33 for further details.

Mr Weston was granted 136,009 performance rights in the prior period under the Performance Rights Plan. All of these performance rights expired in the prior year due to the FY10 EBITA performance hurdles not being met. No value was therefore received by Mr Weston. Refer note 33 for further details.

(iii) **Mr D J Loughlin** is a party to a service contract with Imdex Limited, which sets out a fixed compensation package reviewable annually. The service contract specifies a six month notice period in the event that the contract is terminated. There are no termination benefits specified in this contract. Additional performance incentives may be agreed between Mr Loughlin and Imdex Limited from time to time.

Mr Loughlin earned a short term cash bonus of $113,150 on achievement of specified profitability hurdles. This was the maximum possible bonus that Mr Loughlin could have earned. No short term cash bonus was earned in the prior year 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 32 for further details.

Mr Loughlin was granted 125,587 performance rights in the current period under the Performance Rights Plan. It is expected that the hurdles applicable to all of these performance rights will be achieved in the current year. These 125,587 performance rights will be settled via the issue of 125,587 fully paid ordinary shares in Imdex Limited in equal one third tranches annually on or about August each year starting in August 2011 on condition that Mr Loughlin remains employed by Imdex Limited at that time. Refer note 33 for further details.

Mr Loughlin was granted 93,493 performance rights in the prior 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 33 for further details.

(iv) **Mr M L Quesnel** was a party to a consulting contract with Imdex Limited, which set out a fixed compensation package. This contract terminated on 31 August 2010. No termination benefits became payable as a result of the termination of this contract.

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

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

No performance rights were granted to Mr Quesnel in the current year. Mr Quesnel was granted 68,751 performance rights in the prior period under the Performance Rights Plan. All of these performance rights expired in the prior year due to the FY10 EBITA performance hurdles not being met. No value was therefore received by Mr Quesnel. Refer note 33 for further details.

(v) **Mr P J Mander** ceased to be a Group Executive on 1 July 2010 when changed internal reporting structures came into effect. Mr Mander was a party to a service contract with Imdex Limited, which set out a fixed compensation package reviewable annually. The service contract specified 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 cash bonus was earned in the prior year as the required hurdles were not met.

No options were granted to Mr Mander in the prior year. The options expense shown in the tables above includes a portion of the value of options granted in past years that has been spread over the three year vesting period. Refer note 32 for further details.

Mr Mander was granted 73,437 performance rights in the prior period under the Performance Rights Plan. All of these performance rights expired in the prior year due to the FY10 EBITA performance hurdles not being met. No value was therefore received by Mr Mander. Refer note 33 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.

Mr Evans earned a short term cash bonus of $149,650 on achievement of specified profitability hurdles. This was the maximum possible bonus that Mr Evans could have earned. No short term cash bonus was earned in the prior year 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 32 for further details.

Mr Evans was granted 111,806 performance rights in the current period under the Performance Rights Plan. It is expected that the hurdles applicable to all of these performance rights will be achieved in the current year. These 111,806 performance rights will be settled via the issue of 111,806 fully paid ordinary shares in Imdex Limited in equal one third tranches annually on or about August each year starting in August 2011 on condition that Mr Evans remains employed by Imdex Limited at that time. Refer note 33 for further details.

Mr Evans was granted 112,110 performance rights in the prior period under the Performance Rights Plan. All of these performance rights expired in the prior year due to the FY10 EBITA performance hurdles not being met. No value was therefore received by Mr Evans. Refer note 33 for further details.

**Bonuses granted to Directors and Senior Managers**

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

| | Bonus $ | % of possible bonus earned | % of possible bonus forfeited | % of compensation for the year consisting of performance based bonuses |
|---|---|---|---|---|
| B W Ridgeway | 140,000 | 78% | 22% | 16% |
| G E Weston | 178,500 | 100% | - | 23% |
| D J Loughlin | 113,150 | 100% | - | 19% |
| M L Quesnel | - | - | 100% | - |
| P A Evans | 149,650 | 100% | - | 23% |

**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 | - | 2,040,000 | - | 2,040,000 | - | - | - | - |
| G E Weston | - | 1,640,000 | - | 1,640,000 | 166,668 | 33% | 58,375 | 8% |
| D J Loughlin | - | - | - | - | - | - | - | - |
| M L Quesnel | - | - | - | - | - | - | - | - |
| P A Evans | - | - | - | - | 66,667 | 13% | 23,350 | 4% |

(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 7.5% 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 profitability 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 (iii) | Value included in remuneration during the year | Percentage of remuneration for the year that consisted of performance rights |
|---|---|---|---|---|---|---|---|
| | | Value at grant date | | Value at issue date | | | |
| | Number | $ | Number | $ | Number | $ | % |
| B W Ridgeway (i) | 196,579 | 212,305 | - | - | - | 53,076 | 6% |
| G E Weston (ii) | 120,897 | 157,690 | - | - | - | 97,013 | 13% |
| D J Loughlin (ii) | 125,587 | 161,487 | - | - | - | 99,340 | 17% |
| M L Quesnel | - | - | - | - | - | - | - |
| P A Evans (ii) | 111,806 | 145,832 | - | - | - | 89,718 | 15% |

(i) Approved by the shareholders at the Annual General Meeting on 14 October 2010.

(ii) Granted per the Performance Rights Plan

(iii) Where performance rights expire no value is 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 33.

**Share options held by Directors and Senior Managers**

| 2011 | Balance at 1 July 2010 | Granted as compensation | Exercised | Inception / (cessation) as key management person | Balance at 30 June 2011 | Vested but not exercisable | Vested and exercisable | Options vested during year |
|---|---|---|---|---|---|---|---|---|
| | No. | No. | No. | No. | No. | No. | No. | No. |
| Mr B W Ridgeway | 2,000,000 | - | (2,000,000) | - | - | - | - | - |
| Mr R W Kelly | - | - | - | - | - | - | - | - |
| Mr K A Dundo | - | - | - | - | - | - | - | - |
| Mr M Lemmel | - | - | - | - | - | - | - | - |
| Ms E Donaghey | - | - | - | - | - | - | - | - |
| Mr G E Weston | 1,500,000 | - | (1,000,000) | - | 500,000 | - | 500,000 | 166,668 |
| Mr D J Loughlin | 500,000 | - | - | - | 500,000 | - | 500,000 | - |
| Mr M L Quesnel + | - | - | - | - | - | - | - | - |
| Mr P J Mander ~ | 150,000 | - | - | (150,000) | - | - | - | - |
| Mr P A Evans | 500,000 | - | - | - | 500,000 | - | 500,000 | 66,667 |
| | 4,650,000 | - | (3,000,000) | (150,000) | 1,500,000 | - | 1,500,000 | 233,335 |

| 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 |

* - 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 and resigned on 31 August 2010. Disclosures above relate only to the period when in office.
~ - Mr P J Mander ceased to be a Key Management Person on 1 July 2010 when changed internal reporting structures came into effect. 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 3,000,000 options were exercised by key management personnel during the current year. The exercise price was 35c per share for the 1,000,000 exercised by Mr G Weston and 30c per share for the 2,000,000 exercised by Mr B Ridgeway. 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) | 4,279,991 |
| 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) | 2,150,666 |
| Imdex Limited | Staff Share Options | Ordinary | 75 cents | 23 Feb 2007 | 22 Feb 2012 | (aa) | 700,000 |

(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 | 35 cents | 1 Feb 2006 | 31 Jan 2011 | 1,552,870 |
| Imdex Limited | Staff Share Options | Ordinary | 100 cents | 23 Feb 2007 | 22 Feb 2012 | 711,668 |
| Imdex Limited | Managing Director's Options | Ordinary | 30 cents | 15 Sep 05 | 14 Sep 10 | 2,000,000 |
| Imdex Limited | Former Chairman's Options | Ordinary | 75 cents | 19 Oct 2006 | 18 Oct 2011 | 1,000,000 |

#### (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 – Tranche 1 | Ordinary | Nil | 19 Feb 2010 | Aug 2014 | (aa) | 253,669 |
| Imdex Limited | Performance Rights – Tranche 2 | Ordinary | Nil | 3 Dec 2010 | Aug 2015 | (bb) | 2,072,372 |
| Imdex Limited | Performance Rights – Managing Directors' Tranche | Ordinary | Nil | 14 Oct 2010 | Nov 2015 | (cc) | 196,579 |
| Imdex Limited | Performance Rights – Tranche 3 | Ordinary | Nil | 28 Jan 2011 | Aug 2015 | (bb) | 200,000 |
| Imdex Limited | Performance Rights – Tranche 4 | Ordinary | Nil | 10 Jun 2011 | Aug 2016 | (dd) | 200,000 |

(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. Subject to ongoing employment tenure.

(bb) 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 FY11 independent audit report. Subject to ongoing employment tenure.

(cc) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited on or about November 2015. Subject to the achievement of specified performance hurdles and ongoing employment tenure.

(dd) 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 FY12 independent audit report. Subject to ongoing employment tenure.

#### (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 year the Imdex Group continued with its strategy to sell drilling fluids and chemicals as well as develop, rent and sell technologically advanced down hole instrumentation to the mining and oil and gas industries globally.

The Imdex Group expanded its European footprint by purchasing Mud-Data GmbH, a mud business with a presence in Germany and Romania. The competitive position in the Australian east coast market was also strengthened through the purchase of Brisbane based Fluidstar Pty Ltd and Ecospin Pty Ltd.

These acquisitions occurred against the global backdrop of strong commodity prices, high drill rig utilisation rates and increasing exploration spending which assisted existing Imdex Group businesses to expand organically.

The Imdex Group to earn revenue from continuing operations including interest of $205.3 million (2010: $135.6 million) and profit after tax of $29.0 million (2010: loss $21.5 million).

#### (k) Dividends

In the current year a fully franked interim dividend of 1.75 cents per ordinary share was paid on 25 March 2011 to shareholders registered on 11 March 2011. Since 30 June 2011 the Directors have declared a fully franked final dividend of 2.75 cents per ordinary share, the financial effect of which has not been reflected in this Financial Report.

In the prior year no dividends were declared or paid.

#### (l) Changes in State Of Affairs

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

**(m) Subsequent Events**

Effective 1 July 2011 Imdex Limited was allotted fully paid ordinary shares in DHS Oil Services Limited (DHSO) in exchange for the granting of an exclusive global technology license to use its oil and gas surveying instruments and technology. Following this allotment Imdex Limited holds 50% of the issued share capital of DHSO. DHSO is registered in the British Virgin Islands and will operate an oilfield services business based in Dubai using the technology licensed to it by Imdex Limited. Imdex Limited will account for its investment in DHSO as an associate per Australian Accounting Standard 128 "Investments in Associates" since it holds 50% of the issued capital but only 2 out of 5 Board positions. Imdex Limited therefore has significant influence over DHSO but does not control or jointly control DHSO. Additional disclosures with respect to this acquisition are impracticable at this stage as the acquisition accounting is still being finalised.

Effective 1 July 2011 Imdex Limited acquired 100% of the issued share capital of Australian Drilling Specialties Pty Ltd, a drilling fluids manufacturer based in Kwinana, Western Australia. The consideration of $12 million will be paid $6 million in cash and $6 million in Imdex shares valued at the 5 days volume weighted average price at completion. Additional disclosures with respect to this acquisition are impractical at this stage as the acquisition accounting is still being finalised.

On 25 July 2011 Imdex announced that it had entered into a conditional heads of agreement to purchase 100% of the issued share capital of System Mud Industria e Comercio Ltda (System Mud) effective 1 August 2011. System Mud is a manufacturer and seller of drilling muds in Brazil. Imdex will pay approximately $9.0 million as follows:

- BRL 6.7 million (approximately $4.0 million) in cash at settlement; plus
- $3.8 million by the issue of 1,600,000 fully paid Imdex Limited ordinary shares at an issue price of $2.40 per share, to be escrowed for 12 months; plus
- $1.2 million by the issue of 330,000 fully paid Imdex Limited ordinary shares at an issue price of $3.50 per share. If the share price on the two year anniversary of the settlement date is below $3.50 an additional cash payment arises as the difference between the share price at that date and $3.50 multiplied by 330,000. In the event that the Imdex share price reaches $3.50 at any time within the two year period, the potential cash top up falls away.

Additional disclosures with respect to this acquisition are impracticable at this stage as the due diligence process is still underway.

Subsequent to year end the Directors declared a 2.75 cent per share fully franked dividend with an entitlement date of 7 October 2011 and a payment date of 21 October 2011. The effect of this dividend has not been reflected in this financial 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 system. No known environmental breaches have occurred in relation to the Group's operations.

**(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 AM**

Chairman

PERTH, Western Australia, 12 August 2011.

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Imdex Limited
8 Pitino Court
Osborne Park WA 6017

12 August 2011

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 2011, 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

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

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 2011, 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 46 and 52 to 112.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those 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 of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Deloitte.

*Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Imdex Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*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 2011 and of their performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
(b) the financial statements also comply 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 2011. 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.

*Opinion*

In our opinion the Remuneration Report of Imdex Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter Rupp
Partner
Chartered Accountants
Perth, 12 August 2011

# 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, as stated in note 2 to the financial statements; 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 25 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

Dated at Perth, 12 August 2011.

Ross. Kelly.

**Mr Ross Kelly AM**
Chairman

**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 2011. 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 2011, 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 |

*(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 duties must be discharged;
- 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*

This policy imposes trading restrictions when dealing with Imdex securities, specifically limiting key management and employees of the Company or persons who have access to inside information relating directly or indirectly to the Company, from trading in the Company's securities. This policy aims to develop a culture of awareness of individual responsibilities under insider trading laws and is made available on the Company website.

Employees generally may freely trade in Imdex securities, however, they are reminded that insider trading restrictions apply to them.

Additional restrictions on dealing in the Company's securities apply to those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including Directors and any of their associates, where considered appropriate, executives reporting directly to the Managing Director/Chief Executive Officer and any other employees of the Company considered appropriate by the Chief Executive Officer and Company Secretary from time to time (Key Management Personnel). A list of all Key Management Personnel is maintained by the Company Secretary who ensures that all Key Management Personnel receive notification of this policy.

Key Management Personnel cannot trade in the Company's securities without written approval. Certain types of dealings are however excluded from the policy.

Key Management Personnel must, on all occasions before dealing with the Company's securities, provide a written application to deal in the prescribed format. The Company Secretary will then refer the application to the Chairman of the Board.

The Board has the discretion to prohibit trading by any Key Management Personnel. In addition Key Management Personnel are prohibited from trading during:

1. the period commencing from the end of the financial half (31 December) to the release of the Company's half year results to the ASX and ending 24 hours after such releases; and

2. the period commencing from the end of the financial year (30 June) to the release of the Company's year end results to the ASX and ending 24 hours after such releases; and

3. the period commencing two weeks prior to the Company's Annual General Meeting and ending 24 hours after the close of the Annual General Meeting,

An application may be made to sell (but not to purchase) securities, when this policy otherwise prohibits, on the grounds of exceptional circumstances approval for which can only be granted by the Board.

**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 2011 Annual Financial Report presents a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

*(ii) The Audit and Compliance Committee*

The Audit and Compliance Committee consists of three independent Non Executive Directors and operates under a formal charter approved by the Board. The Charter is published on the Company's website.

The Committee is chaired by an independent Chairperson who is not the Chairman of the Board of Directors.

The role of the Committee is to advise on the establishment and maintenance of a framework of internal control, risk management protocols, 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; and
Ms E Donaghey.

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 Board's 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 is 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

- 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. 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);
Mr K Dundo; and
Ms E Donaghey .

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.

| | Notes | Consolidated Year Ended 30 June 2011 $'000 | Consolidated Year Ended 30 June 2010 $'000 | Company Year Ended 30 June 2011 $'000 | Company Year Ended 30 June 2010 $'000 |
|---|---|---|---|---|---|
| Revenue from sale of goods and operating lease rental | | 205,163 | 134,253 | - | - |
| Other revenue from operations | | 171 | 1,372 | 1,103 | 3,153 |
| **Total revenue** | 4 | 205,334 | 135,625 | 1,103 | 3,153 |
| Other income | 4 | - | 297 | 3,791 | 10,255 |
| Raw materials and consumables used | 4 | (84,514) | (58,140) | - | - |
| Employee benefit expense | 4 | (33,241) | (27,068) | (10,814) | (7,500) |
| Depreciation expense | 4 | (5,721) | (4,182) | (244) | (236) |
| Amortisation expense | 4 | (6,778) | (6,363) | - | - |
| Finance costs | 4 | (2,946) | (2,143) | (2,252) | (1,629) |
| Impairment charges | 4 | - | (33,971) | - | (3,434) |
| Other expenses | 4 | (33,541) | (25,126) | (16,563) | (5,034) |
| **Profit / (loss) before tax** | | 38,593 | (21,071) | (24,979) | (4,425) |
| Income tax (expense) / benefit | 5 | (9,591) | (477) | 10,033 | 1,027 |
| **Profit / (loss) for the year** | | 29,002 | (21,548) | (14,946) | (3,398) |
| **Attributable to:** | | | | | |
| Owners of the Company | | 29,002 | (21,548) | (14,946) | (3,398) |
| Non-controlling interests | | - | - | - | - |
| | | 29,002 | (21,548) | (14,946) | (3,398) |
| **Earnings / (loss) per share** | | | | | |
| Basic earnings / (loss) per share (cents) | 20 | 14.69 | (11.05) | | |
| Diluted earnings / (loss) per share (cents) | 20 | 14.25 | (11.05) | | |

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

# Statement of comprehensive income

for the year ended 30 June 2011

| | Note | Consolidated Year Ended 30 June 2011 $'000 | Consolidated Year Ended 30 June 2010 $'000 | Company Year Ended 30 June 2011 $'000 | Company Year Ended 30 June 2010 $'000 |
|---|---|---|---|---|---|
| Profit / (loss) for the period | | 29,002 | (21,548) | (14,946) | (3,398) |
| **Other comprehensive (loss) / income** | | | | | |
| Fair value adjustment on investment in SEH | 19 | 9,320 | - | 269 | - |
| Exchange differences arising on the translation of foreign operations | 19 | (5,291) | (2,868) | - | - |
| Other comprehensive income for the period | | 4,029 | (2,868) | 269 | - |
| Income tax relating to components of other comprehensive income | | (3,324) | 1,351 | (81) | - |
| **Total comprehensive income / (loss) for the period** | | 29,707 | (23,065) | (14,758) | (3,398) |
| **Total comprehensive income / (loss) attributable to:** | | | | | |
| Owners of the parent | | 29,707 | (23,065) | (14,758) | (3,398) |
| Non-controlling interests | | - | - | - | - |

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

# Statement of financial **position**
as at 30 June 2011

| | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | Notes | 30 June 2011 $'000 | 30 June 2010 $'000 | 30 June 2011 $'000 | 30 June 2010 $'000 |
| **Current Assets** | | | | | |
| Cash and Cash Equivalents | 29 | 18,388 | 9,007 | - | 7,644 |
| Trade and Other Receivables | 7 | 50,219 | 41,210 | 1,813 | 1,775 |
| Inventories | 8 | 40,565 | 28,600 | - | - |
| Other | 10 | 4,596 | 3,496 | - | 24 |
| **Total Current Assets** | | 113,768 | 82,313 | 1,813 | 9,443 |
| **Non Current Assets** | | | | | |
| Other Financial Assets | 9 | 16,122 | 6,802 | 105,626 | 90,443 |
| Property, Plant and Equipment | 11 | 17,344 | 13,604 | 920 | 619 |
| Deferred Tax Assets | 5 | 16,030 | 10,703 | 2,602 | 2,490 |
| Goodwill | 12 | 38,705 | 30,706 | - | - |
| Other Intangible Assets | 13 | 17,146 | 19,269 | - | - |
| **Total Non Current Assets** | | 105,347 | 81,084 | 109,148 | 93,552 |
| **Total Assets** | | 219,115 | 163,397 | 110,961 | 102,995 |
| **Current Liabilities** | | | | | |
| Bank Overdraft | 29 | - | - | 1,697 | - |
| Trade and Other Payables | 14 | 32,879 | 25,689 | 3,079 | 1,579 |
| Borrowings | 15 | 28,945 | 19,092 | 20,371 | 11,019 |
| Current Tax Liabilities | 5 | 19,707 | 8,768 | 15,050 | 6,261 |
| Provisions | 16 | 2,191 | 1,706 | 677 | 500 |
| Other Current Liabilities | 17 | 2,628 | - | 2,628 | - |
| **Total Current Liabilities** | | 86,350 | 55,255 | 43,502 | 19,359 |
| **Non Current Liabilities** | | | | | |
| Borrowings | 15 | 6,074 | 12,926 | 5,551 | 8,572 |
| Provisions | 16 | 1,069 | 721 | 565 | 383 |
| Other Non Current Liabilities | 17 | 213 | - | 213 | - |
| **Total Non Current Liabilities** | | 7,356 | 13,647 | 6,329 | 8,955 |
| **Total Liabilities** | | 93,706 | 68,902 | 49,831 | 28,314 |
| **Net Assets** | | 125,409 | 94,495 | 61,130 | 74,681 |
| **Equity** | | | | | |
| Issued Capital | 18 | 70,059 | 67,415 | 70,059 | 67,415 |
| Foreign Currency Translation Reserve | 19 | (11,441) | (5,622) | - | - |
| Investment Revaulation Reserve | 19 | 6,524 | - | 188 | - |
| Employee Equity-Settled Benefits Reserve | 19 | 7,158 | 5,107 | 7,158 | 5,107 |
| Retained Earnings / (Accumulated Losses) | | 53,109 | 27,595 | (16,275) | 2,159 |
| **Total Equity** | | 125,409 | 94,495 | 61,130 | 74,681 |

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

# Statement of changes in **equity**

for the year ended 30 June 2011

| | | Fully Paid Ordinary Shares | Foreign Currency Translation Reserve | Employee Equity-Settled Benefits Reserve | Investment Revaluation Reserve | Retained Earnings / (Accumulated Losses) | Total Attributable to Equity Holders of the Entity |
|---|---|---|---|---|---|---|---|
| **CONSOLIDATED** | **Notes** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Balance at 1 July 2009** | | 67,136 | (4,105) | 4,024 | - | 49,143 | 116,198 |
| Exchange differences on translation of foreign operations after taxation | 19 | - | (1,517) | - | - | - | (1,517) |
| Profit for the period | | - | - | - | - | (21,548) | (21,548) |
| Total comprehensive income for the period | | - | (1,517) | - | - | (21,548) | (23,065) |
| Share based payments - options | 19 | - | - | 995 | - | - | 995 |
| Share based payments - performance | 19 | - | - | 104 | - | - | 104 |
| Issue of shares under staff option plan | 18, 19 | 279 | - | (16) | - | - | 263 |
| **Balance at 30 June 2010** | | 67,415 | (5,622) | 5,107 | - | 27,595 | 94,495 |
| Exchange differences on translation of foreign operations after taxation | 19 | - | (5,819) | - | - | - | (5,819) |
| Fair value adjustment on available for sale financial instrument net of taxation | 19 | - | - | - | 6,524 | - | 6,524 |
| Loss for the period | | - | - | - | - | 29,002 | 29,002 |
| Total comprehensive income for the period | | - | (5,819) | - | 6,524 | 29,002 | 29,707 |
| Dividend paid | 21 | - | - | - | - | (3,488) | (3,488) |
| Share based payments - options | 19 | - | - | 580 | - | - | 580 |
| Share based payments - performance | 19 | - | - | 2,131 | - | - | 2,131 |
| Shares purchased to satisfy performance rights | 19 | - | - | (134) | - | - | (134) |
| Issue of shares under staff option plan | 18, 19 | 2,644 | - | (526) | - | - | 2,118 |
| **Balance at 30 June 2011** | | 70,059 | (11,441) | 7,158 | 6,524 | 53,109 | 125,409 |
| **COMPANY** | | | | | | | |
| **Balance at 1 July 2009** | | 67,136 | - | 4,024 | - | 5,557 | 76,717 |
| Profit for the period | | - | - | - | - | (3,398) | (3,398) |
| Total comprehensive income for the period | | - | - | - | - | (3,398) | (3,398) |
| Share based payments - options | 19 | - | - | 995 | - | - | 995 |
| Share based payments - performance rights | 19 | - | - | 104 | - | - | 104 |
| Issue of shares under staff option plan | 18, 19 | 279 | - | (16) | - | - | 263 |
| **Balance at 30 June 2010** | | 67,415 | - | 5,107 | - | 2,159 | 74,681 |
| Fair value adjustment on available for sale financial instrument net of taxation | 19 | - | - | - | 188 | - | 188 |
| Loss for the period | | - | - | - | - | (14,946) | (14,946) |
| Total comprehensive income for the period | | - | - | - | 188 | (14,946) | (14,758) |
| Dividend paid | 21 | - | - | - | - | (3,488) | (3,488) |
| Share based payments - options | 19 | - | - | 580 | - | - | 580 |
| Share based payments - performance | 19 | - | - | 2,131 | - | - | 2,131 |
| Shares purchased to satisfy performance rights | 19 | - | - | (134) | - | - | (134) |
| Issue of shares under staff option plan | 18, 19 | 2,644 | - | (526) | - | - | 2,118 |
| **Balance at 30 June 2011** | | 70,059 | - | 7,158 | 188 | (16,275) | 61,130 |

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

| | Notes | Consolidated Year Ended 30 June 2011 $'000 | Consolidated Year Ended 30 June 2010 $'000 | Company Year Ended 30 June 2011 $'000 | Company Year Ended 30 June 2010 $'000 |
|---|---|---|---|---|---|
| **Cash Flows From Operating Activities** | | | | | |
| Receipts from customers | | 219,761 | 127,775 | - | - |
| Payments to suppliers and employees | | (173,417) | (110,193) | (12,309) | (11,483) |
| Intercompany management fees received | | - | - | - | 3,782 |
| Interest and other costs of finance paid | | (2,305) | (1,569) | (1,946) | (1,620) |
| Income tax paid | | (8,146) | (10,313) | 18,176 | (7,794) |
| **Net cash provided by / (used in) Operating Activities** | 29(c) | 35,893 | 5,700 | 3,921 | (17,115) |
| **Cash Flows From Investing Activities** | | | | | |
| Interest received | | 171 | 87 | 124 | 41 |
| Payment for property, plant and equipment | 11 | (11,402) | (7,546) | (745) | (314) |
| Proceeds from sale of property, plant and equipment | | 247 | 300 | 200 | - |
| Payment for Investment in AMC India | | - | - | - | (62) |
| Payment for development costs capitalised | 13 | (691) | (3,322) | - | - |
| Payment for shares in Fluidstar Pty Ltd and Ecospin Pty Ltd net of cash acquired | 26(a) | (12,413) | - | (12,580) | - |
| Payment for shares in AMC Germany GmbH (formerly Mud-Data GmbH) net of cash acquired | 26(b) | (2,067) | - | (2,153) | - |
| Payment for shares of Imdex Technology UK net of cash acquired | 26(c) | - | (2,101) | - | - |
| Repayment of loan from Sino Gas and Energy Holdings Ltd net of sub underwriting commitments | 9 | - | 4,115 | - | 4,115 |
| **Net cash (used in) / provided by Investing Activities** | | (26,155) | (8,467) | (15,154) | 3,780 |
| **Cash Flows From Financing Activities** | | | | | |
| Advances from Controlled Entities | | - | - | (2,927) | 21,179 |
| Cash received on exercise of options | | 2,118 | 263 | 2,118 | 263 |
| Shares purchased to satisfy performance rights | | (134) | - | (134) | - |
| Dividend paid to owners of the Company | 21 | (3,488) | - | (3,488) | - |
| Hire purchase debt raised | | - | 3,163 | - | 107 |
| Hire purchase and lease payments | | (2,987) | (1,137) | (27) | (25) |
| Proceeds from borrowings | | 14,250 | 7,846 | 14,250 | 1,000 |
| Repayment of borrowings | | (8,001) | (9,832) | (7,900) | (3,000) |
| **Net cash provided by / (used in) Financing Activities** | | 1,758 | 303 | 1,892 | 19,524 |
| **Net Increase / (Decrease) in Cash and Cash Equivalents Held** | | 11,496 | (2,464) | (9,341) | 6,189 |
| Cash and Cash Equivalents At The Beginning Of The Financial Year | 29(a) | 9,007 | 11,975 | 7,644 | 1,455 |
| Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies | | (2,115) | (504) | - | - |
| **Cash and Cash Equivalents At The End Of The Financial Year** | 29(a) | 18,388 | 9,007 | (1,697) | 7,644 |

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

# 1 Adoption of New and Revised Accounting Standards

**(a) New standards and interpretations adopted affecting amounts reported in the current (and/or prior periods)**

No new or revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements.

| Standard or Interpretation | Nature of Change |
|---|---|
| Amendments to AASB 7 'Financial Instruments: Disclosure' (adopted in advance of effective date of 1 January 2011) | The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. |
| Amendments to AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' | 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. |
| Amendments to AASB 101 'Presentation of Financial Statements' (adopted in advance of effective date of 1 January 2011) | The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. |
| Amendments to AASB 107 'Statement of Cash Flows' | 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. |

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

**(b) Standards and Interpretations adopted with no effect on financial statements**

The Company and the Group have adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period beginning 1 July 2010.

| Standard or Interpretation | Nature of Change |
|---|---|
| AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process | 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. 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. |
| AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions AASB 2. | The application of AASB 2009-8 makes amendments to AASB 2 'Share-based Payment' to clarify the scope of AASB 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award. |
| AASB 2009-10: Amendments to Australian Accounting Standards – Classification of Rights Issues | The application of AASB 2009-10 makes amendments to AASB 132 'Financial Instruments: Presentation' to address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. |
| AASB 2010-3: Amendments to Australian Accounting Standards arising from the Annual Improvements Project | The application of AASB 2010-3 makes amendments to AASB 3(2008) 'Business Combinations' to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards.<br><br>In addition, the application of AASB 2010-3 makes amendments to AASB 3(2008) to give more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with AASB 2 'Share-based Payment' at the acquisition date ('market-based measure'). |
| AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' | Except for the amendments to AASB 7 and AASB 101 described earlier this section, the application of AASB 2010-4 has not had any material effect on amounts reported in the financial statements. |
| Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments. | This Interpretation provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. In particular, the equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss. To date, the Group has not entered into transactions of this nature. |

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

**(c) Standards and Interpretations in issue not yet adopted**

Significant new and revised standards and interpretations effective for the current financial reporting period that are relevant to the Company and the Group are:

| Standard / Interpretation | Effective for annual reporting periods beginning/ending on or after | Expected to be applied be consolidated entity |
|---|---|---|
| AASB 124 Related Party Disclosures (2009) and 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 and AASB 2010-9 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) | 1 January 2013 | 30 June 2014 |
| AASB 2010-4 Further Amendments to Australian Accounting Standards arising from Annual Improvements Project | 1 January 2011 | 30 June 2012 |
| AASB 2010-5 Amendments to Australian Accounting Standards | 1 January 2011 | 30 June 2012 |
| AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets | 1 July 2011 | 30 June 2012 |
| AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets | 1 January 2012 | 30 June 2013 |

# 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 12 August 2011.

### (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:

(ii) 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

(iii) 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.

# 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% |

Capital works in progress in the course of construction for production or supply purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property, plant and equipment assets, commences when the assets are ready for their intended use.

### (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, Binomial Tree Method and Monte-Carlo Simulation as appropriate. 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.

**(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'.

# 2 Summary of Significant Accounting Policies (continued)

**(m) Financial assets (continued)**

(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 |

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**

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The Company and the Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

# 2 Summary of Significant Accounting Policies (continued)

**(p) Taxation (continued)**

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company and the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company and the Group intends to settle its current tax assets and liabilities on a net basis.

(iv) Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

(v) 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 (other than goodwill)**

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.

# 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. Details of the key assumptions made are contained in note 12 (Goodwill) and note 13 (Intangibles). No impairment losses were booked in the current year. Impairment losses booked in the prior year are detailed in notes 12 and 13.

<u>Recognition of net deferred tax asset</u>

A net deferred tax asset of $16.0 million has been recognised on the face of the balance sheet. The largest component of this asset is the future tax benefit of depreciation of unrealised profits in self manufactured property, plant and equipment items. This tax benefit will be realised progressively over the next 3-5 years as these assets are depreciated. This net asset has been raised as it is considered more likely than not that it will be realised. In making this assessment of likelihood a forward looking estimation of cash flows and the likelihood of business success needs to be made up to 5 years into the future. A forward looking estimation of this nature over 5 years is inherently uncertain. Details of deferred tax balances are contained in note 5.

<u>Fair value of options and performance rights</u>

Options and performance rights as detailed in notes 32 and 33 are inherently complex to value due to their nature and relationship to the share market and its uncertainties. The Imdex Group therefore engaged valuation professionals to perform a valuation. The models used by the valuation professionals, although they are industry standard models, are subject to limitations and uncertainties.

# 4 Profit from Operations

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|
| **(a) Revenue from operations** | | | | |
| **Revenue** | | | | |
| Revenue from the sale of goods | 142,254 | 100,576 | - | - |
| Operating rental income | 62,909 | 33,677 | - | - |
| Interest income - bank deposits | 171 | 87 | 125 | 41 |
| Interest income - other loans and receivables | - | 1,285 | 978 | 3,112 |
| | 205,334 | 135,625 | 1,103 | 3,153 |

**(b) Profit / (loss) before income tax**

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

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|
| (Loss) / gain on disposal of property, plant and equipment | (32) | 12 | - | - |
| Foreign exchange loss | (3,334) | (1,511) | (1,616) | (1,319) |
| Financial liabilities at amortised cost | | | | |
| Interest expense | (2,946) | (2,143) | (2,252) | (1,629) |

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

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|
| **Other income** | | | | |
| Gain on disposal of property, plant and equipment | - | 12 | - | - |
| Management fees from subsidiaries | - | - | 3,791 | 10,188 |
| Dividends from subsidiaries | - | - | - | - |
| Other revenue | - | 285 | - | 67 |
| | - | 297 | 3,791 | 10,255 |
| **Depreciation and amortisation of Non Current Assets** | | | | |
| Depreciation of Property, Plant and Equipment (note 11) | 5,721 | 4,182 | 244 | 236 |
| Amortisation of Intangible Assets (note 13) | 6,778 | 6,363 | - | - |
| | 12,499 | 10,545 | 244 | 236 |
| **Impairment Charges** | | | | |
| Impairment of Financial Asset (note 9) | - | 10,440 | - | 3,434 |
| Impairment of Goodwill (note 12) | - | 22,498 | - | - |
| Impairment of Intangible Asset (note 13) | - | 1,033 | - | - |
| | - | 33,971 | - | 3,434 |

# 4 Profit from Operations (continued)

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|
| **Finance costs** | | | | |
| Interest on hire purchase liabilities | 343 | 249 | 8 | 9 |
| Interest on deferred acquisition consideration | 101 | 15 | 101 | - |
| Interest on commercial bills | 1,917 | 1,274 | 1,917 | 1,274 |
| Interest on bank loan - Canada | 221 | 114 | - | - |
| Interest on bank loan - Sweden | 113 | 128 | - | - |
| Interest on overdraft | 16 | 43 | 4 | 13 |
| Other interest | 235 | 320 | 222 | 333 |
| | 2,946 | 2,143 | 2,252 | 1,629 |
| **Other expenses** | | | | |
| Commissions | 2,552 | 463 | - | - |
| Consultancy fees | 2,104 | 2,300 | 313 | 318 |
| Legal and professional expenses (i) | 4,573 | 2,636 | 2,167 | 835 |
| Foreign exchange loss | 3,334 | 1,511 | 1,616 | 1,319 |
| Rent and premises costs | 3,402 | 3,175 | 79 | 285 |
| Travel and accommodation | 4,121 | 3,242 | 663 | 662 |
| Motor vehicle costs | 1,645 | 1,395 | 18 | 31 |
| Other expenses | 11,810 | 10,404 | 11,707 | 1,584 |
| | 33,541 | 25,126 | 16,563 | 5,034 |

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

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|
| **Employee benefits expense** | | | | |
| Post-employment benefits: | | | | |
| Defined contribution superannuation costs | 1,716 | 1,367 | 493 | 410 |
| Share based payments: | | | | |
| Equity-settled share based payments - share options (note 19) | 580 | 995 | 580 | 995 |
| Equity-settled share based payments - performance rights (note 19) | 2,131 | 104 | 2,131 | 104 |
| Other employee benefits | 28,814 | 24,602 | 7,610 | 5,991 |
| | 33,241 | 27,068 | 10,814 | 7,500 |
| **Cost of sales** | 84,514 | 58,140 | - | - |
| **Movement in provision for doubtful debts** | (325) | 1,037 | - | - |
| **Operating lease rental (minimum lease payments)** | 3,448 | 3,466 | 80 | 301 |

# 5 Income Taxes

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|
| **(a) Income tax recognised in the income statement** | | | | |
| **Tax expense comprises:** | | | | |
| Current tax expense | 21,911 | 13,885 | (6,297) | 2,025 |
| Deferred tax expense relating to the origination and reversal of temporary differences | (9,861) | (12,683) | (200) | (3,015) |
| Under/(over) provision per prior year | (2,459) | (725) | (3,536) | (37) |
| Total tax expense | 9,591 | 477 | (10,033) | (1,027) |

# 5 Income Taxes (continued)

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|
| **Prima facie income tax expense on pre-tax accounting profit / (loss) from operations reconciles to income tax in the financial statements as follows:** | | | | |
| Profit / (loss) from operations | 38,593 | (21,071) | (24,979) | (4,425) |
| Income tax expense / (benefit) calculated at 30% | 11,578 | (6,321) | (7,494) | (1,328) |
| Non-deductible share based payments | 773 | 330 | 773 | 330 |
| Non-deductible interest on deferred payments | - | 4 | - | - |
| Non-deductible impairment charges | - | 7,090 | - | - |
| Other non-deductible and non-assessable items | (86) | 182 | 224 | 8 |
| Tax rate differential arising from foreign entities | (215) | (84) | - | - |
| Under / (over) provision of prior year income tax | (2,459) | (724) | (3,536) | (37) |
| | 9,591 | 477 | (10,033) | (1,027) |

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 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|
| The following current and deferred amounts were charged directly to equity during the period: | | | | |
| Deferred tax: SEH fair value uplift taken directly to reserve | (2,796) | - | (81) | - |
| Deferred tax: Translation of foreign operations | (528) | 1,351 | - | - |
| | (3,324) | 1,351 | (81) | - |

**(c) Current tax assets and liabilities**

| | | | | |
|---|---|---|---|---|
| Current tax payable | 19,707 | 8,768 | 15,050 | 6,261 |

**(d) Deferred tax balances**

| | | | | |
|---|---|---|---|---|
| Deferred tax assets comprise: | | | | |
| Provisions | 569 | 392 | - | 75 |
| Inventory | 3,133 | 1,217 | - | - |
| Property, plant and equipment | 13,558 | 8,073 | - | - |
| Carry forward tax losses in subsidiary companies | 1,700 | 2,333 | - | - |
| Accruals | 2,860 | 598 | 1,488 | 615 |
| Available-for-sale non-current assets | - | 1,872 | 388 | 1,030 |
| Foreign currency translation reserves | 1,355 | 1,883 | 726 | 726 |
| Share issue expenses | - | 44 | - | 44 |
| | 23,175 | 16,412 | 2,602 | 2,490 |
| Deferred tax liabilities comprise: | | | | |
| Intangible assets | (5,660) | (5,709) | - | - |
| Available-for-sale non-current assets | (1,485) | - | - | - |
| | (7,145) | (5,709) | - | - |
| Net deferred tax balances | 16,030 | 10,703 | 2,602 | 2,490 |

***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 | 1,723 | 652 | - | - |

# 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 | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $ | $ | $ | $ |
| **Deloitte Touche Tohmatsu (Australia)** | | | | |
| Audit or review of the financial report | 271,085 | 246,130 | 271,085 | 246,130 |
| Taxation services - mainly compliance work, transfer pricing and global restructuring advice | 184,060 | 136,395 | 184,060 | 136,395 |
| Other non-audit services: Other consulting services | 13,690 | - | 13,690 | - |
| | 468,835 | 382,525 | 468,835 | 382,525 |
| **Deloitte Touche Tohmatsu (overseas affiliates)** | | | | |
| Audit or review of the financial report | 65,111 | 81,006 | - | - |
| Taxation services - mainly compliance work, transfer pricing and global restructuring advice | 13,733 | 11,558 | - | - |
| Other non-audit services: Other consulting services | 17,070 | 5,072 | - | - |
| | 95,914 | 97,636 | - | - |
| **Other auditors** | | | | |
| Audit or review of the financial report | 69,075 | 99,871 | - | - |
| Other non-audit services: Accounting assistance and taxation advice | 93,105 | 66,663 | - | - |
| | 162,180 | 166,534 | - | - |
| | 726,929 | 646,695 | 468,835 | 382,525 |

# 7 Trade and Other Receivables

| | Notes | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|---|
| **Current** | | | | | |
| Trade receivables | (i) | 49,887 | 41,843 | 1,759 | 1,618 |
| Allowance for doubtful debts | (ii) | (1,321) | (1,646) | - | - |
| | | 48,566 | 40,197 | 1,759 | 1,618 |
| Other receivables | | 1,653 | 1,013 | 54 | 157 |
| | | 50,219 | 41,210 | 1,813 | 1,775 |

(i) The average credit period on sales of goods is around 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.

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|
| Ageing of past due but not impaired debtors | | | | |
| 0 - 30 days past due | 1,929 | 2,897 | - | - |
| 31 - 60 days past due | 6,144 | 6,070 | - | - |
| 61 + days past due | 2,048 | 2,023 | 1,740 | 1,618 |
| | 10,121 | 10,990 | 1,740 | 1,618 |

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

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|
| Balance at the beginning of the year | 1,646 | 609 | - | - |
| Amounts written off during the year | - | - | - | - |
| (Increase) / decrease in allowance recognised in profit or loss | (325) | 1,037 | - | - |
| Balance at the end of the year | 1,321 | 1,646 | - | - |

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 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Raw materials - at cost | 9,493 | 4,286 | - | - |
| Work in progress - at cost | 499 | 562 | - | - |
| Finished goods - at cost | 30,573 | 23,752 | - | - |
| | 40,565 | 28,600 | - | - |

# 9 Other Financial Assets

| | Notes | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|---|
| **Non-Current** | | | | | |
| **Available for sale financial asset at fair value** | | | | | |
| Investment in Sino Gas and Energy Holdings Ltd | (i) | 16,122 | 6,802 | 465 | 196 |
| **Loans carried at amortised cost** | | | | | |
| Loans to Subsidiaries | (ii) | - | - | 79,390 | 77,643 |
| **Investments carried at cost** | | | | | |
| Investments in Subsidiaries | | - | - | 25,771 | 12,604 |
| | | 16,122 | 6,802 | 105,626 | 90,443 |

(i) Comprises 251,908,446 fully paid ordinary shares in Sino Gas and Energy Holdings Pty Ltd (SEH) held at fair value (2010: 251,908,446 shares). This amounts to 25.96% of the issued share capital of SEH (2010: 26.95%). 243,448,446 of these shares are subject to escrow until 15 September 2011. The shareholding percentage dropped in the current year due to additional shares being issued by SEH to third parties.

Despite holding more than 20% of the issued share capital of SEH, the Company does not have significant influence over SEH in the current or prior periods 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 in June 2010. The partial sub-underwriting was undertaken to facilitate the Company's exit from the SEH convertible note that had been issued by SEH to Imdex Limited in a prior year. 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.

| | 2011 Shares | 2011 $000's | 2010 Shares | 2010 $000's |
|---|---|---|---|---|
| Balance at beginning of financial year | 251,908,446 | 6,802 | 22,260,000 | 8,130 |
| Uptake of sub-underwriting commitment | - | - | 220,470,096 | 7,276 |
| Conversion of loan interest | - | - | 9,178,350 | 1,836 |
| Impairment adjustment | - | - | - | (10,440) |
| Fair value adjustment taken directly to equity | - | 9,320 | - | - |
| Balance at end of financial year | 251,908,446 | 16,122 | 251,908,446 | 6,802 |

During the prior 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. As part of this capital raising, 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.

At 21 June 2010 Imdex held a convertible loan note of $13.2 million with SEH. On 21 June 2010 capitalised interest of $1.8 million was converted into fully paid 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 above and the balance of $4.1 million was repaid.

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.

In the current year the carrying value of this investment was written up to its market value of $0.064 per share or $16.1 million in total at 30 June 2011.

(ii) 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 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Prepayments | 4,596 | 3,496 | - | 24 |
| | 4,596 | 3,496 | - | 24 |

# 11 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 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 |
| Additions | 5,303 | 5,346 | - | 753 | 11,402 |
| Acquisitions through business combinations | 1,536 | - | - | - | 1,536 |
| Disposals | (581) | (834) | (590) | (526) | (2,531) |
| Net foreign currency exchange differences | (387) | (4,712) | - | (14) | (5,113) |
| Transfer | 143 | 389 | - | (107) | 425 |
| Balance at 30 June 2011 | 16,820 | 7,203 | 2,639 | 911 | 27,573 |
| **Accumulated Depreciation** | | | | | |
| 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 |
| Disposals | (1,418) | (834) | - | - | (2,252) |
| Acquisitions through business combinations | 22 | - | - | - | 22 |
| Depreciation expense | 2,347 | 3,258 | 116 | - | 5,721 |
| Net foreign currency exchange differences | (162) | (1,775) | - | - | (1,937) |
| Transfer | (208) | (11) | 644 | - | 425 |
| Balance at 30 June 2011 | 4,920 | 4,266 | 1,043 | - | 10,229 |
| **Net Book Value** | | | | | |
| As at 30 June 2010 | 6,467 | 3,386 | 2,946 | 805 | 13,604 |
| As at 30 June 2011 | 11,900 | 2,937 | 1,596 | 911 | 17,344 |

# 11 Property, Plant and Equipment (continued)

| **Company** | Plant and Equipment at cost **$'000** | Equipment Rented to Third Parties at cost **$'000** | Equipment under Hire Purchase at cost **$'000** | Capital Works in Progress at cost **$'000** | **TOTAL** **$'000** |
|---|---|---|---|---|---|
| **Gross Carrying Value** | | | | | |
| Balance at 30 June 2009 | 1,010 | - | - | 29 | 1,039 |
| Additions | 207 | - | 107 | - | 314 |
| Disposals | 19 | - | - | (19) | - |
| Balance at 30 June 2010 | 1,236 | - | 107 | 10 | 1,353 |
| Additions | 663 | - | - | 82 | 745 |
| Disposals | (208) | - | - | - | (208) |
| Balance at 30 June 2011 | 1,691 | - | 107 | 92 | 1,890 |
| **Accumulated Depreciation** | | | | | |
| Balance at 30 June 2009 | 498 | - | - | - | 498 |
| Depreciation expense | 216 | - | 20 | - | 236 |
| Balance at 30 June 2010 | 714 | - | 20 | - | 734 |
| Disposals | (8) | - | - | - | (8) |
| Depreciation expense | 237 | - | 7 | - | 244 |
| Balance at 30 June 2011 | 943 | - | 27 | - | 970 |
| **Net Book Value** | | | | | |
| As at 30 June 2010 | 522 | - | 87 | 10 | 619 |
| As at 30 June 2011 | 748 | - | 80 | 92 | 920 |

| | **Consolidated** | | **Company** | |
|---|---|---|---|---|
| | **2011** **$'000** | **2010** **$'000** | **2011** **$'000** | **2010** **$'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 | 2,347 | 1,872 | 237 | 216 |
| Plant and equipment rented to third parties | 3,258 | 2,142 | - | - |
| Equipment under hire purchase | 116 | 168 | 7 | 20 |
| | 5,721 | 4,182 | 244 | 236 |

# 12 Goodwill

| | Notes | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|---|
| **Gross Carrying Amount** | | | | | |
| Balance at beginning of the financial year | | 53,204 | 55,268 | - | - |
| Recognised on acquisition of Fluidstar Pty Ltd and Ecospin Pty Ltd | (i) | 7,848 | - | - | - |
| Recognised on acquisition of AMC Germany GmbH (formerly Mud-Data GmbH) | (ii) | 145 | - | - | - |
| Effect of foreign exchange movements | | 6 | (2,064) | - | - |
| Balance at end of the financial year | | 61,203 | 53,204 | - | - |
| **Accumulated Impairment Losses** | | | | | |
| Balance at beginning of the financial year | | (22,498) | - | - | - |
| Impairment losses for the year | (iii) | - | (22,498) | - | - |
| Balance at end of the financial year | | (22,498) | (22,498) | - | - |
| **Net Book Value** | | | | | |
| At the beginning of the financial year | | 30,706 | 55,268 | - | - |
| At the end of the financial year | | 38,705 | 30,706 | - | - |
| **Goodwill is allocated to cash-generating units as follows:** | | | | | |
| AMC Germany | | 145 | - | | |
| Fluidstar / Ecospin | | 7,848 | - | | |
| Reflex / Imdex Technology UK | | 19,953 | 19,933 | | |
| Flexit / Imdex Technology Germany | | 10,759 | 10,773 | | |
| | | 38,705 | 30,706 | | |

(i) Goodwill arose in the current year on the acquisition of Fluidstar Pty Ltd (Fluidstar) and Ecospin Pty Ltd (Ecospin) by Imdex Limited effective 1 September 2010 (Refer note 26(a)). Fluidstar and Ecospin were purchased simultaneously from the same vendor in a single deal. Effective 1 January 2011, the businesses of Fluidstar and Ecospin were transferred into Australian Mud Company Pty Ltd (AMC), an existing legal entity and separate cash generating unit. This transfer occurred to gain synergies since these businesses are similar in nature and have similar customers and end markets. The goodwill of Fluidstar and Ecospin has therefore been absorbed into the AMC CGU and has been assessed for impairment as part of the AMC CGU.

(ii) Goodwill arose in the current year on the acquisition of AMC Germany GmbH (formerly Mud-Data GmbH) (AMC Germany) by Imdex Limited effective 1 March 2011 (Refer note 26(b)). AMC Germany is considered to be a separate cash generating unit since it operates independently from other Imdex operations in a separate geographical area being the greater European region and in a separate market, being the oil and gas and geothermal markets.

# 12 Goodwill (continued)

(iii) During the prior 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 |
| AMC Chile | 2,363 | - | 2,363 |
| Flexit / Imdex Technology Germany | 12,500 | - | 12,500 |
| | 22,498 | 1,033 | 23,531 |

| **Impairment losses by segment** | **Goodwill $'000** | **Intangibles $'000** | **Total $'000** |
|---|---|---|---|
| Minerals | 7,231 | 1,033 | 8,264 |
| Oil & Gas | 15,267 | - | 15,267 |
| | 22,498 | 1,033 | 23,531 |

At 31 December 2009 it was recognised that the major mining regions had been hit hard by the global financial crisis and were 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 at this time which was the trigger for performing impairment reviews of the Drilling Fluids and Chemicals businesses (Samchem, Wildcat, Suay, AMC North America and AMC Chile). In addition Imdex took the opportunity to restructure these businesses along regional lines and re-branding all entities to the “AMC” brand. Wildcat and Suay are both oil and gas segment businesses while Samchem, AMC North America and AMC Chile are Minerals Segment businesses.

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 at 31 December 2009 within the Down Hole Instrumentation businesses (Flexit and Imdex Technology Germany). Both these businesses are oil and gas segment businesses.

The recoverable amount of goodwill was 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 were 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.

## 12 Goodwill (continued)

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 (CGU's) are as follows:

<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>AMC (including Fluidstar and Ecospin)</td><td>Revenue growth has been forecast in line with the expected rate of growth in the mining and mineral exploration markets in Australia as driven by strong commodity prices and ongoing strong demand from Chinese and other emerging markets.</td><td>15.16%</td><td rowspan="5">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 and improved/expanded product offerings.</td><td rowspan="6">Exchange rate fluctuation expectations have been built into the forecasted numbers based on FY12 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>Wildcat</td><td>Revenue growth has been forecast in line with the expected activity levels of local and international oil and gas industries serviced by Wildcat and potential new opportunities expected to arise with the ongoing expansion of the broader Imdex Group.</td><td>12.89%</td></tr>
<tr><td>Suay</td><td>Revenue growth has been forecast in line with the expected rate of growth in 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>24.40%</td></tr>
<tr><td>AMC Chile</td><td>Revenue growth has been forecast in line with the expected rate of growth in the mining and mineral exploration markets of South and Latin America as well as growth expected to arise from the global alliances and recent managerial changes.</td><td>12.44%</td></tr>
<tr><td>Reflex / Imdex Technology</td><td>Revenue growth has been forecast in line with the expected rate of growth in the mining and mineral exploration markets in Australia and the broader Asia Pacific Region as driven by strong commodity prices and ongoing strong demand from Chinese and other emerging markets.</td><td>12.60%</td></tr>
<tr><td>Flexit / Imdex Technology Germany</td><td>Income from the services based associate will be accounted for at the net margin level. Net margins have been forecast by the associated company's management taking into account local market conditions and expected strategic growth plans.</td><td>7.02%</td><td>Returns from the joint venture are based on the expected rate of cash flows as projected by joint venture management. These are a function of activity levels and market share expected in the Middle Eastern oil and gas survey market.</td></tr>
<tr><td>Samchem (prior year impairment review only)</td><td>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.</td><td>25.25% (30 June 2010)</td><td>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>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>
</table>

# 13 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 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 |
| Capitalised during the year | - | - | - | 3,914 | - | 691 | - | 4,605 |
| Impact of exchange rate changes | - | - | - | - | 14 | - | 2 | 16 |
| Balance at 30 June 2011 | 761 | 1,505 | 14,080 | 5,229 | 10,945 | 8,092 | 3,895 | 44,507 |
| **Accumulated Amortisation and Impairment** | | | | | | | | |
| 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) |
| Impairment losses | - | - | - | - | - | - | - | - |
| Balance at 30 June 2010 | 482 | 376 | 8,159 | 1,223 | 6,678 | 1,117 | 2,582 | 20,617 |
| Amortisation expense | 152 | 150 | 2,230 | 346 | 1,962 | 1,245 | 693 | 6,778 |
| Impact of exchange rate changes | - | - | - | - | (29) | - | (5) | (34) |
| Balance at 30 June 2011 | 634 | 526 | 10,389 | 1,569 | 8,611 | 2,362 | 3,270 | 27,361 |
| **Net Book Value** | | | | | | | | |
| As at 30 June 2010 | 279 | 1,129 | 5,921 | 92 | 4,253 | 6,284 | 1,311 | 19,269 |
| As at 30 June 2011 | 127 | 979 | 3,691 | 3,660 | 2,334 | 5,730 | 625 | 17,146 |

During the prior 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 12 above for discussion on how intangibles are allocated to cash generating units.

# 14 Trade and Other Payables

| | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | Notes | $'000 | $'000 | $'000 | $'000 |
| Trade payables | (i) | 22,926 | 20,392 | 707 | 70 |
| Accruals and other payables | | 9,953 | 5,297 | 2,372 | 1,509 |
| | | 32,879 | 25,689 | 3,079 | 1,579 |

(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.

# 15 Borrowings

| | Notes | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|---|
| **Current borrowings** | | | | | |
| **Secured** | | | | | |
| At amortised cost | | | | | |
| Commercial bill | (i) | 20,350 | 11,000 | 20,350 | 11,000 |
| Bank loan - Sweden | (ii) | 971 | 969 | - | - |
| Bank loan - Canada | (iii) | 6,904 | 5,673 | - | - |
| Hire purchase liabilities | (iv) 24 | 720 | 1,450 | 21 | 19 |
| | | 28,945 | 19,092 | 20,371 | 11,019 |
| **Non-current borrowings** | | | | | |
| **Secured** | | | | | |
| At amortised cost | | | | | |
| Commercial bills | (i) | 5,500 | 8,500 | 5,500 | 8,500 |
| Bank loan - Sweden | (ii) | - | 1,938 | - | - |
| Hire purchase liabilities | (iv) 24 | 574 | 2,488 | 51 | 72 |
| | | 6,074 | 12,926 | 5,551 | 8,572 |

(i) Commercial bills bear interest at a floating interest rate. Current weighted average interest rate is 7.46% per annum. Bills totaling $3.1 million are repayable on demand. Bills totaling $14.25 million are repayable on 30 September 2011 and the balance of bills totaling $8.5 million are repayable in 11 instalments of $0.75 million each due at the end of each calendar quarter and one final instalment of $0.25 million on 30 June 2014. 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, Fluidstar Pty Ltd, Ecospin Pty Ltd, Imdex Technology Australia Pty Ltd, Imdex Sweden AB, Imdex Technology Sweden AB, Reflex Instruments AB, Samchem Drilling Fluids and Chemicals (Pty) Ltd, Drillhole Surveying Instruments (Pty) Ltd, AMC North America Ltd and Reflex Instruments North America Ltd.

(ii) Comprises a loan of SEK 6.6 million which bears interest at the 7 day Stockholm Interbank Offered Rate ('STIBOR'), currently 2.15% plus a margin of 3.5% per annum. The loan is repayable in quarterly instalments of SEK 1.65 million each with the next installment due on 30 September 2011. This loan is secured over the assets of the Reflex and Flexit companies that are domiciled in Sweden.

(iii) Comprises a loan of CAD 7.1 million at a floating interest rate, currently 4.5%. This loan is repayable in one instalment of CAD 0.4 million on 1 September 2011 as well as 41 monthly instalments of CAD 0.14 million each commencing on 1 July 2011, followed by 11 monthly instalments of CAD 0.08 million each. 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 9.53% (2010: 9.38%).

# 16 Provisions

| | Notes | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|---|
| **Current provisions** | | | | | |
| Employee entitlements | (i) | 2,191 | 1,706 | 677 | 500 |
| **Non-current provisions** | | | | | |
| Employee entitlements | | 1,069 | 721 | 565 | 383 |

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

# 17 Other Liabilities

| | Notes | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|---|
| **Other Current Liabilities** | | | | | |
| **Unsecured** | | | | | |
| At amortised cost | | | | | |
| Deferred acquisition payments | 26(b)(iii) | 2,628 | - | 2,628 | - |
| | | 2,628 | - | 2,628 | - |
| **Other Non Current Liabilities** | | | | | |
| **Unsecured** | | | | | |
| At amortised cost | | | | | |
| Deferred acquisition payments | 26(b)(iii) | 213 | - | 213 | - |
| | | 213 | - | 213 | - |

# 18 Issued Capital

| | Notes | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|---|
| Issued and Paid Up Capital - Fully paid ordinary shares | (i) | 70,059 | 67,415 | 70,059 | 67,415 |
| | | 70,059 | 67,415 | 70,059 | 67,415 |

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

| | Notes | Consolidated and Company 2011 Number | 2011 $'000 | 2010 Number | 2010 $'000 |
|---|---|---|---|---|---|
| **Ordinary shares** | | | | | |
| Balance at beginning of the financial year | | 195,047,128 | 67,415 | 193,808,793 | 67,136 |
| Issue of shares under staff option plan | (ii) | 4,652,037 | 2,644 | 1,238,335 | 279 |
| Closing balance at end of the financial year | | 199,699,165 | 70,059 | 195,047,128 | 67,415 |

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) 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 2011, executives, directors and staff have options over 8,518,158 ordinary shares (all of which had vested), in aggregate. These options expire over a range of dates up to March 2013. 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. 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 32.

**(iii) Shares issued in satisfaction of Performance Rights**

No shares were issued in the current or prior years in satisfaction of performance rights. Performance rights obligations were settled by the purchase of existing shares on market. More information on the performance rights plan can be found in note 33.

# 19 Reserves

| | Notes | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|---|
| **Foreign Currency Translation Reserve** | | | | | |
| Balance at beginning of the financial year | | (5,622) | (4,105) | - | - |
| Translation of foreign operations | | (5,291) | (2,868) | - | - |
| Tax thereon | | (528) | 1,351 | - | - |
| Balance at the end of the financial year | | (11,441) | (5,622) | - | - |

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

| | Notes | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|---|
| **Investment Revaluation Reserve** | | | | | |
| Balance at beginning of the financial year | | - | - | - | - |
| Arising on revalution of SEH shares to market value | | 9,320 | - | 269 | - |
| Tax thereon | | (2,796) | - | (81) | - |
| Balance at the end of the financial year | | 6,524 | - | 188 | - |

The investment revaluation reserve records increases in the market value of the SEH investment net of deferred taxation. Refer note 9 for details of the SEH investment.

| | Notes | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|---|
| **Employee Equity-Settled Benefits Reserve** | | | | | |
| Balance at beginning of the financial year | | 5,107 | 4,024 | 5,107 | 4,024 |
| Options expensed | 4 | 580 | 995 | 580 | 995 |
| Performance rights expensed | 4 | 2,131 | 104 | 2,131 | 104 |
| Shares purchased on market to satisfy performance rights | | (134) | - | (134) | - |
| Options exercised during the financial year | | (526) | (16) | (526) | (16) |
| Balance at the end of the financial year | | 7,158 | 5,107 | 7,158 | 5,107 |

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. Further information regarding the Staff Option Plan is contained in note 32. Further information regarding the Performance Rights Plan is contained in note 33.

# 20 Earnings / (Loss) Per Share

| | Consolidated 2011 Cents per share | 2010 Cents per share |
|---|---|---|
| Basic earnings / (loss) per share | 14.69 | (11.05) |
| Diluted earnings / (loss) per share | 14.25 | (11.05) |

**(a) Basic earnings / (loss) per share**

| | 2011 | 2010 |
|---|---|---|
| The earnings and weighted average number of ordinary shares used in the calculation of basic earnings / (loss) per share are as follows: | **$'000s** | **$'000s** |
| Earnings / (Loss) | 29,002 | (21,548) |
| | **Shares** | **Shares** |
| Weighted average number of ordinary shares for the purposes of basic earnings / (loss) per share | 197,472,481 | 194,960,972 |

**(b) Diluted earnings / (loss) per share**

| | 2011 | 2010 |
|---|---|---|
| The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings / (loss) per share are as follows: | **$'000s** | **$'000s** |
| Earnings / (Loss) | 29,002 | (21,548) |
| | **Shares** | **Shares** |
| Weighted average number of ordinary shares for the purposes of diluted earnings / (loss) per share (ii) | 203,462,391 | 194,960,972 |

| | | |
|---|---|---|
| (ii) The weighted average number of ordinary shares for the purposes of diluted earnings / (loss) per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings / (loss) per share as follows: | **Shares** | **Shares** |
| Weighted average number of ordinary shares used in the calculation of basic earnings / (loss) per share | 197,472,481 | 194,960,972 |
| Shares deemed to be issued for no consideration in respect of employee and Director options | 3,663,869 | - |
| Shares deemed to be issued for no consideration in respect of performance rights (assuming not purchased on market) | 2,326,041 | - |
| Weighted average number of ordinary shares used in the calculation of diluted earnings / (loss) per share | 203,462,391 | 194,960,972 |

| | | |
|---|---|---|
| (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 earnings / (loss) per share: | **Shares** | **Shares** |
| Chairman's options | - | 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 |
| Employees share options tranche 4 | - | 3,014,001 |
| Employees share options tranche 5 | 575,000 | 275,000 |
| Employees share options tranche 6 | 200,000 | 500,000 |
| Employees share options tranche 7 | 4,279,991 | 4,368,327 |
| | 5,054,991 | 13,436,864 |

# 21 Dividends

| | Notes | 2011 Cents per share | 2011 Total $'000 | 2010 Cents per share | 2010 Total $'000 |
|---|---|---|---|---|---|
| **Recognised amounts** | | | | | |
| Fully paid ordinary shares - interim dividend franked to 30% | (i) | 1.75 | 3,488 | - | - |
| **Unrecognised amounts** | | | | | |
| Fully paid ordinary shares - final dividend franked to 30% | (ii) | 2.75 | 5,492 | - | - |

(i) The interim, fully franked dividend was paid on 25 March 2011. The record date for determining the entitlement to the interim dividend was 11 March 2011. There are no dividend reinvestment plans in operation.

(ii) The final fully franked dividend was declared on 12 August 2011 with an entitlement date of 7 October 2011 and a payment date of 21 October 2011. The financial effect of this dividend has not been recognised in the financial statements at 30 June 2011.

| | Consolidated 2011 $'000 | 2010 $'000 |
|---|---|---|
| Adjusted franking account balance | 30,494 | 27,079 |
| Impact on franking account of dividends not recognised | (2,354) | - |
| Income tax consequences of unrecognised dividends | - | - |

# 22 Commitments for Expenditure

**(a) Capital expenditure commitments**

At 30 June 2011 the Group had capital expenditure commitments amounting to $162,000. These commitments were for sundry capital equipment items for Australian Mud Company Pty Ltd in the Asia Pacific region.

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.

**(b) Lease commitment**

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

# 23 Contingent Liabilities and Contingent Assets

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

# 24 Leases

**(a) Hire Purchases**

**Hire purchase arrangements**

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

| | Minimum future lease payments | | | | Present value of minimum future lease payments | | | |
|---|---|---|---|---|---|---|---|---|
| | Consolidated | | Company | | Consolidated | | Company | |
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| **Hire purchase commitments** | | | | | | | | |
| Hire purchase commitments are payable as follows. Due: | | | | | | | | |
| Within one year | 820 | 1,777 | 27 | 27 | 720 | 1,450 | 21 | 19 |
| Between one and five years | 602 | 2,688 | 57 | 84 | 574 | 2,488 | 51 | 72 |
| Later than five years | - | - | - | - | - | - | - | - |
| Minimum lease payments | 1,422 | 4,465 | 84 | 111 | 1,294 | 3,938 | 72 | 91 |
| Less: future finance charges | (128) | (527) | (12) | (20) | - | - | - | - |
| | 1,294 | 3,938 | 72 | 91 | 1,294 | 3,938 | 72 | 91 |
| Hire purchase liabilities provided for in the Financial Report | | | | | | | | |
| Current – Note 15 | | | | | 720 | 1,450 | 21 | 19 |
| Non current – Note 15 | | | | | 574 | 2,488 | 51 | 72 |
| | | | | | 1,294 | 3,938 | 72 | 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 | |
|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| **Non-cancellable operating lease payments** | | | | |
| Within one year | 2,734 | 3,224 | - | 378 |
| Between one and five years | 4,624 | 2,607 | - | 162 |
| Later than five years | 275 | 60 | - | - |
| | 7,633 | 5,891 | - | 540 |

# 25 Subsidiaries

| | Notes | Country of Incorporation | Ownership Interest 2011 % | 2010 % |
|---|---|---|---|---|
| **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 |
| 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 | | Sweden | 100 | 100 |
| Flexit Australia Pty Ltd | (ii) | Australia | 100 | 100 |
| Suay Energy Services LLP | | Kazakhstan | 100 | 100 |
| AMC North America Ltd | | Canada | 100 | 100 |
| Imdex South America S.A. | | Chile | 100 | 100 |
| AMC Chile S.A. | | Chile | 100 | 100 |
| Wildcat Chemicals Australia Pty Ltd | (ii) | Australia | 100 | 100 |
| Imdex Technology Australia Pty Ltd | (ii), (iii) | Australia | 100 | 100 |
| Flexit Americas Inc | (vii) | United States of America | - | 100 |
| AMC Reflex Argentina S.A. | | Argentina | 100 | 100 |
| AMC Reflex Peru S.A.C. | | Peru | 100 | 100 |
| Imdex Technology Germany GmbH | | Germany | 100 | 100 |
| AMC Reflex Do Brasil Serviços Para Mineração Ltda | (iv) | Brazil | 100 | 100 |
| AMC Drilling Fluids Pvt Limited | (v) | India | 100 | 100 |
| Fluidstar Pty Ltd | (ii), 26(a) | Australia | 100 | - |
| Ecospin Pty Ltd | (ii), 26(a) | Australia | 100 | - |
| Imdex Nominees Pty Ltd | (ii), (vi) | Australia | 100 | - |
| AMC Germany GmbH (formerly Mud-Data GmbH) | 26(b) | Germany | 100 | - |
| Mud-Data-Rom SRL | 26(b) | Romania | 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, Reflex Instruments Asia Pacific Pty Ltd on 14 September 2007 and Imdex Technology Australia Pty Ltd on 28 April 2011.
(iv) This entity was incorporated on 30 September 2009.
(v) This entity was incorporated on 10 December 2009.
(vi) This entity was incorporated on 27 July 2010.
(vii) This entitiy was dissolved effective 1 June 2011.

# 25 Subsidiaries (continued)

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

| **Income Statement** | **2011 $'000** | **2010 $'000** |
|---|---|---|
| Revenue from sale of goods and operating lease rental | 155,969 | 80,158 |
| Other revenue from operations | 1,386 | 3,459 |
| **Total revenue** | 157,355 | 83,617 |
| Other income | 1,929 | 9,991 |
| Raw materials and consumables used | (44,683) | (41,215) |
| Employee benefit expenses | (22,084) | (15,576) |
| Depreciation and amortisation expense | (8,564) | (4,436) |
| Finance costs | (2,435) | (1,736) |
| Commissions | (1,522) | (263) |
| Consultancy fees | (822) | (340) |
| Legal and professional expenses | (3,186) | (1,303) |
| Rent and premises costs | (1,360) | (1,938) |
| Travel and accommodation | (1,913) | (1,470) |
| Motor vehicle costs | (811) | (1,600) |
| Management fee overprovision from prior periods | (5,753) | - |
| Foreign exchange loss | (3,022) | (707) |
| Impairment charges | - | (10,440) |
| Other expenses | (14,503) | (5,091) |
| **Profit before income tax expense** | 48,626 | 7,493 |
| Income tax expense | (15,811) | (1,551) |
| **Profit for the year** | 32,815 | 5,942 |

## 25 Subsidiaries (continued)

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

| **Balance Sheet** | **2011 $'000** | **2010 $'000** |
|---|---|---|
| **Current Assets** | | |
| Cash and Cash Equivalents | 10,647 | 12,753 |
| Trade and Other Receivables | 79,409 | 29,150 |
| Inventories | 28,491 | 13,399 |
| Other | 120 | 201 |
| **Total Current Assets** | 118,667 | 55,503 |
| | | |
| **Non Current Assets** | | |
| Other Financial Assets | 118,166 | 90,495 |
| Property, Plant and Equipment | 20,622 | 14,727 |
| Other Intangible Assets | 4,186 | 772 |
| Deferred Tax Asset | 597 | 5,006 |
| **Total Non Current Assets** | 143,571 | 111,000 |
| **Total Assets** | 262,238 | 166,503 |
| | | |
| **Current Liabilities** | | |
| Trade and Other Payables | 25,612 | 10,040 |
| Borrowings | 21,070 | 11,000 |
| Current Tax Payables | 18,202 | 5,723 |
| Provisions | 1,769 | 1,212 |
| Other Current Liabilities | 2,628 | - |
| **Total Current Liabilities** | 69,281 | 27,975 |
| | | |
| **Non Current Liabilities** | | |
| Borrowings | 6,074 | 8,500 |
| Provisions | 1,069 | 704 |
| Other Non Current Liabilities | 213 | - |
| **Total Non Current Liabilities** | 7,356 | 9,204 |
| **Total Liabilities** | 76,637 | 37,179 |
| **Net Assets** | 185,601 | 129,324 |
| | | |
| **Equity** | | |
| Contributed Capital | 70,059 | 67,414 |
| Employee Equity-Settled Benefits Reserve | 7,158 | 5,107 |
| Investment Revaulation Reserve | 6,524 | - |
| Retained Earnings * | 101,860 | 56,803 |
| **Total Equity** | 185,601 | 129,324 |
| | | |
| * Retained Earnings at the beginning of the financial year | 56,803 | 50,861 |
| Net Profit | 32,815 | 5,942 |
| Opening retained earnings of entities joining the closed group | 12,242 | |
| Retained Earnings at the end of the financial year | 101,860 | 56,803 |

# 26 Acquisition of Businesses

**(a) Acquisition of entity - Fluidstar Pty Ltd and Ecospin Pty Ltd**

With effect from 1 September 2010, Imdex Limited, acquired 100% of the issued share capital of Fluidstar Pty Ltd (Fluidstar) and Ecospin Pty Ltd (Ecospin). Both companies are incorporated in Australia and operate out of premises located in Brisbane. Fluidstar manufactures and distributes drilling fluids throughout the Asia Pacific region with a strong presence in the Queensland market. Ecospin develops and sell solids control solutions for the drilling industry. Both companies focus predominately on the mineral drilling industry. The provisional 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 | | 3,357 | - | 3,357 |
| Inventory | | 2,970 | - | 2,970 |
| Property, plant and equipment | | 434 | - | 434 |
| Intangibles | (i) | - | - | - |
| Trade and other payables | | (2,381) | - | (2,381) |
| Deferred tax | (i) | - | - | - |
| Fair value of net identifiable assets acquired | | 4,380 | - | 4,380 |
| Goodwill on acquisition | (ii) | | | 7,848 |
| Total purchase consideration | | | | 12,228 |
| | | | | |
| **Total purchase consideration comprises** | | | | |
| Consideration in cash and cash equivalents | | | | 12,395 |
| Less: Cash and cash equivalents acquired | | | | (167) |
| | (iii) | | | 12,228 |

| | | **Results since acquisition $'000** |
|---|---|---|
| Operating results of Fluidstar and Ecospin included in the Consolidated Income Statement of Imdex Limited from acquisition on 1 September 2010 to 31 December 2010: | | |
| Revenue | | 6,279 |
| Total expenses | | (5,503) |
| Profit after tax for the period | (iv) | 776 |

(i) Provisional acquisition numbers were presented in the 31 December 2010 half year financial report released to the ASX on 21 February 2011. These provisional numbers included $1.1 million attributed to the mud separation technology contained within the Ecospin business. Upon further investigation it was determined that this intangible asset could not be separately identified and reliably measured apart from goodwill. This amount and the related deferred tax balance shown in the 31 December 2010 half year financial report has therefore been reclassified to goodwill.

(ii) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Fluidstar and Ecospin. 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 Fluidstar and Ecospin. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured. There were no acquisition provisions created, nor were there any contingent liabilities assumed in the acquisition.

(iii) The Consolidated Cash Flow Statement for the year ended 30 June 2011 records the payment for the acquisition of Fluidstar and Ecospin as $12.2 million being the total purchase consideration of $12.2 million shown above plus $0.2 million of on-costs expensed during the period and less $0.2 million of cash acquired.

(iv) Fluidstar and Ecospin traded as independent entities from the date of their acquisition (1 September 2011) to 31 December 2011 after which they ceased trading in their own rights and their businesses were transfered into Australian Mud Company Pty Ltd. The results presented above represent trading for this four month period only. Had the acquisition of Fluidstar and Ecospin been effected on 1 July 2010, the beginning of the current financial year, the Fluidstar and Ecospin financial results included in the Imdex consolidated results would have been revenue of approximately $18.8 million and profit after tax of approximately $2.3 million. The results of Fluidstar and Ecospin are included in the Minerals segment. The Board considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

# 26 Acquisition of Businesses (continued)

**(b) Acquisition of entity - AMC Germany GmbH (formerly Mud-Data GmbH)**

With effect from 1 March 2011, Imdex Limited, acquired 100% of the issued share capital of Mud-Data GmbH, a company incorporated in Germany and operating out of premises in Rastede. This entity was subsequently renamed AMC Germany GmbH (AMC Germany). AMC Germany own 100% of the issued share capital of Mud-Data-Rom SRL, an entity incorporated in Romania. AMC Germany manufactures and distributes drilling fluids and solids control equipment for the oil & gas and geothermal industries in Europe. The numbers presented below are provisional and 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 | | 985 | - | 985 |
| Inventory | | 231 | - | 231 |
| Property, plant and equipment | | 1,080 | - | 1,080 |
| Intangibles | (i) | - | 3,914 | 3,914 |
| Trade and other payables | | (926) | - | (926) |
| Deferred tax | (i) | - | (1,174) | (1,174) |
| Fair value of net identifiable assets acquired | | 1,370 | 2,740 | 4,110 |
| Goodwill on acquisition | (ii) | | | 145 |
| Total purchase consideration | | | | 4,255 |
| | | | | |
| **Total purchase consideration comprises** | | | | |
| Consideration in cash and cash equivalents | | | | 1,601 |
| Add: Deferred consideration | (iii) | | | 2,740 |
| Less: Cash and cash equivalents acquired | | | | (86) |
| | (iv) | | | 4,255 |

| | | **Results since acquisition $'000** |
|---|---|---|
| Operating results of AMC Germany included in the Consolidated Income Statement of Imdex Limited from acquisition on 1 March 2011 to 30 June 2011: | | |
| Revenue | | 1,143 |
| Total expenses | | (1,593) |
| Profit after tax for the period | (v) | (450) |

(i) Intangibles assets of $3.9 million comprise the fair value of a key geothermal contract. AMC Germany is currently negotiating this contract and it is expected that work will commence in financial year 2012. Additional deferred consideration comprising cash and share payments will be made to the vendors over the next 5 years depending on the level of financial performance of this contract. (details in (iii) below) The discounted present value of these expected payments have been used to determine the fair value of this intangible asset. This intangible asset is being amortised over its expected useful life of 5 years. Deferred tax of $1.2 million was raised on this asset.

(ii) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire AMC Germany. 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 AMC Germany. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured. There were no acquisition provisions created, nor were there any contingent liabilities assumed in the acquisition.

(iii) Additional cash and share payments become payable to the vendors in future periods, the discounted value of which is presented above. Additional consideration becomes payable as follows:

- cash payment of € 1.2 million plus € 1.0 million in fully paid Imdex Limited ordinary shares should drilling commence on a key geothermal contract before 1 April 2016 or a minimum of €2.0 million be received in cash from this client for the purchase of mud systems; and
- cash of € 0.15 million per complete set of four wells drilled on the key geothermal contract; and
- cash amounting to 1.065% of the revenue generated by the key geothermal contract for calendar years 2011 to 2015 paid quarterly.

(iv) The Consolidated Cash Flow Statement for the year ended 30 June 2011 records the payment for the acquisition of AMC Germany as $2.1 million being the cash consideration above of $1.6 million above plus $0.6 million of on-costs expensed in the current year and less $0.1 million of cash acquired .

(v) Had the acquisition of AMC Germany been effected on 1 July 2010, the beginning of the current year, the AMC Germany financial results included in the Imdex consolidated results would have been revenue of approximately $3.4 million with breakeven profit. The results of AMC Germany are included in the Oil & Gas segment. The Board considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

# 26 Acquisition of Businesses (continued)

**(c) Acquisition of entity - 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. At 30 June 2010 there are no further amounts outstanding amounts in relation to this acquisition.

# 27 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.

In prior years segment information reported externally was analysed on the basis of product (ie Drilling Fluids and Chemicals or Down Hole Instrumentation). Effective 1 July 2010 changed internal reporting structures came into effect that changed the way information was reported to the chief operating decision maker. Information is now presented along market lines with the Imdex Group reporting financial results and making decisions to allocate resources made with reference to the Minerals market and the oil and gas market.

**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) Minerals division: This segment comprises the manufacture, sale and rental of down hole instrumentation and manufacture and sale of drilling fluids and chemicals to the mining and mineral exploration industry globally; and

(ii) Oil & Gas division: This segment comprises the manufacture, sale and rental of down hole instrumentation and manufacture and sale of drilling fluids and chemicals to the oil and gas and geothermal industries globally;

**(a) Segment Revenues**

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Minerals | 177,683 | 111,185 |
| Oil & Gas | 27,480 | 23,068 |
| Total of all segments | 205,163 | 134,253 |
| Unallocated | 171 | 1,372 |
| **Total revenue** | 205,334 | 135,625 |

**(b) Segment Results**

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Minerals | 45,916 | 21,680 |
| Oil & Gas | (1,687) | (5,369) |
| Total of all segments | 44,229 | 16,311 |
| Eliminations | - | - |
| Impairment adjustments | - | (33,971) |
| Central administration costs ^ | (5,636) | (3,411) |
| Profit / (loss) before income tax expense | 38,593 | (21,071) |
| Income tax (expense) / benefit | (9,591) | (477) |
| **Profit / (Loss) attributable to ordinary equity holders of Imdex Limited** | 29,002 | (21,548) |

^ - includes a loss of $0.7 million in the prior period on revaluation of loan to Sino Gas and Energy Holdings Ltd

# 27 Segment Information (continued)

**(c) Segment Assets and Liabilities**

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| Minerals | 176,688 | 128,840 | 39,030 | 24,372 |
| Oil & Gas | 26,305 | 27,755 | 16,816 | 12,512 |
| Total of all segments | 202,993 | 156,595 | 55,846 | 36,884 |
| Unallocated (i) | 16,122 | 6,802 | 37,860 | 32,018 |
| Consolidated | 219,115 | 163,397 | 93,706 | 68,902 |

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

**(d) Other segment information**

| | Minerals | | Oil & Gas | | Unallocated | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| Depreciation | 4,132 | 2,711 | 1,345 | 1,234 | 244 | 237 | 5,721 | 4,182 |
| Amortisation | 4,006 | 3,770 | 2,772 | 2,593 | - | - | 6,778 | 6,363 |
| Acquisition of segment assets | 7,650 | 5,994 | 3,009 | 1,236 | 743 | 316 | 11,402 | 7,546 |
| Significant non cash expenses other than depreciation and amortisation | 2,169 | 880 | 542 | 220 | 101 | 15 | 2,812 | 1,115 |
| Impairment losses | - | 8,264 | - | 15,267 | - | 10,440 | - | 33,971 |

**Geographical Segments**

The Group operates in the following geographical segments:
(i) Asia Pacific: Manufacture and sale/rental of products to the mining and mineral exploration and oil & gas industries
(ii) Europe: Manufacture and sale/rental of products to the mining and mineral exploration and oil & gas industries
(iii) Africa: Manufacture and sale/rental of products to the mining and mineral exploration and oil & gas industries
(iv) Americas: Manufacture and sale/rental of products to the mining and mineral exploration and oil & gas industries

| | Revenue from external customers | | Segment assets (non-current) | | Acquisition of segment assets | |
|---|---|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| Asia Pacific | 118,723 | 83,976 | 78,421 | 63,927 | 4,891 | 5,285 |
| Europe | 10,457 | 4,257 | 15,417 | 12,444 | 2,466 | 213 |
| Africa | 28,659 | 16,700 | 3,523 | 1,039 | 1,712 | 749 |
| Americas | 47,495 | 30,692 | 7,986 | 3,674 | 2,333 | 1,299 |
| Total | 205,334 | 135,625 | 105,347 | 81,084 | 11,402 | 7,546 |

**(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.

# 28 Related Party Disclosures

**(a) Equity interests in related parties**

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

**(b) Transactions with key management personnel**

**(i) Key management personnel compensation**

Details of key management personnel compensation is set out in note 31.

**(ii) Loans to key management personnel**

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

**(iii) Key management personnel equity holdings**

| 2011 | Balance at 1 July 2010 | Granted as compensation | Received on exercise of options | Inception / (cessation) as key management person | Net other change # | Balance at 30 June 2011 | Balance held nominally |
|---|---|---|---|---|---|---|---|
| | No. | No. | No. | No. | No. | No. | No. |
| Mr B W Ridgeway | 3,500,000 | - | 2,000,000 | - | (3,065,000) | 2,435,000 | - |
| Mr R W Kelly | 380,000 | - | - | - | - | 380,000 | - |
| Mr K A Dundo | 300,000 | - | - | - | - | 300,000 | - |
| Mr M Lemmel | 903,921 | - | - | - | - | 903,921 | - |
| Ms E Donaghey | 110,000 | - | - | - | 75,000 | 185,000 | - |
| Mr G E Weston | 350,000 | - | 1,000,000 | - | (350,000) | 1,000,000 | - |
| Mr D J Loughlin | - | - | - | - | - | - | - |
| Mr M L Quesnel + | - | - | - | - | - | - | - |
| Mr P A Evans | 45,000 | - | - | - | - | 45,000 | - |
| | 5,588,921 | - | 3,000,000 | - | (3,340,000) | 5,248,921 | - |

| 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 | - | - | - | 110,837 | 903,921 | - |
| 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) | (499,163) | 5,588,921 | - |

* - 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 and resigned on 31 August 2010. Disclosures above relate only to the period when in office.
~ - Mr P J Mander ceased to be a Key Management Person on 1 July 2010 when changed internal reporting structures came into effect. Disclosures above relate only to the period when in office.
# - represent on market transactions

# 28 Related Party Disclosures (continued)

**(iv) Share options issued by Imdex Limited**

| 2011 | Balance at 1 July 2010 | Granted as compensation | Exercised | Inception / (cessation) as key management person | Balance at 30 June 2011 | Vested but not exercisable | Vested and exercisable | Options vested during year |
|---|---|---|---|---|---|---|---|---|
| | No. | No. | No. | No. | No. | No. | No. | No. |
| Mr B W Ridgeway | 2,000,000 | - | (2,000,000) | - | - | - | - | - |
| Mr R W Kelly | - | - | - | - | - | - | - | - |
| Mr K A Dundo | - | - | - | - | - | - | - | - |
| Mr M Lemmel | - | - | - | - | - | - | - | - |
| Ms E Donaghey | - | - | - | - | - | - | - | - |
| Mr G E Weston | 1,500,000 | - | (1,000,000) | - | 500,000 | - | 500,000 | 166,668 |
| Mr D J Loughlin | 500,000 | - | - | - | 500,000 | - | 500,000 | - |
| Mr M L Quesnel + | - | - | - | - | - | - | - | - |
| Mr P J Mander ~ | 150,000 | - | - | (150,000) | - | - | - | - |
| Mr P A Evans | 500,000 | - | - | - | 500,000 | - | 500,000 | 66,667 |
| | 4,650,000 | - | (3,000,000) | (150,000) | 1,500,000 | - | 1,500,000 | 233,335 |

| 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 |

* - 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 and resigned on 31 August 2010. Disclosures above relate only to the period when in office.
~ - Mr P J Mander ceased to be a Key Management Person on 1 July 2010 when changed internal reporting structures came into effect. 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 3,000,000 options were exercised by key management personnel during the current year. The exercise price was 35c per share for the 1,000,000 exercised by Mr G Weston and 30c per share for the 2,000,000 exercised by Mr B Ridgeway. No amounts remain unpaid on the options exercised.

# 28 Related Party Disclosures (continued)

**(v) Performance rights granted by Imdex Limited**

| 2011 | Balance at 1 July 2010 | Granted as compensation | Satisfied by the issue of shares | Expired | Closing balance at 30 June 2011 |
|---|---|---|---|---|---|
| | No. | No. | No. | No. | No. |
| Mr B W Ridgeway | - | 196,579 | - | - | 196,579 |
| Mr R W Kelly | - | - | - | - | - |
| Mr K A Dundo | - | - | - | - | - |
| Mr M Lemmel | - | - | - | - | - |
| Ms E Donaghey | - | - | - | - | - |
| Mr G E Weston | - | 120,897 | - | - | 120,897 |
| Mr D J Loughlin | - | 125,587 | - | - | 125,587 |
| Mr M L Quesnel + | - | - | - | - | - |
| Mr P A Evans | - | 111,806 | - | - | 111,806 |
| | - | 554,869 | - | - | 554,869 |

| 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 Quesnel was appointed on 15 October 2009 and resigned on 31 August 2010. Disclosures above relate only to the period when in office.
~ - Mr P J Mander ceased to be a Key Management Person on 1 July 2010 when changed internal reporting structures came into effect. 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.

More information on the Performance Rights Plan can be found in note 33.

# 28 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 $378,638 (2010: $127,766)

(b) Transactions with Directors

| | Note | Consolidated 2011 $ | Consolidated 2010 $ | Company 2011 $ | Company 2010 $ |
|---|---|---|---|---|---|
| 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) | 378,638 | 127,766 | 378,638 | 127,766 |
| Total assets arising from transactions, other than compensation, with Directors or their related entities: | | | | | |
| Goodwill and intercompany loans (parent: acquisition costs) | vi(a) | - | - | - | - |
| Total assets and liabilities arising from transactions, other than compensation, with Directors or their related entities: | | | | | |
| Current Liabilities | vi(a) | 26,957 | 9,087 | 26,957 | 9,087 |

**(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 and amount to $79,390,000 (2010: $77,643,000). During the financial year Imdex Limited provided management services amounting to $3,791,309 (2010: $10,188,290) 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.

# 29 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 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|
| Cash and cash equivalents | 18,388 | 9,007 | - | 7,644 |
| Bank overdraft | - | - | (1,697) | - |
| | 18,388 | 9,007 | (1,697) | 7,644 |

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 $18,388,328 (2010: $9,006,970)

**(b) Non cash financing and investing activities**

During the year the Group acquired equipment under a finance lease of nil (2010: $3.2 million). This equipment acquisition was reflected in the prior period cash flow cash flow statement over the term of the finance lease via lease repayments.

# 29 Notes to the Cash Flow Statement (continued)

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

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| Profit / (Loss) for the year | 29,002 | (21,548) | (14,946) | (3,398) |
| *Adjustments for non-cash and non-operational items* | | | | |
| Depreciation of non-current assets | 5,721 | 4,182 | 244 | 236 |
| Amortisation of intangible assets | 6,778 | 6,363 | - | - |
| Non-cash interest on deferred payments | 101 | 15 | 101 | - |
| Interest earned on intercompany accounts | - | - | (979) | (1,827) |
| Impairment losses | 737 | 33,971 | 737 | 3,434 |
| Interest and forex loss on SEH settled in shares | - | (608) | - | - |
| Interest received disclosed as investing activities | (171) | (87) | (124) | (41) |
| Share options and performance rights expensed | 2,711 | 1,099 | 2,711 | 1,099 |
| (Profit) / loss on sale of non-current assets | 32 | (12) | - | - |
| Interest on hire purchase liabilities | 343 | 249 | 8 | 9 |
| *Changes in assets and liabilities during the financial year* | | | | |
| (Increase) / decrease in assets: | | | | |
| Current receivables | (5,380) | (17,941) | 5,946 | (8,368) |
| Current inventories | (8,764) | (2,065) | - | - |
| Other current assets | (1,100) | (1,989) | 24 | (2) |
| Increase / (decrease) in liabilities: | | | | |
| Current payables | 3,408 | 13,040 | 1,500 | 413 |
| Provision for employee entitlements | 833 | 557 | 359 | 151 |
| Current and deferred tax liability | 1,642 | (9,526) | 8,340 | (8,821) |
| Net Cash Provided by / (used in) Operating Activities | 35,893 | 5,700 | 3,921 | (17,115) |

**(d) Financing facilities**

| | Consolidated 2011 $'000 | Consolidated 2010 $'000 | Company 2011 $'000 | Company 2010 $'000 |
|---|---|---|---|---|
| Total facilities available | | | | |
| Bank loan - Sweden | 971 | 2,907 | - | - |
| Bank loan - Canada | 7,631 | 6,509 | - | - |
| Commercial bills | 25,850 | 19,500 | 25,850 | 19,500 |
| Equipment finance facility | 4,015 | 4,015 | 87 | 106 |
| Multi option facility (including bank overdraft) | 2,220 | 2,220 | 2,220 | 2,220 |
| | 40,687 | 35,151 | 28,157 | 21,826 |
| Facilities utilised at balance sheet date | | | | |
| Bank loan - Sweden | 971 | 2,907 | - | - |
| Bank loan - Canada | 6,904 | 5,673 | - | - |
| Commercial bills | 25,850 | 19,500 | 25,850 | 19,500 |
| Equipment finance facility | 1,294 | 3,938 | 72 | 91 |
| Multi option facility (including bank overdraft) | - | - | - | - |
| | 35,019 | 32,018 | 25,922 | 19,591 |
| Facilities not utilised at balance sheet date | | | | |
| Bank loan - Sweden | - | - | - | - |
| Bank loan - Canada | 727 | 836 | - | - |
| Commercial bills | - | - | - | - |
| Equipment finance facility | 2,721 | 77 | 15 | 15 |
| Multi option facility (including bank overdraft) | 2,220 | 2,220 | 2,220 | 2,220 |
| | 5,668 | 3,133 | 2,235 | 2,235 |

# 30 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 15, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 18 and 19. Management and the Board review the capital structure 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:

| | 2011<br>$ 000's | 2010<br>$ 000's |
|---|---|---|
| Debt (i) | 37,860 | 32,018 |
| Cash and bank balances | (18,388) | (9,007) |
| Net debt | 19,472 | 23,011 |
| Equity (ii) | 125,409 | 94,495 |
| Net debt divided by debt plus equity | 13.4% | 19.6% |

(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 | |
|---|---|---|---|---|
| | 2011<br>$ 000s | 2010<br>$ 000s | 2011<br>$ 000s | 2010<br>$ 000s |
| **Financial Assets** | | | | |
| Cash and cash equivalents | 18,388 | 9,007 | - | 7,644 |
| Loans and receivables | 50,219 | 41,210 | 81,203 | 79,418 |
| Available-for-sale financial assets | 16,122 | 6,802 | 465 | 196 |
| **Financial Liabilities** | | | | |
| Bank overdraft | - | - | 1,697 | - |
| Amortised cost | 70,739 | 57,707 | 31,842 | 21,170 |

# 30 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. There are no derivative instruments in operation at year end.

**(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. There are no derivative financial instruments in operation at year end. 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 in Australian dollars of the Group's monetary assets and liabilities denominated in currencies other than Australian dollars at the reporting date are as per the table below. Non Australian dollar liabilities include trade creditors, accruals and borrowings recorded in Australian as well as non-Australian entities. Non Australian dollar assets include cash on hand and debtors recorded in Australian as well as non-Australian entities. Any fluctuation in exchange rates relative to the Australian dollar will cause the below assets and liabilities to change in value.

| | **Liabilities** | | **Assets** | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$ 000s** | **$ 000s** | **$ 000s** | **$ 000s** |
| United States Dollars | 3,548 | 1,096 | 20,212 | 5,696 |
| South African Rand | 3,098 | 1,452 | 5,294 | 2,972 |
| Canadian Dollars | 8,604 | 9,299 | 7,375 | 3,675 |
| Swedish Kroner | 971 | 3,257 | 205 | 2,570 |
| British Pound | 2,497 | 1,141 | 100 | 204 |
| Euro | 7,229 | 104 | 2,260 | 519 |
| Chilean Pesos | 4,546 | 465 | 3,978 | 3,797 |
| Other | 3,487 | 657 | 5,722 | 1,138 |

# 30 Financial Instruments (continued)

**(f) Foreign currency risk management (continued)**

**Foreign currency sensitivity**

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

The following table details the Group's sensitivity to a 10% (2010: 5%) increase and decrease in the Australian Dollar against the relevant foreign currencies. The sensitivity rate of 10% (2010: 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 10% (2010: 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 10% (2010: 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 | | | | | South African Rand Impact | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Consolidated | | Company | | | Consolidated | | Company | | |
| | 2011 | 2010 | 2011 | 2010 | | 2011 | 2010 | 2011 | 2010 | |
| | $ 000's | $ 000's | $ 000's | $ 000's | | $ 000's | $ 000's | $ 000's | $ 000's | |
| Profit or (loss) | (1,666) | (230) | - | - | (i) | (220) | (76) | - | - | (i) |
| Other equity | - | - | - | - | (ii) | - | - | - | - | (ii) |

| | European Dollar Impact | | | | | Canadian Dollar Impact | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Consolidated | | Company | | | Consolidated | | Company | | |
| | 2011 | 2010 | 2011 | 2010 | | 2011 | 2010 | 2011 | 2010 | |
| | $ 000's | $ 000's | $ 000's | $ 000's | | $ 000's | $ 000's | $ 000's | $ 000's | |
| Profit or (loss) | 497 | (21) | - | - | (i) | 123 | 281 | - | - | (i) |
| Other equity | - | - | - | - | (ii) | - | - | - | - | (ii) |

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

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

# 30 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 data below is presented 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 (2010: $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 (2010: $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 $0.3 million (2010: $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 $0.3 million (2010: $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. This interest rate cap expired on 31 December 2010. At 30 June 2010 this interest rate cap had a fair value of nil. This fair value was determined by seeking market valuations at year end for an interest rate cap with identical terms that terminates on 31 December 2010.

**(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 2011 no such collateral had been obtained. (30 June 2010 : nil)

# 30 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 29(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 |
| **2011** | | | | | |
| Non-interest bearing | - | 24,659 | 10,840 | 221 | - |
| Finance lease liability | 9.53% | 205 | 615 | 602 | - |
| Variable interest rate instruments | 6.80% | 25,727 | 3,637 | 6,347 | - |
| | | 50,591 | 15,092 | 7,170 | - |
| **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 | - |

**Company**

| | Weighted average effective interest rate | 0-3 months | 3 months to 1 year | 1-5 years | 5+ years |
|---|---|---|---|---|---|
| | % | $'000 | $'000 | $'000 | $'000 |
| **2011** | | | | | |
| Non-interest bearing | - | 2,309 | 3,390 | 221 | - |
| Finance lease liability | 9.88% | 7 | 20 | 57 | - |
| Variable interest rate instruments | 7.46% | 20,186 | 2,647 | 5,895 | - |
| | | 22,502 | 6,057 | 6,173 | - |
| **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 | - |

# 30 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 |
| **2011** | | | | | |
| Non-interest bearing | - | 50,219 | - | 16,122 | - |
| Variable interest rate instruments | 0.25% | 18,388 | - | - | - |
| | | 68,607 | - | 16,122 | - |
| **2010** | | | | | |
| Non-interest bearing | - | 41,210 | - | 6,802 | - |
| Variable interest rate instruments | 2.75% | 9,007 | - | - | - |
| | | 50,217 | - | 6,802 | - |

**Company**

| | Weighted average effective interest rate | 0-3 months | 3 months to 1 year | 1-5 years | 5+ years |
|---|---|---|---|---|---|
| | % | $'000 | $'000 | $'000 | $'000 |
| **2011** | | | | | |
| Non-interest bearing | - | 1,813 | - | 465 | 79,390 |
| | | 1,813 | - | 465 | 79,390 |
| **2010** | | | | | |
| Non-interest bearing | - | 1,775 | - | 196 | 77,643 |
| Variable interest rate instruments | 0.25% | 7,644 | - | - | - |
| | | 9,419 | - | 196 | 77,643 |

**(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.

# 30 Financial Instruments (continued)

**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<br>$ 000's | Level 2<br>$ 000's | Level 3<br>$ 000's | Total<br>$ 000's |
|---|---|---|---|---|
| **Available-for-sale financial assets** | | | | |
| **2011** | | | | |
| Shares in Sino Gas & Energy Holdings Limited | 16,122 | - | - | 16,122 |
| **2010** | | | | |
| Shares in Sino Gas & Energy Holdings Limited | 6,802 | - | - | 6,802 |

# 31 Key Management Personnel Compensation

**Key management personnel compensation**

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

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2011<br>$ | 2010<br>$ | 2011<br>$ | 2010<br>$ |
| Short-term employee benefits | 2,619,395 | 2,244,909 | 2,619,395 | 2,244,909 |
| Post-employment benefits | 171,973 | 179,145 | 171,973 | 179,145 |
| Other long-term benefits | 106,185 | 28,278 | 106,185 | 28,278 |
| Termination benefits | - | - | - | - |
| Share-based payments | 420,872 | 154,572 | 420,872 | 154,572 |
| | 3,318,425 | 2,606,904 | 3,318,425 | 2,606,904 |

# 32 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 6-12 months. Options expire when the option holder ceases to be employed by the Group.

# 32 Staff Option Scheme (continued)

**(a) Share Based Payment Arrangements (continued)**

**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 2011 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. These options were all exercised on 19 October 2010.

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

| 2011 | Issue Date | Expiry Date | Exercise Price $ | Fair Value at Grant Date $ | Number of Options<br>Opening balance | Issued current year | Exercised current year | Lapsed current year | Closing balance |
|---|---|---|---|---|---|---|---|---|---|
| **Staff Options** | | | | | | | | | |
| Tranche 2 (i) | 1-Feb-06 | 31-Jan-11 | 0.35 | 0.02 | 1,579,536 | - | (1,552,870) | (26,666) | - |
| 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 | 3,014,001 | - | (599,167) | (151,667) | 2,263,167 |
| Tranche 5 (i) | 12-Jun-07 | 11-Jun-12 | 1.80 | 0.51 | 575,000 | - | - | - | 575,000 |
| Tranche 6 (i) | 18-Oct-07 | 17-Oct-12 | 1.80 | 0.81 | 200,000 | - | - | - | 200,000 |
| Tranche 7 (i) | 28-Mar-08 | 27-Mar-13 | 3.00 | 0.42 | 4,368,327 | - | - | (88,336) | 4,279,991 |
| **Former Chairman's Options** | | | | | | | | | |
| Tranche 1 (ii) | 19-Oct-06 | 18-Oct-11 | 0.75 | 0.35 | 1,000,000 | - | (500,000) | - | 500,000 |
| **Managing Directors' Options** | | | | | | | | | |
| Tranche 1 (iii) | 15-Sep-05 | 14-Sep-10 | 0.30 | 0.01 | 2,000,000 | - | (2,000,000) | - | - |
| | | | | | 13,436,864 | - | (4,652,037) | (266,669) | 8,518,158 |

| 2010 | Issue Date | Expiry Date | Exercise Price $ | Fair Value at Grant Date $ | Number of Options<br>Opening balance | Issued current year | Exercised current year | Lapsed current year | Closing balance |
|---|---|---|---|---|---|---|---|---|---|
| **Staff Options** | | | | | | | | | |
| Tranche 1 (i) | 1-Aug-04 | 31-Jul-09 | 0.20 | 0.01 | 1,141,666 | - | (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 | - | - | (50,000) | 575,000 |
| Tranche 6 (i) | 18-Oct-07 | 17-Oct-12 | 1.80 | 0.81 | 500,000 | - | - | (300,000) | 200,000 |
| 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 |

(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.

# 32 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**

**2011**

| Option Series | Number Exercised | Exercise Date | Share Price at Exercise Date ($) | Amount Paid ($) | Amount Unpaid ($) |
|---|---|---|---|---|---|
| Staff Options Tranche 4 | 35,000 | 27-Jun-11 | 2.15 | 35,000 | - |
| Staff Options Tranche 4 | 40,000 | 17-Jun-11 | 2.25 | 40,000 | - |
| Staff Options Tranche 4 | 100,000 | 10-Jun-11 | 2.16 | 100,000 | - |
| Staff Options Tranche 4 | 50,000 | 19-Apr-11 | 2.01 | 50,000 | - |
| Staff Options Tranche 4 | 30,000 | 07-Apr-11 | 2.10 | 30,000 | - |
| Staff Options Tranche 4 | 30,000 | 07-Apr-11 | 2.10 | 30,000 | - |
| Staff Options Tranche 4 | 35,000 | 25-Mar-11 | 2.06 | 35,000 | - |
| Staff Options Tranche 2 | 8,334 | 21-Mar-11 | 1.96 | 2,917 | - |
| Staff Options Tranche 4 | 75,000 | 14-Mar-11 | 1.75 | 75,000 | - |
| Staff Options Tranche 4 | 25,000 | 21-Feb-11 | 1.96 | 25,000 | - |
| Staff Options Tranche 2 | 50,000 | 14-Feb-11 | 2.05 | 17,500 | - |
| Former Chaiman's Options | 500,000 | 08-Feb-11 | 2.05 | 375,000 | - |
| Staff Options Tranche 2 | 30,000 | 31-Jan-11 | 1.92 | 10,500 | - |
| Staff Options Tranche 4 | 12,500 | 31-Jan-11 | 1.92 | 12,500 | - |
| Staff Options Tranche 2 | 1,000,000 | 28-Jan-11 | 1.99 | 350,000 | - |
| Staff Options Tranche 2 | 16,667 | 20-Jan-11 | 1.95 | 5,833 | - |
| Staff Options Tranche 2 | 13,333 | 14-Jan-11 | 1.89 | 4,667 | - |
| Staff Options Tranche 2 | 15,000 | 11-Jan-11 | 1.77 | 5,250 | - |
| Staff Options Tranche 2 | 16,667 | 11-Jan-11 | 1.77 | 5,833 | - |
| Staff Options Tranche 2 | 16,667 | 11-Jan-11 | 1.77 | 5,833 | - |
| Staff Options Tranche 4 | 7,667 | 11-Jan-11 | 1.77 | 7,667 | - |
| Staff Options Tranche 2 | 30,000 | 10-Jan-11 | 1.77 | 10,500 | - |
| Staff Options Tranche 2 | 32,700 | 07-Jan-11 | 1.79 | 11,445 | - |
| Staff Options Tranche 2 | 33,333 | 07-Jan-11 | 1.79 | 11,667 | - |
| Staff Options Tranche 2 | 45,000 | 06-Jan-11 | 1.77 | 15,750 | - |
| Staff Options Tranche 4 | 9,000 | 04-Jan-11 | 1.80 | 9,000 | - |
| Staff Options Tranche 2 | 15,000 | 29-Dec-10 | 1.79 | 5,250 | - |
| Staff Options Tranche 4 | 20,000 | 21-Dec-10 | 1.79 | 20,000 | - |
| Staff Options Tranche 4 | 100,000 | 13-Dec-10 | 1.71 | 100,000 | - |
| Staff Options Tranche 2 | 16,667 | 13-Dec-10 | 1.71 | 5,833 | - |
| Staff Options Tranche 2 | 50,000 | 10-Dec-10 | 1.63 | 17,500 | - |
| Staff Options Tranche 2 | 10,000 | 09-Dec-10 | 1.65 | 3,500 | - |
| Staff Options Tranche 2 | 10,000 | 08-Dec-10 | 1.59 | 3,500 | - |
| Staff Options Tranche 4 | 5,000 | 06-Dec-10 | 1.47 | 5,000 | - |
| Staff Options Tranche 2 | 20,000 | 02-Dec-10 | 1.37 | 7,000 | - |
| Staff Options Tranche 2 | 16,667 | 26-Nov-10 | 1.38 | 5,833 | - |
| Staff Options Tranche 2 | 13,334 | 24-Nov-10 | 1.38 | 4,667 | - |
| Staff Options Tranche 4 | 25,000 | 17-Nov-10 | 1.38 | 25,000 | - |
| Staff Options Tranche 2 | 33,334 | 17-Nov-10 | 1.38 | 11,667 | - |
| Staff Options Tranche 2 | 6,667 | 09-Nov-10 | 1.35 | 2,333 | - |
| Staff Options Tranche 2 | 15,000 | 04-Nov-10 | 1.34 | 5,250 | - |
| Managing Directors' Options | 2,000,000 | 25-Oct-10 | 1.26 | 600,000 | - |
| Staff Options Tranche 2 | 33,500 | 24-Sep-10 | 1.02 | 11,725 | - |
| Staff Options Tranche 2 | 5,000 | 13-Sep-10 | 0.93 | 1,750 | - |
| | 4,652,037 | | | | |

# 32 Staff Option Scheme (continued)

**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 | 2-Oct-10 | 0.71 | 4,000 | - |
| Staff Options Tranche 2 | 33,334 | 1-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 | | | | |

**(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 $2.04 (2010: $1.48), and a weighted average remaining contractual life of 442 days (2010: 608 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

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price ($) | Number of Options | Weighted Average Exercise Price ($) |
| Balance at beginning of the financial year | 13,436,864 | 1.48 | 15,580,539 | 1.41 |
| Granted during the financial year | - | - | - | - |
| Forfeited during the financial year | - | - | - | - |
| Exercised during the financial year | (4,652,037) | 0.46 | (1,238,335) | 0.21 |
| Expired during the financial year | (266,669) | 1.60 | (905,340) | 1.91 |
| Balance at end of the financial year | 8,518,158 | 2.04 | 13,436,864 | 1.48 |
| Exercisable at end of the financial year | 8,518,158 | | 11,814,088 | |

# 33 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 be 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.

# 33 Performance Rights Plan (continued)

**(b) Performance rights Granted in the current year**

***Staff Performance Rights***

2,630,029 performance rights were granted to employees during the current year in 3 tranches (Tranches 2, 3 and 4 in the table below). Since their granting 157,657 of these performance rights have expired by virtue of staff leaving the employment of the Imdex Group. One fully paid Imdex Limited ordinary shares will be issued in satisfaction of each performance right should specified targets be met. Targets are typically a mixture of earnings per share, total shareholder return, EBITA or other profitability hurdle combined with the requirement for ongoing employment tenure. Targets are tailored to each employee with due regard to the business unit they work in. No shares will be issued where targets are not met. Measurement against targets will only be possible once the FY11 independent audit report is signed in August 2011. Shares issued in satisfaction of performance rights will occur annually in 1/3 lots, with the first 1/3 lot being issued after the FY11 independent audit report is signed.

For the purposes of the FY11 financial statements, the Directors have made an estimate of the likelihood of the achievement of FY11 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 2,472,372 remaining performance rights, all will meet the required performance hurdles and will result in 2,472,372 fully paid Imdex Limited ordinary shares being issued over three years should employment tenure be retained.

The weighted average fair value of a performance right at grant date was $1.50 per right. The expected total cost of the estimated 2,472,372 fully paid ordinary shares to be issued in Imdex Limited will therefore be $3.7 million. This value will be expensed over the vesting period from July 2010 to August 2013, with $2.0 million expensed in the current year.

***Managing Director's Performance Rights***

196,579 performance rights were granted to the Managing Director on 14 October 2010 following approval by the shareholders at the Annual General Meeting. One fully paid Imdex Limited ordinary shares will be issued in satisfaction of each performance right should the specified earnings per share and total shareholder return targets be met over the 3 year measurement period from FY11 to FY13. The Managing Director is subject to two hurdles each with equal weighting. The first is that the Total Shareholder Return (TSR) of Imdex Limited must exceed the average TSR of the ASX300 over the 3 year measurement period. The second is that the Earnings Per Share of Imdex Limited must exceed the average EPS of the ASX300 over the 3 year measurement period.

Measurement against targets will only be possible once the FY13 independent audit report is signed in August 2013.

For the purposes of the FY11 financial statements, the Directors have made an estimate of the likelihood of the achievement of the specified targets and hence the number of fully paid Imdex Limited ordinary shares that are likely to be issued. Due to the hurdle being market related, adjustment will not be made in future periods should the actual number of shares issued be different from those estimated. It is estimated that out of the 196,579 performance rights issued, all will meet the required performance hurdles and will result in 196,579 fully paid Imdex Limited ordinary shares being issued on or about August 2013 should employment tenure be retained.

The fair value of a performance right at grant date was $1.14 per right. The expected total cost of the estimated 196,579 fully paid ordinary shares to be issued in Imdex Limited will therefore be $0.2 million. This value will be expensed over the vesting period from October 2010 to August 2013, with $0.1 million expensed in the current year.

**(c) Performance rights Granted in the prior year**

2,262,366 performance rights were granted to employees during the prior year. Included in this total were 234,375 performance rights granted to the Managing Director. The issue to the Managing Director was approved by the shareholders at the Annual General Meeting on 14 October 2009. One fully paid Imdex Limited ordinary share was to be issued in satisfaction of each performance right for specified FY10 EBITA targets met. FY10 EBITA targets were required to be met by each individual with due regard to the company and business unit they work in. No shares were issued where targets were not met. Shares issued in satisfaction of performance rights will occur annually in 1/3 lots, with the first 1/3 lot being issued after the FY10 independent audit report is signed.

Of the 2,262,366 performance rights issued, 458,779 met 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. Adjustments are made each year to the number of performance rights outstanding to reflect where employment tenure has not been maintained.

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 February 2010 to August 2012, with $0.1 million expensed in the prior year.

# 33 Performance Rights Plan (continued)

**(d) Summary of performance rights outstanding**

| 2011 | 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-14 | - | 0.685 | 458,779 | - | (138,391) | (66,719) | 253,669 |
| Tranche 2 | 3-Dec-10 | Aug-15 | - | 1.395 | - | 2,230,029 | - | (157,657) | 2,072,372 |
| Tranche 3 | 28-Jan-11 | Aug-15 | - | 1.990 | - | 200,000 | - | - | 200,000 |
| Tranche 4 | 10-Jun-11 | Aug-16 | - | 2.160 | - | 200,000 | - | - | 200,000 |
| MD Tranche | 14-Oct-10 | Nov-15 | - | 1.140 | - | 196,579 | - | - | 196,579 |

| 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 failure to maintain employment tenure or on failure to satisfy performance hurdles.

# 34 Subsequent Events

Effective 1 July 2011 Imdex Limited was allotted fully paid ordinary shares in DHS Oil Services Limited (DHSO) in exchange for the granting of an exclusive global technology license to use its oil and gas surveying instruments and technology. Following this allotment Imdex Limited holds 50% of the issued share capital of DHSO. DHSO is registered in the British Virgin Islands and will operate an oil and gas services business based in Dubai using the technology licensed to it by Imdex Limited. Imdex Limited will account for its investment in DHSO as an associate per Australian Accounting Standard 128 “Investments in Associates” since it holds 50% of the issued capital but only 2 out of 5 Board positions. Imdex Limited therefore has significant influence over DHSO but does not control or jointly control DHSO. Additional disclosures with respect to this acquisition are impracticable at this stage as the acquisition accounting is still being finalised.

Effective 1 July 2011 Imdex Limited acquired 100% of the issued share capital of Australian Drilling Specialties Pty Ltd, a drilling fluids manufacturer based in Kwinana, Western Australia. The consideration of $12 million will be paid $6 million in cash and $6 million in Imdex shares valued at the 5 days volume weighted average price at completion. Additional disclosures with respect to this acquisition are impractical at this stage as the acquisition accounting is still being finalised.

On 25 July 2011 Imdex announced that it had entered into a conditional heads of agreement to purchase 100% of the issued share capital of System Mud Industria e Comercio Ltda (System Mud) effective 1 August 2011. System Mud is a manufacturer and seller of drilling muds in Brazil. Imdex will pay approximately $9.0 million as follows:

- BRL 6.7 million (approximately $4.0 million) in cash at settlement; plus
- $3.8 million by the issue of 1,600,000 fully paid Imdex Limited ordinary shares at an issue price of $2.40 per share, to be escrowed for 12 months; plus
- $1.2 million by the issue of 330,000 fully paid Imdex Limited ordinary shares at an issue price of $3.50 per share. If the share price on the two year anniversary of the settlement date is below $3.50 an additional cash payment arises as the difference between the share price at that date and $3.50 multiplied by 330,000. In the event that the Imdex share price reaches $3.50 at any time within the two year period, the potential cash top up falls away.

Additional disclosures with respect to this acquisition are impracticable at this stage as the due diligence process is still underway.

Subsequent to year end the Directors declared a 2.75 cent per share fully franked dividend with an entitlement date of 7 October 2011 and a payment date of 21 October 2011. The effect of this dividend has not been reflected in this financial report.

**(a) Distribution of Shareholders**

| | Number of Fully Paid Ordinary Shareholders | Number of Performance Rights Holders | Number of Option Holders |
|---|---|---|---|
| 1 – 1,000 | 422 | 1 | - |
| 1,001 – 5,000 | 1,272 | 51 | 9 |
| 5,001 – 10,000 | 771 | 31 | 26 |
| 10,001 – 100,000 | 1,072 | 62 | 103 |
| 100,001 – and over | 120 | 6 | 17 |
| | 3,657 | 151 | 155 |
| Holding less than a marketable parcel | 86 | - | - |

**(b) Substantial Shareholders**

| Ordinary Shareholders | Fully Paid Number | Percentage |
|---|---|---|
| HSBC Custody Nominees (Australia) Limited | 40,586,957 | 19.89% |
| National Nominees Limited | 31,198,209 | 15.29% |
| J P Morgan Nominees Australia Limited | 22,047,133 | 10.81% |

**(c) Twenty Largest Holders of Quoted Equity Securities**

| Ordinary Shareholders | Fully Paid Number | Percentage |
|---|---|---|
| HSBC Custody Nominees (Australia) Limited | 40,586,957 | 19.89% |
| National Nominees Limited | 31,198,209 | 15.29% |
| J P Morgan Nominees Australia Limited | 22,047,133 | 10.81% |
| Citicorp Nominees Pty Limited | 7,409,505 | 3.63% |
| RBC Dexia Investor Services Australia Nominees Pty Limited (Pipooled Account) | 6,649,142 | 3.26% |
| JP Morgan Nominees Australia Limited (Cash Income Account) | 4,976,391 | 2.44% |
| Telic Alcatel (Australia) Pty Ltd (Middendorp Directors SuperFund Account) | 3,603,152 | 1.77% |
| Cogent Nominees Pty Limited | 3,554,099 | 1.74% |
| Mr John Andrew Knox and Ms Janice Ann Knox (The J A Knox Family Account) | 3,206,770 | 1.57% |
| Citicorp Nominees Pty Limited (Colonial First State Inv Account) | 3,003,349 | 1.47% |
| Mr Petrus Middendorp | 1,805,850 | 0.89% |
| Bond Street Custodians Ltd (Macquarie Smaller Co's Account) | 1,547,796 | 0.76% |
| Keeble Nominees Pty Ltd (Ridgeway SuperFund Account) | 1,420,370 | 0.70% |
| Wear Services Pty Ltd | 1,014,630 | 0.50% |
| Methuen Holdings Pty Ltd (PB Family Account) | 1,000,000 | 0.49% |
| Passio Pty Ltd (G Weston & Assoc SuperFund Account) | 1,000,000 | 0.49% |
| Aust Executor Trustees Ltd (Charitable Foundation) | 962,740 | 0.47% |
| Dimana Holdings Pty Ltd | 900,000 | 0.44% |
| RBC Dexia Investor Services Australia Nominees Pty Ltd (Piselect Account) | 837,051 | 0.41% |
| RBC Dexia Investor Services Australia Nominees Pty Ltd (BKCust Account) | 825,040 | 0.40% |
| | 137,548,184 | 67.42% |

**(d) Director and Company Secretary Shareholdings**

| Name | Number of Shares | Number of Options | Number of Performance Rights |
|---|---|---|---|
| Mr R W Kelly | 380,000 | - | - |
| Mr B W Ridgeway | 2,435,000 | - | 196,579 |
| Mr K A Dundo | 300,000 | - | - |
| Mr M Lemmel | 903,921 | - | - |
| Ms E Donaghey | 185,000 | - | - |
| Mr P A Evans | 45,000 | 500,000 | 111,806 |
| | 4,248,921 | 500,000 | 308,385 |

**(e) Company Secretary**

Mr Paul Anthony Evans

**(f) Registered Office**

8 Pitino Court
Osborne Park
Western Australia
6018
Phone: (08) 9445 4000

**(g) Share Registry**

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

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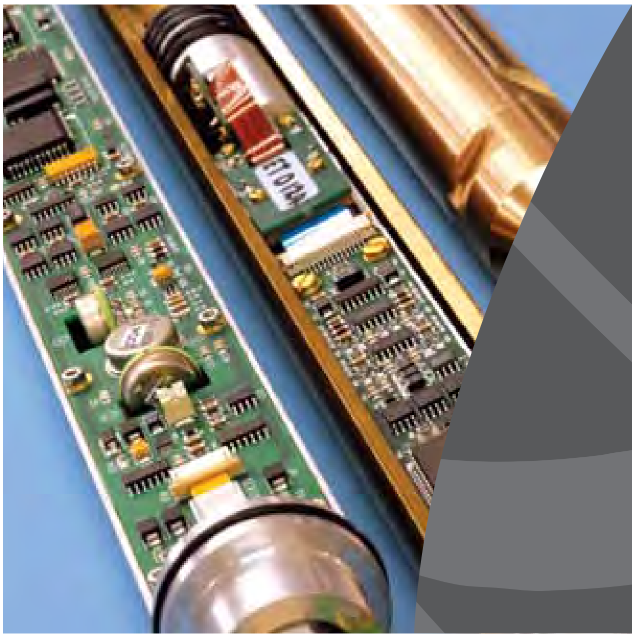

## Providing Quality Drilling Fluids and Leading Down Hole Instrumentation to the World.

Imdex is an 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.


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