



ANNUAL REPORT **2012**

Imdex Limited (Imdex)
ABN 78 008 947 813

Australian Securities Exchange (ASX)
Listing Date 24 September 1987

ASX Code
IMD

Registered Office
8 Pitino Court
Osborne Park
Western Australia 6017

Head Office
8 Pitino Court
Osborne Park
Western Australia 6017

Directors
Mr Ross Kelly (Chairperson)
Mr Bernie Ridgeway (Managing Director)
Mr Kevin Dundo (Non-Executive Director)
Mr Magnus Lemmel (Non-Executive Director)
Ms Betsy Donaghey (Non-Executive Director)

Company Secretary
Mr Paul Evans

2012 Annual General Meeting

Imdex's AGM will be held at The Celtic Club, 48 Ord Street West Perth, Western Australia commencing at 11am on Thursday 18 October 2012.

For further information please contact Paul Evans on 08 9445 4010 or visit the investor section of our website at www.imdexlimited.com

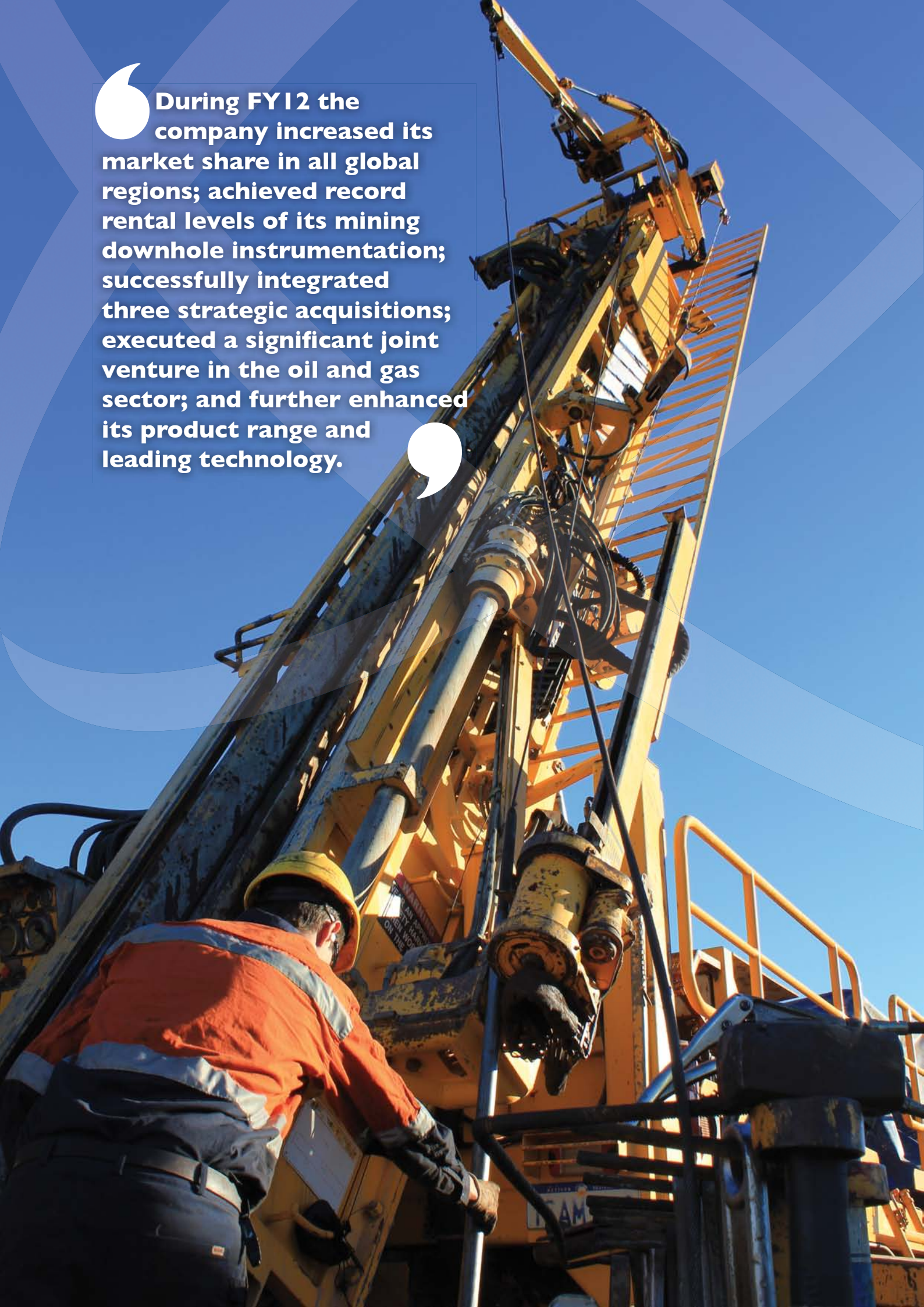
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Throughout this document, unless otherwise stated, all monetary amounts are recorded in Australian currency.

During FY12 the company increased its market share in all global regions; achieved record rental levels of its mining downhole instrumentation; successfully integrated three strategic acquisitions; executed a significant joint venture in the oil and gas sector; and further enhanced its product range and leading technology.



Imdex Group

at a glance

KEY DATA AS AT 30 JUNE 2012

Market capitalisation:

\$366 million

Shares on issue:

208 million

Share price at 30 June 2012:

\$1.76

Number of shareholders:

3,853

Number of employees:

543

Banking institutions:

HSBC and Westpac

Legal advisors:

QLegal

Auditors:

Deloitte Touche Tohmatsu

Share registry:

Computershare

Company Profile

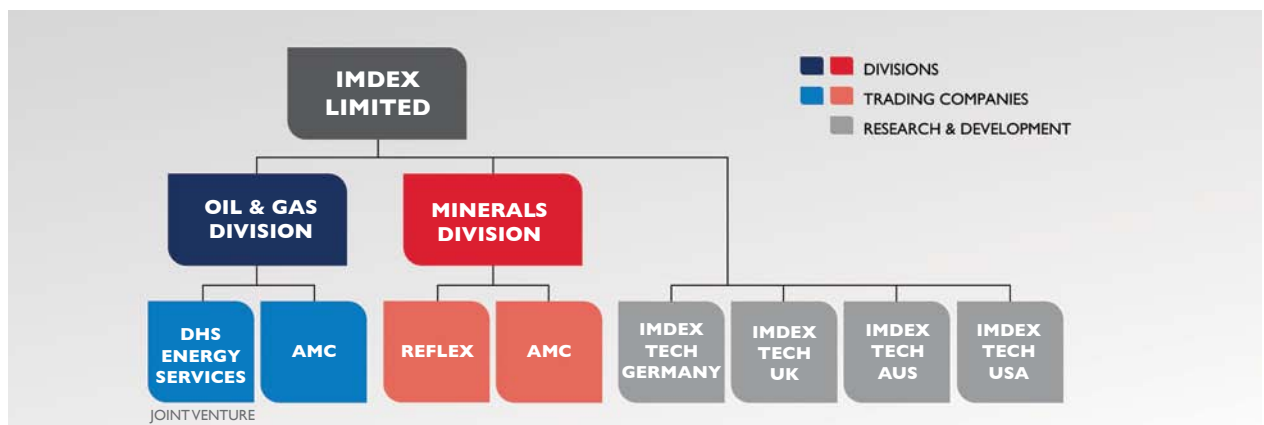
Imdex is a global leader in the provision of innovative drilling fluid products and advanced downhole instrumentation. The company provides leading solutions and superior customer service to exploration, development and production companies within the minerals and oil and gas sectors worldwide.

The company supports a diverse range of customers at all stages of the mining cycle, from junior explorers to major producers, across a wide range of commodities. In order to provide optimal service to these customers, Imdex has operational centres in key mining regions of the world, including: Asia-Pacific; Africa; Europe; and the Americas (for further details regarding global operations refer to pages 8 and 9).

Imdex's substantial commitment to ongoing research and development has enabled the company to achieve market leader status in its fields of operation. The company is continuously refining its range of unrivalled fluid products and instrumentation to ensure customers have the most efficient operational technology available.

Imdex is a global leader in the provision of innovative drilling fluid products and advanced downhole instrumentation.

COMPANY STRUCTURE



The company supports a diverse range of customers at all stages of the mining cycle, from junior explorers to major producers, across a wide range of commodities.

Comprehensive Product Range

MINERALS DIVISION

Brands	Product Range	Market
Reflex	Reflex ACT III: digital core orientation Reflex HT ACT: digital core orientation Reflex Ez-Shot: single-shot magnetic survey Reflex Ez-Trac: multi-shot magnetic survey Reflex HT Ez-Trac: multi-shot magnetic survey Reflex Maxibor II: optical survey Reflex Gyro: gyroscopic survey Reflex HT Gyro: gyroscopic survey Customised downhole motors	Global mining / mineral exploration market
AMC	Drilling fluids and chemicals Fluid containment and transfer equipment Solids Removal Units (SRU)	



an imdex limited company

OIL & GAS DIVISION

Brands	Product Range	Market
DHS Energy Services	Target INS, including Drop Flexi Shot Survey Tool Gyroflex Survey Tool, including Drop	Global onshore / offshore oil & gas market
AMC Oil & Gas	Drilling fluids and chemicals Fluid containment and transfer equipment	



an imdex limited company

PRODUCTS USED BY STAGE

AMC	SOLIDS REMOVAL UNITS	
AMC	FLUIDS	
REFLEX	CORE ORIENTATION	
REFLEX	GYRO DOWN HOLE SURVEY	
REFLEX	MAGNETIC DOWN HOLE SURVEY	
REFLEX	DIRECTIONAL EQUIPMENT	
EXPLORATION 29%* REVENUE	DEVELOPMENT 47%* REVENUE	PRODUCTION 24%* REVENUE

* refers to Minerals revenue

What are Drilling Fluids?

Drilling fluids, or mud as they are known in the industry, are a key part of the drilling process for mining, oil and gas, water-well, horizontal-directional-drilling and tunnelling applications.

There is a broad range of drilling fluids, all with unique properties and uses, however, their principal role is to clean, cool and lubricate the drill-bit, return chips of rocks known as cuttings to the surface, and keep the borehole stabilised and open.

During the drilling process a continuous circulation of drilling fluid is used. Fluid is pumped down the drill-pipe, through the drill-bit and returned to the surface via the aperture between the drill-pipe and borehole. The fluid then circulates through a shale shaker, mud tanks, or Imdex's new solids removal units to remove the cuttings from the fluid for re-use.

Drilling fluids also help keep the borehole stabilised by forming a thin membrane on the interior surface known as a filter-cake. The pressure of the drilling fluid at depth keeps the borehole from collapsing.

What is Fluid Recycling Equipment?

As the name suggests, fluid recycling equipment is used to eliminate cuttings in the drilling mud flow cycle. These units provide economic and environmental advantages as they eliminate the need to dig mud pits, reduce water consumption and are simple to mobilise.

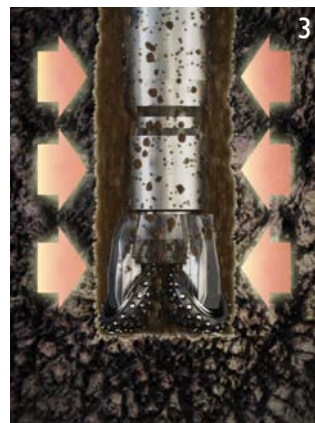
Fig 1. The drilling process generates chips of rock known as cuttings

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

Fig 3. Fluids stabilize and keep the bore hole open

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

Fig 5. Solids Removal Units minimise environmental impact





EQUIPMENT
DIVISION

AMC
EQUIPMENT
DIVISION

What are downhole survey and core orientation instruments?

SURVEY INSTRUMENTATION

Downhole survey instruments provide geologists and drillers with comprehensive data, including azimuth and dip, which allows the exact trajectory of boreholes to be determined, even at thousands of metres below the surface.

Borehole deviations, where the actual path is different to the planned path, are common and costly. Geological variations, drilling parameters, including excessive or irregular thrust and hole design, are just some of the reasons why a borehole may deviate. A 2 degree deviation at the surface can lead to a 35 metre lateral displacement at a hole depth of 1000 metres, resulting in significant additional drilling costs and loss of opportunity if zones of economic mineralisation are missed.

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

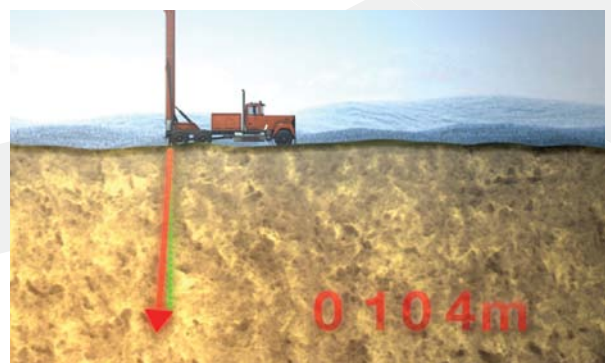
CORE ORIENTATION INSTRUMENTS

Core orientation instruments are used to determine the exact position of a core sample in the ground prior to extraction. This process allows geoscientists to accurately assess the sample to determine the structural geology, which often controls a mineralised ore system. By understanding the structural geology, wasted time and money caused by drilling in the wrong location or direction are avoided. Core orientation is also particularly important during mine planning and development to avoid potential problem areas such as faults or slip zones.

GYROSCOPIC SURVEY AND DIRECTIONAL STEERING INSTRUMENTS

Drilling is becoming increasingly complex and challenging due to diminishing accessible reserves, high exploration costs and environmental impact concerns. As a result, energy companies are drilling deeper, for smaller targets, re-entering existing wells, and drilling multiple wells from a single platform. In such an environment, advanced technology and accurate data are crucial to locate reserves efficiently and to avoid collision with existing wells which can be catastrophic and cost millions of dollars to remediate.

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



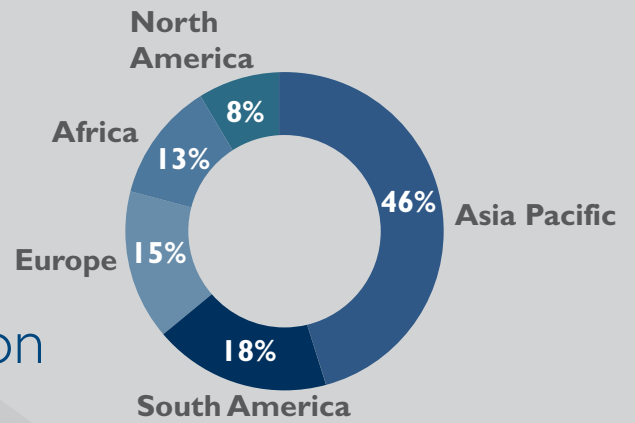
Potential lateral displacement error

Global Business

Index has developed a truly global business, with operations in all key mining and exploration regions worldwide. The company's extensive presence allows it to provide optimal customer service and greater access to international mineral exploration and oil and gas markets. During FY12 an additional base was established in Brazil with the acquisition of System Mud Indústria e Comércio Ltda.



Distribution of employees by region



FY12 Snapshot

FY12 Snapshot

STRATEGY FOR INCREASING SHAREHOLDER VALUE

- Growing Imdex's global business
- Expanding into new markets, particularly oil and gas
- Maintaining product leadership through investment in research and development
- Increasing rental based revenue
- Achieving operational efficiencies.

GROWTH INITIATIVES

- Manufacturing and marketing Imdex's Solids Removal Units to the Australian market
- Ongoing development of Reflex Ez-Gyro and Reflex Smart Barrel for commercialisation in FY13
- Increasing geographical market share in under-penetrated regions such as Canada, Latin America, Africa, the United States of America and Europe
- Utilising Imdex's specialist technical expertise and product development laboratories to enhance existing and develop new drilling fluid products and downhole instrumentation for the minerals and oil and gas markets
- Further expansion of Imdex's capabilities and presence in the global conventional and unconventional oil and gas and geothermal markets.

OPERATIONAL HIGHLIGHTS AND CHALLENGES

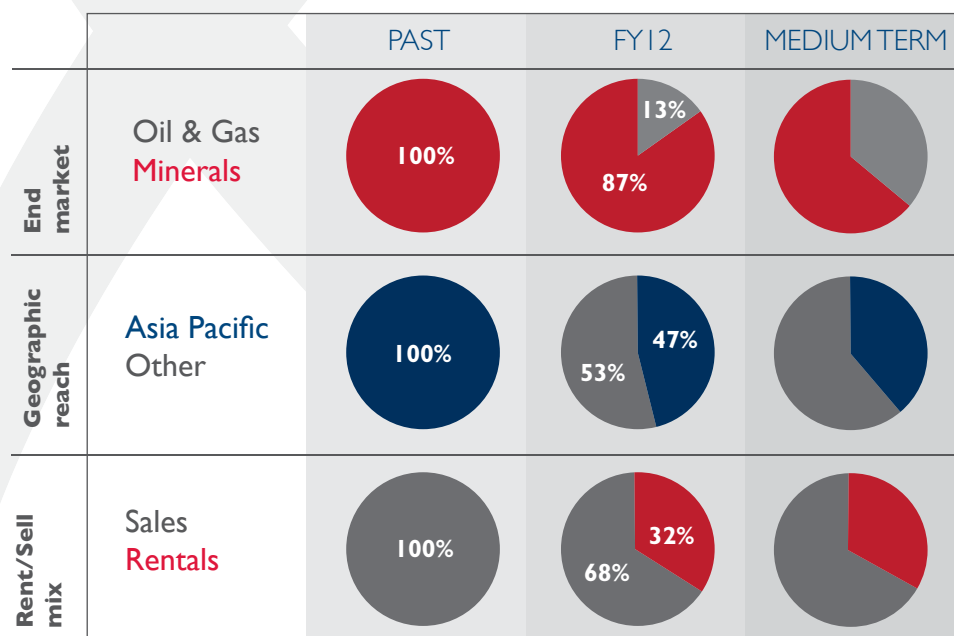
Highlights

- Acquisition of Brazilian based System Mud Industria e Comercio Ltda (System Mud), effective 1 August 2011
- Acquisition of USA based oil and gas downhole survey provider Vaughn Energy Services (Vaughn) by DHS Services (DHS), Imdex's oil and gas services joint venture, effective 1 January 2012
- Successful integration of Australian Drilling Specialities (ADS)
- Successful integration and significant development of AMC Oil & Gas Europe for revenue generation in FY13. This development includes investment in asset rental infrastructure, securing key personnel and ISO 9000 accreditation, which will enable the company to participate in additional contract tenders
- Record mining downhole instrumentation rental fleet results (a graph of these results can be found on page 20)
- Continuous product development of Imdex's existing range of downhole instrumentation
- Development of new technology including Reflex Ez-Gyro and Reflex Smart Barrel; further details on this instrumentation can be found on page 28
- Commercialisation of AMC's solids removal technology; refer to page 28 for information regarding this unit
- Marketing expansion in niche areas for production and completion chemicals
- Continued investment in engineering and product development for oil and gas market.

Challenges

- Growing Imdex's global business in a softening market where junior exploration companies found it difficult to raise new capital. From FY13 this challenge will be countered by:
 - The introduction of new products through AMC minerals and Reflex
 - Growing Imdex's oil and gas business.

INDEX STRATEGY ON TRACK



Note: All numbers based on actual or anticipated combined revenue

A STRATEGY THAT WORKS



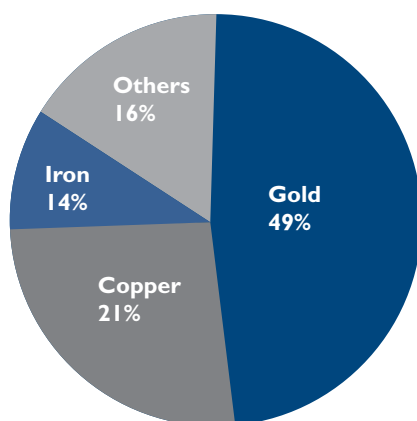
Market Review

- Continuing global economic uncertainty attributed to European sovereign debt levels and the Chinese and USA economies
- Trading activities remained high in all operating regions (Asia-Pacific, Africa, Europe and the Americas)
- Drilling rig utilisation rates remained high in all operating regions, with drilling contractors estimating an average utilisation rate of 70%–80% across the year
- Mineral and oil and gas exploration expenditure in all regions increased.

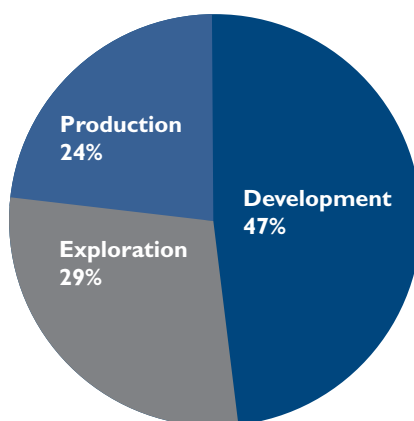
FY12 Revenue Base

SUSTAINABLE REVENUE BASE
(Minerals revenue)

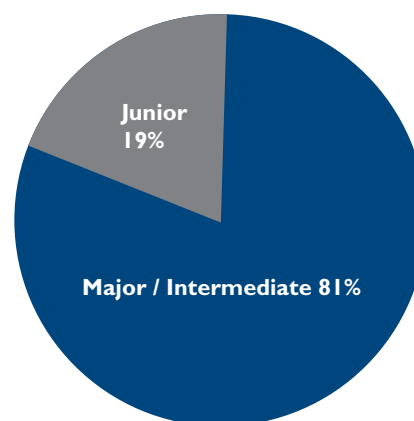
The company provides leading solutions and superior customer service to exploration, development and production companies within the minerals and oil and gas sectors worldwide.



By Commodity

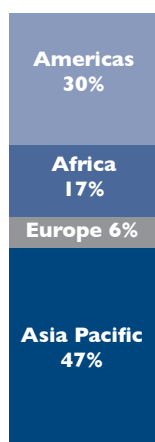


By Stage

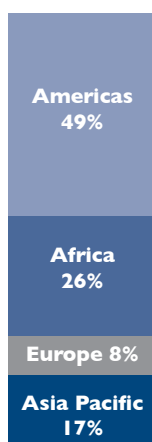


By Customer

STRENGTH THROUGH GEOGRAPHIC DIVERSIFICATION



FY12
Combined
Revenue
(\$278.9m)



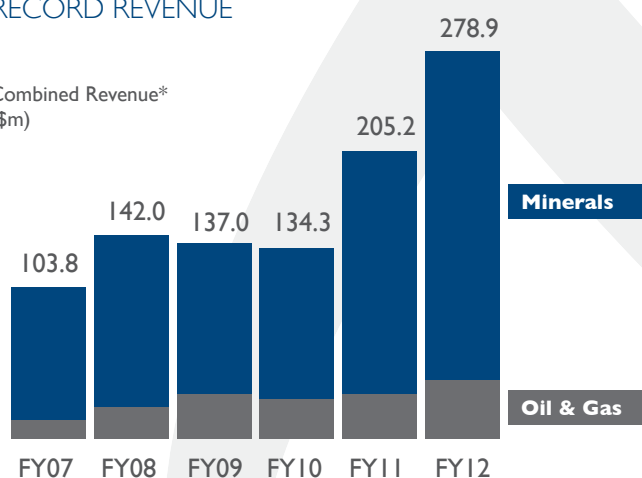
FY12
YoY Growth
(\$73.6m or 36%)



Financial Performance

RECORD REVENUE

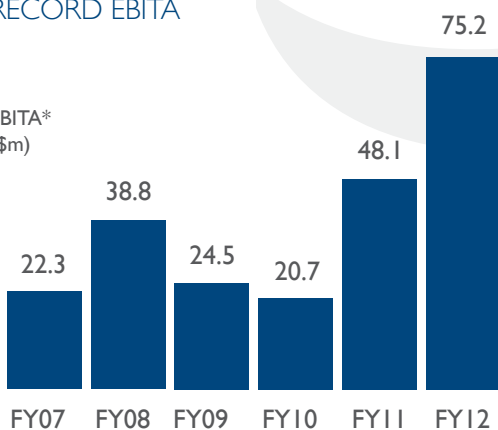
Combined Revenue*
(\$m)



*Includes Imdex share of DHS Joint Venture revenue

RECORD EBITA

EBITA*
(\$m)



*Includes equity accounted DHS Joint Venture result

FINANCIAL PERFORMANCE IN FY12

- Revenue up 31% to \$269.6 million (FY11: \$205.2 million)
- Combined revenue (excluding interest) up 36% to \$278.9 million (FY11: \$205.2 million)
- Earnings before interest, tax and amortisation (EBITA) up 56% to \$75.2 million (FY11: \$48.1 million)
- Net profit after tax (NPAT) up 58% to \$45.8 million (FY11: \$29.0 million)
- Net assets up 34% to \$168.1 million (30 June 2011: \$125.4 million)
- Operating cash-flow, before taxes paid, up 29% to \$56.9 million (FY11: \$44.0 million)
- Low gearing levels with net debt/capital of 22.3%
- Final fully franked dividend up 45% to 4.00 cents per share (FY11: 2.75 cents per share fully franked)
- Total FY12 dividend up 61% to 7.25 cents per share fully franked (FY11: 4.50 cents per share fully franked)



Summary Financial Highlights for the Year Ended 30 June 2012 (Audited Results)

	Consolidated			
	2010 \$'000	2011 \$'000	2012 \$'000	11-12 Var %
Revenue from continuing operations (excluding interest income)	134,253	205,163	269,563	31%
Operating Profit before interest, tax, depreciation and amortisation	24,893	53,867	81,960	52%
Depreciation	(4,182)	(5,721)	(6,761)	18%
Earnings before interest, tax and amortisation (EBITA)	20,711	48,146	75,199	56%
EBITA margin	15.0%	23.5%	27.9%	18.7%
Amortisation	(6,363)	(6,778)	(5,957)	(12%)
Earnings before interest and tax (EBIT)	14,348	41,368	69,242	67%
Net interest expense	(771)	(2,775)	(1,742)	(37%)
Net profit before tax	13,577	38,593	67,500	75%
Income tax expense	(3,781)	(9,591)	(21,723)	126%
Net profit after tax (before non-operational items)	9,796	29,002	45,777	58%
Non-operational items				
Forex loss on loan to SEH	(677)	—	—	—
Impairment of SEH investment	(10,440)	—	—	—
Impairment of operations	(23,531)	—	—	—
Tax effect of non-operational items	3,304	—	—	—
Net Profit for the year after tax	(21,548)	29,002	45,777	58%
Basic (loss)/earnings per share	(11.05 ¢)	14.69 ¢	22.34 ¢	52%
Net Cash before tax provided by operating activities	16,013	44,039	56,939	29%
Cash on hand	9,007	18,388	11,232	(39%)
Net assets	94,495	125,409	168,066	34%
Total borrowings (Incl deferred acquisition payments)	32,018	37,860	59,429	57%
Net tangible assets per share	22.83 ¢	34.83 ¢	51.35 ¢	47%

Board of Directors

Board of Directors

Imdex's Board of Directors has extensive professional expertise, business experience and technical knowledge of the mineral exploration, mining and oil and gas industries. Members of the Board are well respected in these sectors and play an active role in the generation and management of the company's strategic planning.

Further information relating to the Board of Directors, including details of meetings and remuneration can be found on pages 34 to 44.

Mr Ross Kelly AM BE (HONS) FAICD

Non-Executive Chairperson

Age 74 years

- Appointed to the Board 14 January 2004
- Appointed as Chairperson 15 October 2009
- Bachelor of Electrical Engineering with Honours
- Fellow of the Australian Institute of Company Directors
- Advisor to the Western Australian Government on water policy and reform
- Consultant to a number of major Australian companies in 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
- Previously Chairperson 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.



Mr Bernard Ridgeway B.Bus (ACCTG) ACA

Managing Director

Age 58 years

- Appointed to the Board 23 May 2000
- Bachelor of Business and 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
- Over 26 years experience with public and private companies as a business owner, Director and Manager.





Mr Magnus Lemmel B.A.

Non-Executive Director

Age 73 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 the largest Imdex 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 60 years

- Appointed to the Board 14 January 2004
- Bachelor of Commerce and Bachelor of Laws
- Member of the Law Society of Western Australia, Law Council of Western Australia, Australian Institute of Company Directors and a Fellow of the Australian Society of Certified Practicing Accountants. 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.



Ms Betsy Donaghey,

B.S. Civil Engineering, M.S. Operations Research

Non-Executive Director

Age 54 years

- Appointed to the Board 28 October 2009
- Bachelor of Civil Engineering A & M University, Texas, and Master in Operations Research 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.



Throughout FY12 Imdex's rental instrumentation for the minerals market reached new highs.



Chairperson's Report

Chairperson's Report

On behalf of the Board, I am delighted to present Imdex's 2012 Annual Report; summarising a year of record performance and continued development.

RECORD PERFORMANCE

A total combined revenue of \$278.9 million was achieved for the 12 months ending 30 June 2012 (FY12). This represents an increase of 36% from the previous financial year and is a record result for the company. EBITA from continuing operations increased 56% to \$75.2 million and was also a record achievement.

These exceptional results were largely driven by strong activity across all operating regions (Asia-Pacific, Africa, Europe and the Americas); Imdex's ability to increase geographical market share; strategic acquisitions; and continuing demand for the company's advanced suite of products and superior technology.

INVESTING IN CONTINUED GROWTH

The Board has a policy of reinvesting in product development and the long-term growth of Imdex, while maintaining a steady and sustainable dividend stream for shareholders.

In accordance with this policy, an interim dividend of 3.25 cents and a final dividend of 4.00 cents, both fully franked, were declared in FY12.

PROVEN STRATEGY

As highlighted in previous years, Imdex is committed to a clear and focused strategy for growth, which includes:

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

The company maintained this strategy throughout FY12 and made a number of noteworthy achievements including acquisitions; the development and commercialisation of new products; and record instrumentation rental revenue.

STRATEGIC ACQUISITIONS

During FY12 the company acquired Australian Drilling Specialities Pty Ltd; Brazilian based System Mud Indústria e Comércio Ltda (System Mud); and USA based oil and gas downhole survey provider Vaughn Energy Services (Vaughn) via DHS Services (DHS), a oil and gas services joint venture.

All of these strategic acquisitions facilitate further global growth and the ability to increase Imdex's presence in under-penetrated markets. In addition, the DHS acquisition of Vaughn will significantly enhance the company's exposure in the oil and gas market.

DEVELOPMENT AND COMMERCIALISATION OF NEW PRODUCTS

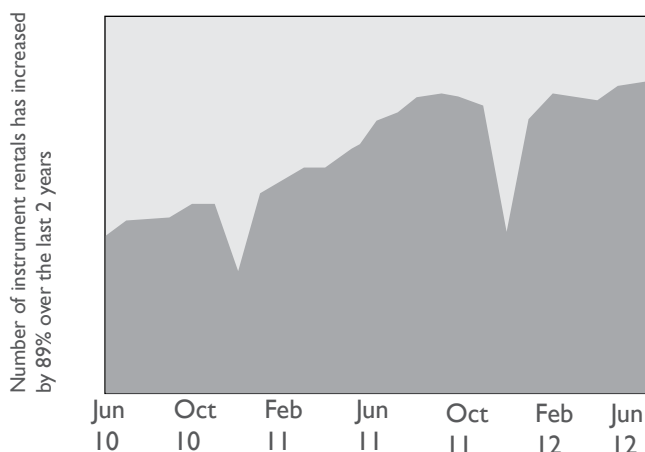
Continued investment in the development of Imdex's existing range of products has maintained the company's reputation as a global provider of innovative drilling fluids and leading downhole instrumentation. Imdex has also made significant progress with the development of new downhole instrumentation technology and released its unique solids removal technology to the Australian market. Additional revenue is expected to be generated from both the new instrumentation and solids removal technology when they are introduced to the international market in FY13.

RECORD RENTAL LEVELS

Throughout FY12 Imdex's rental instrumentation for the minerals market reached new highs. These excellent results highlight the demand for this superior range of instrumentation and align with the company's strategy of increasing its rental based income. In FY12, total revenue generated by rentals increased from 31% in FY11 to 32%.

I am proud to say that, notwithstanding the cyclical nature of the resources sector, Imdex's commitment to the strategic development of the company has established a strong organisation with the ability to accomplish positive outcomes.

REFLEX RENTAL FLEET GROWTH TREND



This percentage is forecast to increase in FY13 with the commercialisation of the new instrumentation and solids removal technology mentioned above.

OPERATIONAL EFFICIENCIES

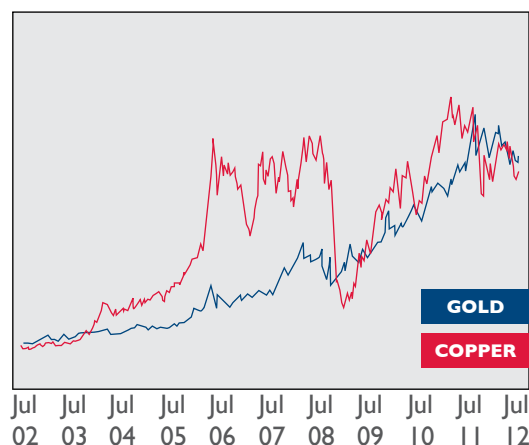
Further gains in market share resulted from Imdex's decision to implement a regional structure. Imdex's minerals division is now divided into four regions namely; Asia-Pacific, Africa, Europe and the Americas. This structure provides locally focussed customer service and significantly enhances cross-selling opportunities.

I am proud to say that, notwithstanding the cyclical nature of the resources sector, Imdex's commitment to the strategic development of the company has established a strong organisation with the ability to accomplish positive outcomes.

LOOKING TO FY13

Despite global economic concerns, principally brought about by continuing European sovereign debt concerns, a slowing Chinese economy and an uneven USA recovery, the fundamentals that drive Imdex's core markets remain positive.

LONG-TERM GOLD AND COPPER PRICES

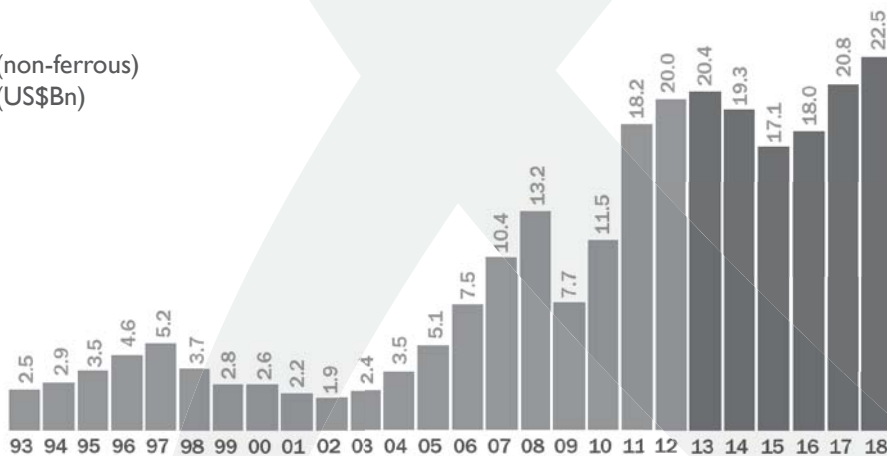


- Gold and copper prices, which have the greatest impact on Imdex's revenue, are above long-term averages
- Based on forecasts by Metals Economic Group, a respected worldwide minerals information consultancy, exploration expenditure for non-ferrous metals is expected to be robust in the 2013 calendar year. This is primarily driven by drilling activities of major and intermediate resource companies
- Demand in the oil and gas sector remains strong, buoyed by continuing global demand. This demand is likely to continue due to a deficiency in significant discoveries and diminishing accessible reserves. This is good news for Imdex, as exploration companies increasingly rely on fluids and advanced technology to ensure optimum levels of efficiency in their operations.

Imdex has a diverse customer base and I am confident the company is in a strong position going into FY13 to grow the business and yield returns for shareholders. Gold and copper projects generate 70% of revenue; 80% of revenue is generated in the development phase of exploration from major and intermediate resource companies. The company now has the product range, expertise and global reach to further enhance revenue from the oil and gas sector.

ESTIMATED GLOBAL EXPLORATION/DEVELOPMENT SPEND

(non-ferrous)
(US\$Bn)



Source: Metals Economics Group (1993-2012); Mckinsey 2011 analysis (2013-2018).
Reproduced with permission from Boart Longyear.

BALANCE SHEET STRENGTH

Imdex's solid balance sheet enables the advancement of growth initiatives as and when they are identified. This ability to respond quickly to opportunities as they arise has proven to be of significant benefit in the past and, together with significant organic growth, underpins the excellent results reported in FY12.

SUSTAINABLE REPORTING AND CORPORATE GOVERNANCE

Each year the company strives to enhance its sustainability reporting in order to provide additional, relevant and transparent information for all stakeholders. Imdex's adherence to best practice in corporate governance principles also ensures prudent oversight of management. Further information regarding these policies can be found on pages 53 to 57 and the Board Charter is available on the company website.

I would like to thank my fellow Board members for their expertise, guidance and willingness to make significant contributions to Imdex. It has been a rewarding experience and I look forward to working with them again in the coming year.

I would also like to express my gratitude to our Managing Director, Bernie Ridgeway and Senior Executives Gary Weston, Derek Loughlin and Paul Evans for another year of dedication, leadership and excellent performance.

Finally, on behalf of the Board members, senior executives and employees, I would like to thank all of our valued customers and shareholders for their loyalty and ongoing support.

Ross Kelly AM BE (HONS) FAICD
Chairperson

Imdex's solid balance sheet enables the advancement of growth initiatives as and when they are identified.



Imdex has experienced extraordinary development, particularly over the past seven years.



Managing Director's Report

Managing Director's Report

I am pleased to report FY12 was a dynamic and rewarding year for Imdex, and one the Directors and I are very proud.

During FY12 the company increased its market share in all global regions; achieved record rental levels of its mining downhole instrumentation; successfully integrated three strategic acquisitions; executed a significant joint venture in the oil and gas sector; and further enhanced its product range and leading technology.

Such accomplishments, coupled with strong market activity in Asia-Pacific, Africa, Europe and the Americas, made positive contributions to Imdex's earnings and laid solid foundations for further growth in FY13 and beyond. The extent of these accomplishments is reflected the following FY12 results.

GROUP FINANCIAL PERFORMANCE

- Record combined revenue (excluding interest), up 36% to \$278.9 million (FY11: \$205.2 million)
- Record EBITA, up 56% to \$75.2 million (FY11: \$48.1 million)
- Record net profit after tax, up 58% to \$45.8 million (FY11: \$29.0 million)
- Net assets up 34% to \$168.1 million (30 June 2011: \$125.4 million)
- Operating cash flow, before taxes paid, up 29% to \$56.9 million (FY11: \$44.0 million)
- Low gearing levels with net debt/capital of 22.3% (30 June 2011: 13.4%).

MINERALS DIVISION

The Minerals Division contributed 87% of the full year combined revenue and achieved a 36% increase to \$241.7 million (FY11: \$177.7 million). Operational EBITA increased 72% to \$85.7 million (FY11: \$49.9 million).

These excellent results were driven by consistently strong performance in all geographical regions and validate the regional operating structure implemented in 2010. This structure allows operational efficiencies, better customer support and enhances product cross-selling opportunities. Importantly, the benefits generated by this regional restructure are expected to continue.

Highlights for the Minerals Division during FY12 include the following activities and achievements:

- **Successful integration of Australian Drilling Specialities (ADS)**
The acquisition of this Western Australian based manufacturer of high quality drilling fluids and chemicals was finalised on 1 July 2011. The acquisition was made to complement Imdex's existing operations and deliver additional growth opportunities within the mining and oil and gas industries. Importantly, ADS owns intellectual property for the manufacture of PHPA (polymer) which allows Imdex to establish polymer plants in strategic locations to enhance products and services across the company's global markets. The acquisition was immediately earnings accretive and has merged seamlessly into Imdex's operations.
- **Acquisition of Brazilian based System Mud Indústria e Comércio Ltda (System Mud)**
System Mud is a leading independent drilling fluids and chemicals supplier to the minerals industry in Brazil. This acquisition, effective 1 August 2011, significantly strengthens Imdex's position in Latin America and also aligns with the strategic expansion of drilling fluids and chemicals enterprises in under-penetrated regions.
- **Record Reflex rental fleet levels**
The record rental revenue returns for FY12 confirms a strong demand for Reflex's superior technology, which will be further enhanced with the release of new products in FY13 together with the active product development of the existing range of downhole instrumentation,

including the ACT III RD, ACT HT, HT Gyro and HT Ez-Trac. As with all leading technology, product refinement is a continuous and consultative process. Imdex has maintained its technological leadership by investing in product longevity, thus ensuring customers achieve the most efficient and accurate results.

- **Development of new instrumentation including the Reflex Ez-Gyro and Reflex Smart Barrel**

The Reflex Ez-Gyro is a unique patented north seeking gyro utilising new technology for mineral exploration. The Reflex Smart Barrel is an advanced coring tool that allows operators to control deviation and steer the hole accurately while collecting a core sample. Both of these revolutionary instruments will significantly enhance the efficient operations demanded by customers. This instrumentation will be released to the market during FY13.

- **Refinement and commercialisation of AMC's solids removal technology**
Imdex's Solids Removal Units (SRUs) are designed for solids removal and fluid property management. This technology meets customer demands by reducing the site footprint, the impact on the environment and site set-up and remediation costs. In addition, these highly mobile units have demonstrated significant reductions in water consumption and costly wear-and-tear of drilling components caused by abrasion. The SRU was released to the Australian market in late FY12 and is expected to generate significant revenue once marketed globally in FY13. The company will capitalise on its first mover advantage and the significant interest in this innovative technology, predominately from major exploration companies.

OIL AND GAS DIVISION

Imdex's Oil & Gas Division contributed 13% of the full year combined revenue and achieved a 35% increase to \$37.2 million. Operational EBITA saw a loss, returning \$6.2 million. This is largely attributable to AMC Oil & Gas (AMC O&G). The acquisition of various revenue generating assets, however, will see the performance of AMC O&G increase significantly from FY13.

Considerable investment and effort was committed to the consolidation and development of AMC O&G Europe to position it for growth in FY13. This included securing key personnel, equipment and ISO 9000 accreditation, which will enable participation in additional contract tenders.

There were a number of significant achievements within the Oil & Gas Division during FY12 including expanded marketing efforts in niche production and completion chemicals markets and continued investment in engineering and product development.

The most noteworthy achievement, however, was the acquisition of USA based oil and gas downhole survey provider Vaughn Energy Services (Vaughn) by DHS Services (DHS). This acquisition positions DHS as a leading global competitor in the circa US\$400-\$500 million annual oil and gas downhole survey market and offers numerous benefits including:

- Positioning of DHS as a significant global force in the oil and gas downhole survey market
- Facilitating entry into the USA onshore oil and gas market, which represents approximately one third of the global market
- Providing diversification and enhancement of DHS's geographical footprint, range of technologies and customer base.

The acquisition of Vaughn was immediately earnings accretive and supports Imdex's strategy of generating 30-40% of revenue from the oil and gas market within the next 3-4 years. DHS has excellent growth prospects in the USA onshore oil and gas market and the offshore and onshore international markets. This joint venture is expected to generate significant revenue and profits in FY13.

CORPORATE SUPPORT

At a corporate level, significant enhancements were made to employee engagement, development programmes, and workplace health and safety. Information relating to these achievements is detailed on pages 27 and 29.

The acquisition of Vaughn was immediately earnings accretive and supports Imdex's strategy of generating 30-40% of revenue from the oil and gas market within the next 3-4 years.

POSITIVE OUTLOOK FOR FY13

As outlined in the Chairperson's report, despite a level of underlying macro-economic uncertainty, Imdex has a great deal to be optimistic about in the coming financial year. Gold and copper prices remain above long-term averages, exploration expenditure is forecast to be robust in the 2013 calendar year and drilling rig utilisation rates remain solid.

Imdex will maintain a strategy of growing its global business, expanding into new markets, particularly oil and gas; maintaining product leadership through investment in research and development; increasing rental based revenue; and achieving operational efficiencies. More specifically, the company will focus on the following key growth areas:

- Manufacturing and marketing the Solids Removal Unit via Imdex's global distribution channels
- Commercialising the newly developed Reflex Ez-Gyro and Reflex Smart Barrel
- Increasing geographical market share in under-penetrated regions such as Canada, Latin America, Africa, the United States and Europe
- Utilising Imdex's specialist technical expertise and product development laboratories to enhance existing, and develop new, drilling fluid products and downhole instrumentation for the minerals and oil and gas markets
- Expanding Imdex's capabilities and presence in the global conventional and unconventional oil and gas and geothermal markets.

Imdex has experienced extraordinary development, particularly over the past seven years. The company has significantly increased its geographical presence (62% of employees are now based outside of Australia); successfully gained market share in under-penetrated regions; expanded its presence and opportunities for growth in the oil and gas market; diversified its customer base (with 80% of revenue now generated from major and intermediate resource companies); and developed a range of drilling fluids, associated equipment, and downhole instrumentation supporting customer operations at every stage of the mining cycle. What remains unchanged is Imdex's

commitment and ability to deliver superior technology and unrivalled customer service.

On behalf of the Board of Directors, I would like to thank our management team, employees and contractors for their hard work, dedication and achievements in what has been a very rewarding year. I would also like to thank Imdex's shareholders and customers for their continued support.



Bernie Ridgeway
Managing Director



Index's substantial commitment to ongoing research and development has enabled the company to achieve market leader status in its fields of operation.

Operational Overview

Operational Overview

GLOBAL TEAM

Imdex's 543 Imdex employees throughout the world are lead by a strong management team with extensive technical expertise, product knowledge and experience in the mineral exploration, mining and oil and gas sectors.

The company strives to attract employees who share Imdex's values for hard work, continual improvement, technical excellence and equity in the workplace. Imdex seeks to retain employees and protect its knowledge-base by increasing employee engagement and providing intrinsically valued reward systems. Throughout FY12 the company carried out the following initiatives to strengthen and support its global team:

- Implemented a new global loyalty programme
- Carried out an employee engagement survey (completed and evaluated every two years)
- Implemented a Learning Management System to track and manage employee training and development
- Developed an employee induction programme to provide all employees with a greater understanding of Imdex its products, markets, customers and values
- Updated the performance management process, with local language versions prepared for Germany, Kazakhstan, Chile, Romania and South Africa
- Translated the Code of Conduct into relevant local languages.

IMDEX'S SENIOR EXECUTIVES



Mr. Paul Evans
Chief Financial Officer and Company Secretary

- Chartered Accountant
- Fellow of the Institute of Chartered Accountants in Australia
- Chief Financial Officer and Company Secretary since 17 October 2006
- Extensive experience in commercial, general management and financial roles
- Industry experience covering media, manufacturing, mining services and telecommunications industries.



Mr. Derek Loughlin
Divisional General Manager, Minerals

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



Mr. Gary Weston
Divisional General Manager, Oil and Gas

- 41 years in the drilling industry, in both the oil and gas and minerals sectors
- 1987, co-founder of Imdex Limited
- 1988, co-founder of Australian Mud Company
- 39 years management experience
- Strong international marketing experience
- Pivotal role identifying and negotiating Imdex's strategic acquisitions.

The company is continuously refining its range of unrivalled fluid products and instrumentation to ensure customers have the most efficient operational technology available.

Research and Development

Imdex's commitment and ability to invest in product research and development has enabled it to retain a reputation for innovative products and superior technology. Throughout FY12 the company continued to enhance a range of drilling fluids, commercialised its solid removal technology and made significant progress with the development of two new downhole instruments, the Reflex Ez-Gyro and Reflex Smart Barrel.

Imdex has well developed policies for the management of its technical knowledge and protects its intellectual property, both internally and externally.

SOLIDS REMOVAL UNIT

Imdex's unique Solids Removal Unit was designed as an environmentally acceptable alternative to the traditional methods of mixing, processing and storage of drilling fluids on site. Significant interest has been shown in the unit, particularly by major operators in the drilling industry as they seek to reduce water consumption and improve waste management. Principal features and customer benefits of the unit include:

- Reduced environmental impact of site
- Reduced site set-up and remediation costs
- Reduced water consumption
- Improved waste management
- Reduced wear and tear of drilling components caused by abrasive drilling fluid
- Easy mobilisation.



Solids Removal Unit

REFLEX EZ-GYRO

The Reflex Ez-Gyro is a unique patented north seeking gyro that utilises newly developed technology for mineral exploration. The instrument allows operators to accurately survey underground operations, including surveys of internal reverse circulation or diamond drilling rods and casings. The Reflex Ez-Gyro has the ability to provide accurate data in a range of drilling applications, including data from horizontal holes. Survey data is transferred via infrared to a hand held Personal Digital Assistant (PDA), doing away with the need for post survey processing. Principal customer benefits include:

- Enhanced accuracy of survey data
- Enhanced speed
- Elimination of conducting cables, surveying vehicles and specialist technicians on site.



Reflex Ez-Gyro

REFLEX SMART BARREL

The Reflex Smart Barrel enables deeper directional core sampling and enhances accuracy by allowing operators to control deviation and achieve accurate hole-steering with simultaneous core sample collection. The principal customer benefits include:

- Enhanced accuracy
- Reduced maintenance costs
- Elimination of additional on-site technical operators
- Greater operational efficiency, which lead to significant time and cost savings.

WORLD-CLASS GYRO TECHNOLOGY

Imdex maintains a policy of investing in targeted research and development to offer superior world-class technology to its customers. To achieve this, a rigorous process of testing, customer feedback and ongoing development is required. Throughout FY12 the company continued to refine its gyro technology for the oil and gas sector, which will be marketed by Imdex's DHS Services joint venture, the third largest survey company in the oil and gas industry.



Gyro Technology

INDUSTRY RECOGNITION

In September 2011, Imdex's subsidiary Reflex was recognised at the Australian Mining Prospect Awards, for its innovation, efficiency and advancement of the Australian mining industry. Also at these Awards, Reflex Global Products Manager, Kelvin Brown, received the *Outstanding Contribution to Mining and Miner of the Year* award for his role in the Chilean mine rescue.

Quality, Health, Safety and Environment

Imdex has a dedicated QHSE team that oversees the company's commitment to continuous improvement and the safety and wellbeing of our employees and external stakeholders.

During FY12, Imdex and subsidiaries, AMC, Reflex and Imdex Technology, successfully maintained globally certification to ISO9001:2007. The company's facilities at Osborne Park and Kwinana, including AMC Asia-Pacific, Reflex Asia-Pacific and Imdex Technology, also maintained certification to the internationally recognized Occupational Health and Safety standard OHSAS18001:2007.

Imdex also made the decision to transfer its various ISO certifications around the world to Société Générale de Surveillance (SGS). SGS is the largest certification body in the world, with over 2000 offices. The benefits of utilising SGS include:

- Significantly reduced costs
- Globalised group system reporting
- Global audit reports with feedback through SGS's Global Client manager and SGS's Global Lead Auditor
- Certification in the country of operation
- Better global visibility for senior management
- Internationally recognised certification brand standardisation.

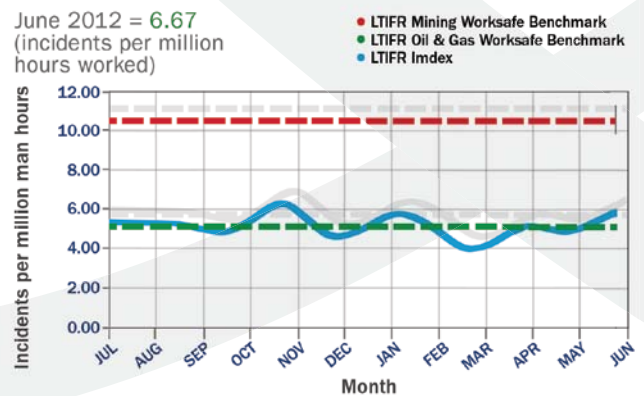
Imdex's Lost Time Injury Frequency Rate (LTIFR) was below the strict Western Australian WorkSafe benchmark for services to the mining industry and

in line with the WorkSafe benchmark for oil and gas globally: six lost time injuries occurred globally, with a total of 75 days lost.

Imdex maintains a philosophy of continual development of quality drilling fluid products that are environmentally friendly, biodegradable and meet the demands of its customers. Accordingly, Imdex will implement Environment Standard ISO14001 in Australia and Germany during FY13. This standard will assist the company achieve the growing environmental requirements of the oil and gas industry.

Throughout FY12 Imdex also commercialised an environmental alternative to conventional mud-pits, the innovative Solids Removal Unit (further details can be found on page 28).

Imdex Group Lost Time Injury Frequency Rate (LTIFR)



Risk Management

MANAGING RISKS TO DELIVER LONG-TERM SHAREHOLDER VALUE

The identification and management of risk is central to delivering long-term value to Imdex's shareholders. As part of the company's annual strategic planning cycle, the Board reviews and considers the risk profile for the entire organisation.

The principal aim of Imdex's risk management governance structure and system of internal control is to create a culture of risk-informed decision-making to manage business risks, enhance the value of shareholder investments, and safeguard assets.

Imdex is committed to an effective risk management process that enables management to operate a risk-based approach in establishing internal control systems to effectively identify, mitigate and/or control significant risks.

CORPORATE GOVERNANCE STRUCTURE

The Board has delegated the oversight of risk management to the Audit and Compliance Committee (ACC). The ACC monitors obligations in relation to:

- Financial reporting
- Internal control structure
- Risk management systems
- Internal and external audit functions.

The ACC is supported by the Group Risk and Compliance function, which regularly carries out risk reviews, location-based internal audits, and compliance monitoring.

RISK MANAGEMENT FRAMEWORK

A risk management framework is used to provide governance for the identification, assessment and management of risks. Risks are rated using a methodology outlined in ISO 31000:2009 – Risk Management – Principles and guidelines. When a risk is assessed as material, it is reported to the senior management group on a monthly basis until it is satisfactorily mitigated.

All employees are responsible for being aware of potential business operations risks and the supporting risk management framework established by the ACC. Employees are also requested to promptly communicate significant issues to their line manager and in accordance with the risk management framework. Each business unit is responsible for incorporating risk management activities and controls into their daily operations and to monitor risks pertaining to the unit. The risk management framework incorporates the following factors:

- Consideration of other ASX principles on Corporate Governance as they related to risk management
- Consultation with the Board, senior management and the leadership group in identifying the business risk areas
- Consideration of the Imdex Quality Assurance risk assessment system to ensure a common language is used across both operational and commercial environments
- Assurance mapping of key risks across all areas of the organisation
- Development of a Corporate Risk Register to record and manage risks by assigning an owner, designing mitigating treatments and then applying the treatment
- Identification of areas where additional work is required by an internal audit and/or business unit to reduce risk exposure.

Focus for FY13

STRATEGY FOR INCREASING SHAREHOLDER VALUE

- Continue growth of Imdex's global business
- Expand into new markets, with a particular focus on the oil and gas sector
- Maintain product leadership through investment in research and development
- Increase rental based revenue
- Achieve operational efficiencies.

GROWTH INITIATIVES

- Manufacture and market the Solids Removal Units via Imdex's global distribution channels
- Commercialise the newly developed products Reflex Ez-Gyro and Reflex Smart Barrel
- Increase geographical market share in under-penetrated regions such as Canada, Latin America, Africa, the United States and Europe
- Utilise Imdex's specialist technical expertise and product development laboratories to enhance existing, and develop new, drilling fluid products and downhole instrumentation for the minerals and oil and gas markets
- Further expansion of Imdex's capabilities and presence in the global conventional and unconventional oil and gas and geothermal markets.



FY 12

financial report

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Directors' Report for the Year Ended 30 June 2012

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 2012.

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	74	<ul style="list-style-type: none"> Engineer Director since 14 January 2004 Appointed as Chairman on 15 October 2009 Member of the Audit and Compliance Committee Chairman of the Remuneration Committee until 14 December 2009 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	58	<ul style="list-style-type: none"> Chartered Accountant Director since 23 May 2000 Over 25 years experience with public and private companies as owner, director and manager Member of the Institute of Chartered Accountants in Australia and Australian Institute of Company Directors. Director of Sino Gas and Energy Holdings Ltd
Mr K A Dundo	Independent, Non Executive Director	60	<ul style="list-style-type: none"> Lawyer Chairman of the Audit and Compliance Committee Member of the Remuneration Committee Director since 14 January 2004 Director of Red 5 Limited and Synergy Plus Limited Previously Director of Intrepid Mines Ltd
Mr M Lemmel	Independent, Non Executive Director	73	<ul style="list-style-type: none"> Management Consultant Director since 19 October 2006 Chairman of the Remuneration Committee from 14 December 2009 Chairman of Fiberform Vindic AB Previously Senior Vice President of Ericsson Telecommunications, Chief Executive Officer of the Federation of Swedish Industries and Director General for Enterprise Policy of the European Commission
Ms E Donaghey	Independent, Non Executive Director	54	<ul style="list-style-type: none"> Civil Engineer Director since 28 October 2009 Member of the Audit and Compliance Committee from 14 December 2009 Member of the Remuneration Committee from 14 December 2009 Director of St Barbara Limited Previously held a range of commercial 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	Non Executive Director	2010 – Current
	Synergy Plus Limited	Non Executive Director	2006 – Current
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, eight Board meetings, four Audit and Compliance Committee meetings and four Remuneration Committee meetings were held.

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

(e) Directors' Shareholdings

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

Directors	Shares Held Directly	Shares Held Indirectly	Options Held Directly	Performance Rights Held Directly ^
R W Kelly	-	380,000	-	-
B W Ridgeway	-	2,214,630	-	349,897
K A Dundo	-	150,000	-	-
M Lemmel	730,921	-	-	-
E Donaghey	210,000	-	-	-

^ - Performance rights expire either on failure to maintain employment tenure or on failure to satisfy performance hurdles. Refer to note 34 for further details.

Details of options on issue at the date of this report are disclosed at (g) below. Details of options on issue at the end of the financial year are disclosed in note 33. Details of performance rights on issue at the end of the financial year are disclosed in note 34.

(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 \$433,350, 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 33% 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. No additional benefits above those already entitled to will become payable on termination.

Director and Key Management Personnel 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)
- (v) Ms E Donaghey (Non Executive Director).

The term 'Key Person 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 and Mining Division)
- (iii) Mr P A Evans (Company Secretary and Chief Financial Officer).

Except as noted above Directors and Key Management Personnel held their current position for the whole of the financial year and since the end of the financial year.

Elements of Director and Key Management Personnel 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 33) or performance rights granted under the Performance Rights Plan (note 34) or any other equity related benefits granted as approved by Shareholders in General Meeting; and
- (iv) Other benefits – comprise payments made under the Imdex Loyalty Programme rewarding long term service with the Imdex Group.

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 2012:

	30 June 2012	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Revenue – continuing and discontinued operations (\$000s)	269,652	205,334	135,625	138,992	150,493
Net profit / (loss) before tax from continuing operations (\$000s)	67,500	38,593	(21,071)	18,195	31,885
Net profit / (loss) after tax from continuing operations (\$000s)	45,777	29,002	(21,548)	12,067	21,081
Share price at start of year (cents)	215.0	73.0	64.5	165	150
Share price at end of year (cents)	176.0	215.0	73.0	64.5	165
Interim dividend (cents) – fully franked	3.25	1.75	-	1.00	1.75
Final dividend (cents) – fully franked	4.00 *	2.75	-	-	2.25
Basic earnings / (loss) per share (cents) – continuing operations	22.34	14.69	(11.05)	6.37	11.22
Diluted earnings / (loss) per share (cents) – continuing operations	21.85	14.25	(11.05)	6.23	10.79

* - Declared post year end on 17 August 2012 hence the financial effect of this dividend has not been recognised in the financial statements at 30 June 2012.

Year ended 30 June 2012

	Short-term employee benefits				Post Employment		Termination Benefits	Share-based payment				Total	
	Salary & fees	Bonus	Non-monetary	Other *	Super-annuation	Other		Equity-settled ^		Cash settled	Other		
								Shares & Units	Options & Rights				
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Executive Director													
BW Ridgeway, Managing Director	700,000	110,000	13,689	2,000	73,080	-	36,443	-	-	142,682	-	-	1,077,894
Non Executive Directors													
RW Kelly, Chairman	135,000	-	-	-	12,150	-	-	-	-	-	-	-	147,150
KA Dundo	90,000	-	-	-	8,100	-	-	-	-	-	-	-	98,100
M Lemmel	90,000	-	-	-	-	-	-	-	-	-	-	-	90,000
E Donaghey	90,000	-	-	-	8,100	-	-	-	-	-	-	-	98,100
	1,105,000	110,000	13,689	2,000	101,430	-	36,443	-	-	142,682	-	-	1,511,244

	Short-term employee benefits				Post Employment		Termination Benefits	Share-based payment				Total
	Salary & fees	Bonus	Non-monetary	Other *	Super-annuation	Other		Equity-settled ^		Cash settled	Other	
								Shares & Units	Options & Rights			
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Group Executives												
G E Weston, General Manager: Oil & Gas Division	440,000	62,100	-	230,000	65,889	-	28,043	-	-	83,750	-	909,782
D J Loughlin, General Manager: Minerals Division	387,500	143,500	-	500	47,835	-	17,030	-	-	79,527	-	675,892
P A Evans, Chief Financial Officer/ Company Secretary	382,500	92,000	-	500	42,750	-	16,036	-	-	75,205	-	608,991
	1,210,000	297,600	-	231,000	156,474	-	61,109	-	-	238,482	-	2,194,665

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

* - Other short-term employee benefits comprise cash and voucher bonuses awarded under the Index Loyalty Programme rewarding long term service with the Index Group.

Year ended 30 June 2011

	Short-term employee benefits				Post Employment		Termination Benefits	Share-based payment				Total
	Salary & fees	Bonus	Non-monetary	Other	Super-annuation	Other		Equity-settled ^			Cash settled	
								Shares & Units	Options & Rights			
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Executive Director												
BW Ridgeway, Managing Director	574,363	140,000	10,626	-	64,293	-	42,671	-	-	53,076	-	885,029
Non Executive Directors												
RW Kelly, Chairman	110,000	-	-	-	9,900	-	-	-	-	-	-	119,900
KA Dundo	80,000	-	-	-	7,200	-	-	-	-	-	-	87,200
MM Lemmel	80,000	-	-	-	-	-	-	-	-	-	-	80,000
E Donaghey	80,000	-	-	-	7,200	-	-	-	-	-	-	87,200
	924,363	140,000	10,626	-	88,593	-	42,671	-	-	53,076	-	1,259,329

	Short-term employee benefits				Post Employment		Termination Benefits	Share-based payment				Total	
	Salary & fees	Bonus	Non-monetary	Other	Super-annuation	Other		Equity-settled ^			Cash settled		Other
								Shares & Units	Options & Rights				
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Group Executives													
G E Weston, Project General Manager, General Manager: Oil & Gas Division	383,350	178,500	-	-	50,567	-	40,991	-	-	155,388	-	-	808,796
D J Loughlin, General Manager: Minerals Division	339,590	113,150	-	-	40,747	-	11,422	-	-	99,340	-	-	604,249
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	-	-	44,384	-	11,101	-	-	113,068	-	-	661,703
	1,103,106	441,300	-	-	135,698	-	63,514	-	-	367,796	-	-	2,111,414

* - 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.

- (i) Mr BW 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.

In the current year Mr Ridgeway earned a short term cash bonus of \$110,000 upon achievement of specified targets. An additional \$140,000 could have been earned by Mr Ridgeway had the remaining targets been met. In addition Mr Ridgeway received a loyalty bonus in accordance with the Imdex Loyalty Programme. The Imdex Loyalty Programme is an employer of choice initiative in which all Imdex staff participate. For 10 years of service Mr Ridgeway earned a cash bonus of \$2,000. Mr Ridgeway earned a short term cash bonus of \$140,000 in the prior year 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.

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

The grant of 153,318 performance rights to Mr Ridgeway in the current year was approved by the shareholders at the Annual General Meeting on 20 October 2011. 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 FY14 financial statements on or about August 2014. No value has therefore been received by Mr Ridgeway in the current year. Refer note 34 for further details.

The grant of 196,579 performance rights to Mr Ridgeway in the prior year was approved by the shareholders at the Annual General Meeting on 14 October 2010. 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 was therefore received by Mr Ridgeway in the prior year. Refer note 34 for further details.

- (ii) Mr G E Weston is party to a service contract with Imdex Limited, which sets out a fixed compensation package, reviewable annually. The service contract stipulates a twelve month notice period in the event that the contract is terminated. There are no termination benefits specified in this contract. Performance incentives may be agreed between Mr Weston and Imdex Limited from time to time. Additionally, Mr Weston is party to a deed with Imdex Limited, granting Mr Weston the right of first refusal of Australian Mud Company Pty Ltd, a 100% held subsidiary of Imdex Limited, in the event that an offer is received by the directors of Imdex Limited to purchase 100% of the Imdex Limited shares on issue. This 'right' lapses automatically should Mr Weston no longer be employed by Imdex Limited.

In the current year Mr Weston earned a short term cash bonus of \$62,100 upon achievement of specified targets. An additional \$144,900 could have been earned by Mr Weston had the remaining targets been met. In addition Mr Weston received a loyalty bonus in accordance with the Imdex Loyalty Programme. The Imdex Loyalty Programme is an employer of choice initiative in which all Imdex staff participate. For 25 years of service Mr Weston earned a cash bonus of \$230,000, being 50% of his current annual salary. In the prior year, 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 options were granted to Mr Weston in the current or prior year.

Mr Weston was granted 48,611 performance rights in the current period under the Performance Rights Plan. It is expected that the hurdles applicable to 44,779 of these performance rights will be achieved in the current year. These 44,779 performance rights will be settled via the issue of 44,779 fully paid ordinary shares in Imdex Limited in equal one third tranches annually on or about August each year starting in August 2012 on condition that Mr Weston remains employed by Imdex Limited at that time. Refer note 34 for further details.

Mr Weston was granted 120,897 performance rights in the prior year under the Performance Rights Plan. 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 34 for further details.

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

In the current year Mr Loughlin earned a short term cash bonus of \$143,500 upon achievement of specified targets. An additional \$28,700 could have been earned by Mr Loughlin had the remaining targets been met. The Imdex Loyalty Programme is an employer of choice initiative in which all Imdex staff participate. For 5 years of service Mr Loughlin earned a cash bonus of \$500. In the prior year, 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 options were granted to Mr Loughlin in the current or prior year.

Mr Loughlin was granted 42,245 performance rights in the current period under the Performance Rights Plan. It is expected that the hurdles applicable to 38,914 of these performance rights will be achieved in the current year. These 38,914 performance rights will be settled via the issue of 38,914 fully paid ordinary shares in Imdex Limited in equal one third tranches annually on or about August each year starting in August 2012 on condition that Mr Loughlin remains employed by Imdex Limited at that time. Refer note 34 for further details.

Mr Loughlin was granted 125,587 performance rights in the prior year under the Performance Rights Plan. 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 34 for further details.

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

In the current year Mr Evans earned a short term cash bonus of \$92,000 upon achievement of specified targets. An additional \$76,000 could have been earned by Mr Evans had the remaining targets been met. In addition Mr Evans received a loyalty bonus in accordance with the Imdex Loyalty Programme. The Imdex Loyalty Programme is an employer of choice initiative in which all Imdex staff participate. For 5 years of service Mr Evans earned a cash bonus of \$500. In the prior year, 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 options were granted to Mr Evans in the current or prior year. Refer note 33 for further details.

Mr Evans was granted 42,245 performance rights in the current period under the Performance Rights Plan. It is expected that the hurdles applicable to 38,914 of these performance rights will be achieved in the current year. These 38,914 performance rights will be settled via the issue of 38,914 fully paid ordinary shares in Imdex Limited in equal one third tranches annually on or about August each year starting in August 2012 on condition that Mr Evans remains employed by Imdex Limited at that time. Refer note 34 for further details.

Mr Evans was granted 111,806 performance rights in the prior year under the Performance Rights Plan. 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 34 for further details.

Bonuses granted to Directors and Key Management Personnel

The table below sets out the bonuses earned by Directors and Key Management Personnel in the current year and includes a long service bonus. 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 \$				
	Performance based bonus	Loyalty bonus	% of possible bonus earned	% of possible bonus forfeited	% of compensation for the year consisting of performance based bonuses
B W Ridgeway	110,000	2,000	44%	56%	10%
G E Weston	62,100	230,000	30%	70%	7%
D J Loughlin	143,500	500	83%	17%	21%
P A Evans	92,000	500	55%	45%	15%

Imdex Loyalty Programme

During the year Imdex Limited introduced a new global Loyalty Programme in recognition of employees with long standing years of service.

Employees with 5, 10, 15, 20 or 25 years employment with Imdex will be entitled to rewards for their years of service. Rewards range from a AUD\$500 voucher for 5 years' service through to a cash equivalent of 3 and 6 months' salary for employees who remain with the business for 20 and 25 years respectively.

Value of options issued to Directors and Key Management Personnel

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

	Options Granted	Options Exercised			Options 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)	Percent- age of remunera- tion for the year that consisted of options
	Value at grant date	Value at exercise date (i)	Number of shares Issued	Value paid for shares issued upon exercise of options	Value at lapsing date				
	\$	\$	Number	\$	\$	Number	%	\$	%
B W Ridgeway	-	-	-	-	-	-	-	-	-
G E Weston	-	-	-	-	-	-	-	-	-
D J Loughlin	-	700,000 (Tranche 3)	500,000 (Tranche 3)	375,000 (Tranche 3)	-	-	-	-	-
P A Evans	-	309,000 (Tranche 4)	300,000 (Tranche 4)	300,000 (Tranche 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 Key Management Personnel during or since the end of the financial year.

Share based payment arrangements in existence during the current year

2012	Issue Date	Expiry Date	Exercise Price \$	Fair Value at Grant Date \$	Opening balance	Number of Options				Closing balance
						Issued current year	Exercised current year	Lapsed current year		
Staff Options										
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	2,263,167	-	(2,248,167)	(15,000)	-	-
Tranche 5 (i)	12-Jun-07	11-Jun-12	1.80	0.51	575,000	-	(75,000)	(500,000)	-	-
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	4,279,991	-	-	(586,658)	3,693,333	-
Former Chairman's Options (Mr I F Burston)										
Tranche 1 (ii)	19-Oct-06	18-Oct-11	0.75	0.35	500,000	-	(500,000)	-	-	-
						8,518,158	-	(3,523,167)	(1,101,658)	3,893,333

All staff options are exercisable one year after the date of issue, in one-third lots each year thereafter.

Share options held by Directors and Key Management Personnel

2012	Balance at 1 July 2011	Granted as compensation	Exercised	Inception / (cessation) as key management person	Balance at 30 June 2012	Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.
Mr B W Ridgeway	-	-	-	-	-	-	-	-
Mr R W Kelly	-	-	-	-	-	-	-	-
Mr K A Dundo	-	-	-	-	-	-	-	-
Mr M Lemmel	-	-	-	-	-	-	-	-
Ms E Donaghey	-	-	-	-	-	-	-	-
Mr G E Weston	500,000	-	-	-	500,000	-	500,000	-
Mr D J Loughlin	500,000	-	(500,000)	-	-	-	-	-
Mr P A Evans	500,000	-	(300,000)	-	200,000	-	200,000	-
	1,500,000	-	(800,000)	-	700,000	-	700,000	-
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	-	-	-	500,000	-	500,000	166,668
Mr D J Loughlin	500,000	-	(1,000,000)	-	500,000	-	500,000	-
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

~ - 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 800,000 options were exercised by key management personnel during the current year. The exercise price was 75c per share for the 500,000 exercised by Mr D Loughlin and \$1.00 per share for the 300,000 exercised by Mr P Evans. No amounts remain unpaid on the options exercised.

Value of performance rights granted to Directors and Key Management Personnel

Performance rights are granted to Key Management Personnel 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)	153,318 (MD Tranche)	292,500	-	-	-	142,682	13%
G E Weston (ii)	48,611 (Tranche 9)	67,926	40,299 (Tranche 2)	82,613	-	83,750	9%
D J Loughlin (ii)	42,245 (Tranche 9)	59,030	41,862 (Tranche 2)	85,817	-	79,527	12%
P A Evans (ii)	42,245 (Tranche 9)	59,030	37,269 (Tranche 2)	76,401	-	75,205	12%

(i) Approved by the shareholders at the Annual General Meeting on 20 October 2011.

(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 Key Management Personnel since the end of the financial year. More details on the Performance Rights Plan can be found at note 34.

Performance Rights in existence during the current year

2012	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	253,669	-	(126,835)	(5,635)	121,199
Tranche 2	3-Dec-10	Aug-15	-	1.395	2,072,372	-	(677,001)	(100,897)	1,294,474
Tranche 3	28-Jan-11	Aug-15	-	1.990	200,000	-	(66,667)	(133,333)	-
Tranche 4	10-Jun-11	Aug-16	-	2.160	200,000	-	(66,667)	-	133,333
Tranche 9	14-Oct-10	Oct-15	-	1.140	196,579	-	-	-	196,579
MD Tranche	20-Oct-11	Oct-16	-	1.910	-	153,318	-	-	153,318
Tranche 7	5-Sep-11	Aug-16	-	2.100	-	615,000	-	-	615,000
Tranche 8	29-Aug-11	Aug-16	-	2.080	-	15,000	-	-	15,000
Tranche 9	7-Oct-11	Aug-16	-	1.790	-	835,090	-	(21,743)	813,347

^ - Performance rights expire either on failure to maintain employment tenure or on failure to satisfy performance hurdles.

Refer to (h) Performance Rights in the Directors Report for vesting details.

(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 (Tranche 7)	Ordinary	300 cents	28 Mar 2008	27 Mar 2013	(aa)	3,693,333
Imdex Limited	Staff Share Options (Tranche 6)	Ordinary	180 cents	18 Oct 2007	17 Oct 2012	(aa)	200,000

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

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 (Tranche 4)	Ordinary	100 cents	23 Feb 2007	22 Feb 2012	2,248,167
Imdex Limited	Staff Share Options (Tranche 3)	Ordinary	75 cents	23 Feb 2007	22 Feb 2012	700,000
Imdex Limited	Staff Share Options (Tranche 6)	Ordinary	180 cents	12 Jun 2007	11 Jun 2012	75,000
Imdex Limited	Former Chairman's Options (Tranche 1)	Ordinary	75 cents	19 Oct 2006	18 Oct 2011	500,000

(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)	121,199
Imdex Limited	Performance Rights (Tranche 2)	Ordinary	Nil	3 Dec 2010	Aug 2015	(bb)	1,294,474
Imdex Limited	Performance Rights (Tranche 4)	Ordinary	Nil	10 Jun 2011	Aug 2016	(cc)	133,333
Imdex Limited	Performance Rights (Managing Directors' Tranche 1)	Ordinary	Nil	14 Oct 2010	Oct 2015	(dd)	196,579
Imdex Limited	Performance Rights (Managing Directors' Tranche 2)	Ordinary	Nil	20 Oct 2011	Oct 2016	(ee)	153,318
Imdex Limited	Performance Rights (Tranche 7)	Ordinary	Nil	5 Sept 2011	Aug 2016	(ff)	615,000
Imdex Limited	Performance Rights (Tranche 8)	Ordinary	Nil	29 Aug 2011	Aug 2016	(gg)	15,000
Imdex Limited	Performance Rights (Tranche 9)	Ordinary	Nil	7 Oct 2011	Aug 2016	(hh)	813,347

- (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 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.
- (dd) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited on or about October 2015. Subject to the achievement of specified performance hurdles and ongoing employment tenure.
- (ee) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited on or about October 2016. Subject to the achievement of specified performance hurdles and ongoing employment tenure.
- (ff) To be satisfied by the issue of fully paid ordinary shares in Imdex Limited with 1/4 allotted August 2014 and the remaining 3/4 allotted August 2015 with the anniversary date being the day after signature of the FY14 independent audit report. Subject to ongoing employment tenure.
- (gg) To be fully satisfied by the issue of fully paid ordinary shares in Imdex Limited in August 2012.
- (hh) 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 vertically integrated its Australian fluids business by purchasing Australian Drilling Specialties Pty Ltd effective 1 July 2011 and effective 1 August 2011 entered the Brazilian fluids market by purchasing an established manufacturer and distributor of fluids, System Mud Indústria e Comércio Ltda, based in Brazil.

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 earned revenue from continuing operations (including interest) of \$269.6 million (2011: \$205.3 million) and profit after tax of \$45.8 million (2011: \$29.0 million).

(k) Dividends

In the current year a fully franked interim dividend of 3.25 cents per ordinary share was paid on 23 March 2012 to shareholders registered on 9 March 2012. Since 30 June 2012 the Directors have declared a fully franked final dividend of 4.00 cents per ordinary share, the financial effect of which has not been reflected in this Financial Report.

In the prior 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, and a fully franked final dividend of 2.75 cents per ordinary share was paid on 21 October 2011 to shareholders registered on 7 October 2011.

(l) Changes in State Of Affairs

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

(m) Subsequent Events

Subsequent to year end the Directors declared a 4.00 cent per share fully franked dividend with a record date of 12 October 2012 and a payment date of 26 October 2012. 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 fees paid for services provided 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 and 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.

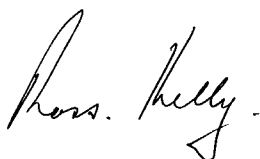
The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

(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



Mr Ross Kelly AM

Chairman

Perth, Western Australia, 17 August 2012

Auditor's Independence Declaration

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

17 August 2012

Dear Board Members

Imdex Limited

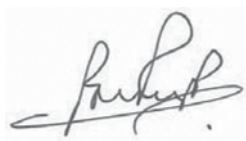
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Imdex Limited.

As lead audit partner for the audit of the financial statements of Imdex Limited for the financial year ended 30 June 2012, 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



Peter Rupp
Partner
Chartered Accountants

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the Members of Imdex Limited

Report on the Financial Report

We have audited the accompanying financial report of Imdex Limited, which comprises the statement of financial position as at 30 June 2012, 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 52 and 58 to 117.

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 gives a true and fair view and 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 consolidated 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 company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. 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, the financial report of Imdex Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Report on the Remuneration Report

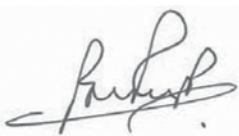
We have audited the Remuneration Report included in paragraph (f) of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our 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 2012, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Peter Rupp
Partner
Chartered Accountants
Perth, 17 August 2012

Directors' Declaration

The Directors declare that:

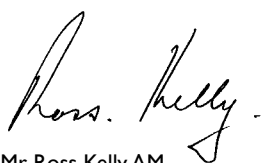
- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the 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, 17 August 2012.



Mr Ross Kelly AM

Chairman

Corporate Governance Statement

ASX Governance Principles and ASX Recommendations

The Australian Securities 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 2012. 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 2012, 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
- 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

Diversity

The Company has adopted a diversity policy to guide the Company's employees and Board in developing and achieving its diversity objectives. The Company values diversity among its workforce and seeks to employ, retain and develop employees for the long term, assisting in their development and the development of the culture and values of the Company. This is done by promoting the value of different perspectives, ideas and benefits brought by engaging employees from all available talent.

The Company seeks to develop a culture of diversity within the Company whereby a mix of skills and diverse backgrounds are employed by the Company at all levels. This is achieved by:

- developing and maintaining a diverse and skilled workforce through transparent recruitment processes
- promoting an inclusive workplace culture that values and utilises the contributions of all employees backgrounds, experiences and perspective through improved awareness of the benefits of workforce diversity
- facilitating diversity in the workplace by developing programs that promote growth for all employees, so each employee may reach their full potential, and providing maximum benefit for the Company
- reviewing the demographic profile at all levels of the Company (considering any patterns or gaps that are apparent)
- setting measurable objectives to encourage diversity within the Company.

The Board continues to work on objectives that will work towards achieving these goals. The objectives will be reviewed and analysed regularly to assist the Company to benefit from a diverse workplace.

At 30 June 2012:

- of five Board positions, four (80%) were held by males, and one (20%) was held by a female
- of eight senior executive positions, seven (87%) were held by males, and one (13%) was held by a female
- of 543 full time employees, 420 (77%) were male and 123 (23%) were female.

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 2012 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

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 Risk and Compliance Manager, 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. The Half-Year Financial Report is prepared in accordance with the requirements of Accounting Standards and the Corporations Act 2001 and is lodged with the Australian Securities and Investments Commission and the Australian Securities 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

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.

Consolidated Income Statement for the Year Ended 30 June 2012

	Notes	Year Ended 30 June 2012 \$'000	Year Ended 30 June 2011 \$'000
Revenue from sale of goods and operating lease rental		269,563	205,163
Other revenue from operations		89	171
Total revenue	4	<u>269,652</u>	<u>205,334</u>
Other income	4	275	-
Raw materials and consumables used	4	(104,985)	(84,514)
Employee benefit expense	4	(44,010)	(33,241)
Depreciation expense	4	(6,761)	(5,721)
Amortisation expense	4	(5,957)	(6,778)
Finance costs	4	(1,831)	(2,946)
Share of loss of associate	27	(1,460)	-
Other expenses	4	<u>(37,423)</u>	<u>(33,541)</u>
Profit before tax		<u>67,500</u>	<u>38,593</u>
Income tax expense	5	<u>(21,723)</u>	<u>(9,591)</u>
Profit for the year		<u>45,777</u>	<u>29,002</u>
Attributable to:			
Owners of the Company		45,777	29,002
Non-controlling interests		-	-
		<u>45,777</u>	<u>29,002</u>
Earnings per share			
Basic earnings per share (cents)	20	22.34	14.69
Diluted earnings per share (cents)	20	21.85	14.25

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

Consolidated Statement of Comprehensive Income for the Year Ended 30 June 2012

	Note	Year Ended 30 June 2012 \$'000	Year Ended 30 June 2011 \$'000
Profit for the year		45,777	29,002
Other comprehensive income			
Fair value adjustment on investment in Sino Gas and Energy Holdings Ltd (SEH)	19	5,290	9,320
Exchange differences arising on the translation of foreign operations	19	(6,831)	(5,291)
Other comprehensive income for the year		(1,541)	4,029
Income tax relating to components of other comprehensive income	5	(1,018)	(3,324)
Total comprehensive income for the year		43,218	29,707
Total comprehensive income attributable to:			
Owners of the parent		43,218	29,707
Non-controlling interests		-	-

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

Consolidated Statement of Financial Position as at 30 June 2012

	Notes	30 June 2012 \$'000	30 June 2011 \$'000
Current Assets			
Cash and Cash Equivalents	29	11,232	18,388
Trade and Other Receivables	7	59,689	50,219
Inventories	8	52,106	40,565
Other	10	11,295	4,596
Total Current Assets		134,322	113,768
Non Current Assets			
Other Financial Assets	9	21,412	16,122
Property, Plant and Equipment	11	19,730	17,344
Investment in Associates	27	24,255	-
Deferred Tax Assets	5	13,700	10,461
Goodwill	12	54,577	38,705
Other Intangible Assets	13	6,556	17,146
Total Non Current Assets		140,230	99,778
Total Assets		274,552	213,546
Current Liabilities			
Trade and Other Payables	14	33,349	32,879
Borrowings	15	12,880	28,945
Current Tax Liabilities	5	9,547	14,138
Provisions	16	2,896	2,191
Other Current Liabilities	17	-	2,628
Total Current Liabilities		58,672	80,781
Non Current Liabilities			
Borrowings	15	46,549	6,074
Provisions	16	1,265	1,069
Other Non Current Liabilities	17	-	213
Total Non Current Liabilities		47,814	7,356
Total Liabilities		106,486	88,137
Net Assets		168,066	125,409
Equity			
Issued Capital	18	86,069	70,059
Shares Reserved for Performance Rights Plan	18	(3,740)	-
Foreign Currency Translation Reserve	19	(17,703)	(11,441)
Investment Revaluation Reserve	19	10,227	6,524
Employee Equity-Settled Benefits Reserve	19	6,385	7,158
Mandatory Issuable Capital	19	990	-
Retained Earnings		85,838	53,109
Total Equity		168,066	125,409

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

Consolidated Statement Of Changes in Equity for the Year Ended 30 June 2012

	Notes	Fully Paid Ordinary Shares \$'000	Shares reserved for Performance Rights Plan \$'000	Foreign Currency Translation Reserve \$'000	Employee Equity- Settled Benefits Reserve \$'000	Investment Revaluation Reserve \$'000	Mandatory Issuable Capital \$'000	Retained Earnings \$'000	Total Attributable to Equity Holders of the Entity \$'000
Balance at 1 July 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
Profit for the year		-	-	-	-	-	-	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 rights	19	-	-	-	2,131	-	-	-	2,131
Shares purchased on market 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
Exchange differences on translation of foreign operations after taxation	19	-	-	(6,262)	-	-	-	-	(6,262)
Fair value adjustment on available for sale financial instrument net of taxation	19	-	-	-	-	3,703	-	-	3,703
Profit for the year		-	-	-	-	-	-	45,777	45,777
Total comprehensive income for the period		-	-	(6,262)	-	3,703	-	45,777	43,218
Issue of shares as part consideration for the acquisition of Australian Drilling Specialties	18,26(a)	6,000	-	-	-	-	-	-	6,000
Issue of shares as part consideration for the acquisition of System Mud Industria e Comercio Ltda	18,26(b)	3,840	-	-	-	-	-	-	3,840
Issue of shares as consideration for the acquisition of Mud Systems Pte Ltd	18,26(e)	1,200	-	-	-	-	-	-	1,200
Deferred consideration - mandatory issuable capital	19,26(b)	-	-	-	-	-	990	-	990
Dividend paid	21	-	-	-	-	-	-	(12,327)	(12,327)
Share based payments - performance rights	18,19	-	(3,740)	-	6,683	-	-	(721)	2,222
Shares purchased on market to satisfy performance rights	19	-	-	-	(5,769)	-	-	-	(5,769)
Issue of shares under staff option plan	18,19	4,970	-	-	(1,687)	-	-	-	3,283
Balance at 30 June 2012		86,069	(3,740)	(17,703)	6,385	10,227	990	85,838	168,066

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

Consolidated Statement Of Cash Flows for the Financial Year Ended 30 June 2012

		Year Ended 30 June 2012 \$'000	Year Ended 30 June 2011 \$'000
	Notes		
Cash Flows From Operating Activities			
Receipts from customers		288,004	219,761
Payments to suppliers and employees		(229,320)	(173,417)
Interest and other costs of finance paid		(1,745)	(2,305)
Income tax paid		(29,883)	(8,146)
Net cash provided by Operating Activities	29(c)	<u>27,056</u>	<u>35,893</u>
Cash Flows From Investing Activities			
Interest received		89	171
Payment for property, plant and equipment	11	(11,065)	(11,402)
Proceeds from sale of property, plant and equipment		366	247
Payment for development costs capitalised	13	(1,254)	(691)
Payment for shares in Australian Drilling Specialties Pty Ltd net of cash acquired	26(a)	(7,077)	-
Payment for shares in System Mud net of cash acquired	26(b)	(2,726)	-
Payment for shares in Fluidstar Pty Ltd and Ecospin Pty Ltd net of cash acquired	26(c)	-	(12,413)
Payment for shares in AMC Germany GmbH net of cash acquired	26(d)	-	(2,067)
Investment in Associate	27	(21,415)	-
Net cash used in Investing Activities		<u>(43,082)</u>	<u>(26,155)</u>
Cash Flows From Financing Activities			
Cash received on exercise of options		3,283	2,118
Shares purchased on market to satisfy performance rights		(5,769)	(134)
Dividend paid to owners of the Company	21	(12,327)	(3,488)
Hire purchase and lease payments		(930)	(2,987)
Proceeds from borrowings		67,112	14,250
Repayment of borrowings		(42,252)	(8,001)
Net cash provided by Financing Activities		<u>9,117</u>	<u>1,758</u>
Net (Decrease) / Increase in Cash and Cash Equivalents Held		<u>(6,909)</u>	<u>11,496</u>
Cash and Cash Equivalents at the Beginning OfThe Financial Year	29(a)	18,388	9,007
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(247)	(2,115)
Cash and Cash Equivalents at the End OfThe Financial Year	29(a)	<u>11,232</u>	<u>18,388</u>

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

Notes to the Financial Report

I Adoption of New and Revised Accounting Standards

Adoption of new and revised Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. The adoption of these amendments has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

Accounting Standards and Interpretations issued but not yet effective

Accounting Standards and Interpretations, including those issued by the IASB/IFRIC where an Australian equivalent has not yet been made by the AASB, that have recently been issued or amended but are not yet effective that have not been adopted for the annual reporting period ended 30 June 2012, but would be relevant to its operations, are:

Affected Standards and Interpretations	Application date (reporting period commences on or after)	Application date for Group
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)' *	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards –Deferred tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards-Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013

*The IASB have recently deferred the application date of the IFRS equivalent to this standard until 1 January 2015.

2 Summary of Significant Accounting Policies

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements comprise the consolidated financial statements of the Group.

The financial statements were authorised for issue by the directors on 17 August 2012.

Where applicable comparative numbers have been reclassified to ensure consistent disclosure.

(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 consolidated statement of financial position.

(c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the consolidated statement of cash flows 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.

(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.

(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) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(k) 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.

(l) 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.

(m) 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.

(n) Financial assets

All financial assets are recognised and derecognised on trade date where purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as 'at fair value through the profit or loss' which are initially measured at fair value.

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

(i) Effective interest method

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

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

(ii) Held-to-maturity investments

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

Financial assets at fair value through profit or loss

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

Has been acquired principally for the purpose of selling in the near future;

Is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

Is a derivative that is not designated and effective as a hedging instrument.

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

(iii) Available-for-sale financial assets

Available-for-sale assets are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period. The fair value of available-for-sale monetary assets held in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that results from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity. Available-for-sale financial assets include investments where shareholding is greater than 20% but significant influence is not exerted over the invested company.

(iv) Loans and receivables

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

(v) Impairment of financial assets

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

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

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

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

(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.

(o) 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 AASB 139 '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.

(p) 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
- 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.

(q) 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.

(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.

(iii) 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.

(iv) Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Imdex Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences in the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group). Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 5 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credit in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(r) 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 consolidated statement of financial position 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.

(s) 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
- 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.

(t) 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.

(u) 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.

(v) 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:

Impairment of Goodwill and Intangibles

Determining whether goodwill and intangibles are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and intangibles are attributable. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. 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 or prior year. A goodwill amount of \$54.6 million and intangible assets of \$6.5 million have been recognised on the face of the balance sheet.

Recognition of net deferred tax asset

A net deferred tax asset of \$13.7 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 inventory and property, plant and equipment items. This tax benefit will be realised progressively over the next 3-5 years as these assets are depreciated or sold. 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.

Fair value of options and performance rights

Options and performance rights as detailed in notes 33 and 34 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

	2012 \$'000	2011 \$'000
(a) Revenue from operations		
Revenue		
Revenue from the sale of goods	182,416	142,254
Operating rental income	87,147	62,909
Interest income - bank deposits	89	171
	<u>269,652</u>	<u>205,334</u>
(b) Profit before income tax		
Other than as disclosed on the face of the income statement, profit before income tax has been arrived at after charging the following losses:		
Loss on disposal of property, plant and equipment	(27)	(32)
Financial liabilities at amortised cost		
Interest expense	(1,831)	(2,946)
Profit before income tax has been arrived at after charging the following items of income and expense:		
Depreciation and amortisation of Non Current Assets		
Depreciation of Property, Plant and Equipment (note 11)	6,761	5,721
Amortisation of Intangible Assets (note 13)	5,957	6,778
	<u>12,718</u>	<u>12,499</u>
Finance costs		
Interest on hire purchase liabilities	102	343
Interest on deferred acquisition consideration (reversed in current year)	(101)	101
Interest on commercial bills/bank loans	1,489	2,251
Interest on overdraft	110	16
Other interest	231	235
	<u>1,831</u>	<u>2,946</u>
Other income		
Foreign exchange gain	275	-
Other expenses		
Commissions	3,452	2,552
Consultancy fees	3,723	2,104
Legal and professional expenses (i)	4,292	4,573
Foreign exchange loss	-	3,334
Rent and premises costs	4,192	3,402
Travel and accommodation	4,828	4,121
Freight	2,764	2,631
Motor vehicle costs	1,987	1,645
Other expenses	12,185	9,179
	<u>37,423</u>	<u>33,541</u>

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

	2012 \$'000	2011 \$'000
Employee benefits expense		
Post-employment benefits:		
Defined contribution superannuation costs	2,157	1,716
Share based payments:		
Equity-settled share based payments - share options (note 19)	-	580
Equity-settled share based payments - performance rights (note 19)	2,222	2,131
Other employee benefits	39,631	28,814
	<u>44,010</u>	<u>33,241</u>
 Raw materials and consumables used	 104,985	 84,514
 Movement in provision for doubtful debts	 142 t	 (325)
 Operating lease rental (minimum lease payments)	 4,429	 3,448

5 Income Taxes

	2012 \$'000	2011 \$'000
(a) Income tax recognised in the income statement		
Tax expense comprises:		
Current tax expense	17,229	21,911
Deferred tax expense relating to the origination and reversal of temporary differences	2,312	(9,861)
Under/over provision per prior year	2,182	(2,459)
Total tax expense	<u>21,723</u>	<u>9,591</u>

Prima facie income tax expense on pre-tax accounting profit from operations reconciles to income tax in the financial statements as follows:

Profit from operations	67,500	38,593
Income tax expense calculated at 30%	20,250	11,578
Non-deductible share based payments	667	773
Deductible net contribution to share trust	(1,337)	-
Non-deductible share of loss of Associate	438	-
Other non-deductible and non-assessable items	122	(86)
Tax rate differential arising from foreign entities	(599)	(215)
Under/over provision of prior year income tax	2,182	(2,459)
	<u>21,723</u>	<u>9,591</u>

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 year.

(b) Income tax recognised directly in equity

	2012	2011
	\$'000	\$'000
The following current and deferred amounts were charged directly to equity during the year:		
Deferred tax: SEH fair value uplift taken directly to reserve	(1,587)	(2,796)
Deferred tax: Translation of foreign operations	569	(528)
	<u>(1,018)</u>	<u>(3,324)</u>

(c) Current tax assets and liabilities

Current tax payable	<u>9,547</u>	<u>14,138</u>
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(d) Deferred tax balances

Deferred tax assets comprise:

Provisions	1,013	569
Inventory	2,312	3,133
Property, plant and equipment	12,062	7,989
Carry forward tax losses in subsidiary companies	791	1,700
Accruals	1,070	2,860
Foreign currency translation reserves	1,924	1,355
	<u>19,172</u>	<u>17,606</u>

Deferred tax liabilities comprise:

Intangible assets	(1,967)	(5,660)
Available-for-sale non-current assets	(3,072)	(1,485)
Share based payments	(433)	-
	<u>(5,472)</u>	<u>(7,145)</u>

Net deferred tax balances	<u>13,700</u>	<u>10,461</u>
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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	<u>3,478</u>	<u>1,723</u>
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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

	2012	2011
	\$	\$
Deloitte Touche Tohmatsu (Australia)		
Audit or review of the financial report	313,110	271,085
Taxation services - mainly compliance work, transfer pricing and global restructuring advice	490,828	184,060
Other non-audit services: Other consulting services	-	13,690
	<u>803,938</u>	<u>468,835</u>
Deloitte Touche Tohmatsu (overseas affiliates)		
Audit or review of the financial report	74,732	65,111
Taxation services - mainly compliance work, transfer pricing and global restructuring advice	31,031	13,733
Other non-audit services: Other consulting services	69,539	17,070
	<u>175,302</u>	<u>95,914</u>
Other auditors		
Audit or review of the financial report	25,718	69,075
Other non-audit services: Accounting assistance and taxation advice	-	93,105
	<u>25,718</u>	<u>162,180</u>
	<u>1,004,958</u>	<u>726,929</u>

7 Trade and Other Receivables

	Notes	2012 \$'000	2011 \$'000
Current			
Trade receivables	(i)	59,509	49,887
Allowance for doubtful debts	(ii)	(1,463)	(1,321)
		58,046	48,566
Other receivables		1,643	1,653
		<u>59,689</u>	<u>50,219</u>

- (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.

Ageing of past due but not impaired debtors

0 – 30 days past due	3,475	1,929
31 – 60 days past due	8,686	6,144
61 + days past due	2,895	2,048
	<u>15,056</u>	<u>10,121</u>

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

- (ii) Movement in the allowance for doubtful debts

Balance at the beginning of the year	1,321	1,646
Amounts written off during the year	-	-
Decrease/increase in allowance recognised in profit or loss	142	(325)
Balance at the end of the year	<u>1,463</u>	<u>1,321</u>

8 Inventories

	2012 \$'000	2011 \$'000
Current		
Raw materials – at cost	6,984	9,493
Work in progress – at cost	1,581	499
Finished goods – at cost	43,541	30,573
	<u>52,106</u>	<u>40,565</u>

A provision for diminution of stock of \$717,000 existed at 30 June 2012 (2011: \$163,000).

9 Other Financial Assets

	Notes	2012 \$'000	2011 \$'000
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Non-Current

Available for sale financial asset at fair value

Investment in Sino Gas and Energy Holdings Ltd	(i)	21,412	16,122
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i) Comprises 251,908,446 fully paid ordinary shares in Sino Gas and Energy Holdings Ltd (SEH) held at fair value (2011: 251,908,446 shares). This amounts to 22.48% of the issued share capital of SEH (2011: 25.96%). 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, this investment has been classified, as an available-for-sale non-current asset and carried at fair value.

Investment in Sino Gas and Energy Holdings Ltd

	2012		2011	
	Shares	\$000	Shares	\$000
Balance at beginning of financial year	251,908,446	16,122	251,908,446	6,802
Fair value adjustment taken directly to equity (pre-tax)	-	5,290	-	9,320
Balance at end of financial year	251,908,446	21,412	251,908,446	16,122

During the current year the carrying value of this investment was written up to its market value of \$0.085 per share or \$21.4 million in total at 30 June 2012.

During the prior 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.

10 Other Assets

	2012 \$'000	2011 \$'000
Current		
Prepayments	11,295	4,596
	11,295	4,596

II Property, Plant and Equipment

	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 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
Additions	5,501	3,716	-	1,848	11,065
Acquisitions through business combinations	1,028	-	-	-	1,028
Disposals	(2,267)	(689)	-	-	(2,956)
Net foreign currency exchange differences	(791)	(3,224)	-	(39)	(4,054)
Transfer	(2,410)	2,410	-	-	-
Balance at 30 June 2012	17,881	9,416	2,639	2,720	32,656
Accumulated Depreciation					
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
Disposals	(1,878)	(685)	-	-	(2,563)
Depreciation expense	2,459	3,634	668	-	6,761
Net foreign currency exchange differences	(264)	(1,237)	-	-	(1,501)
Balance at 30 June 2012	5,237	5,978	1,711	-	12,926
Net Book Value					
As at 30 June 2011	11,900	2,937	1,596	911	17,344
As at 30 June 2012	12,644	3,438	928	2,720	19,730

2012
\$'000

2011
\$'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	2,459	2,347
Plant and equipment rented to third parties	3,634	3,258
Equipment under hire purchase	668	116
	<u>6,761</u>	<u>5,721</u>

12 Goodwill

	Notes	2012 \$'000	2011 \$'000
Gross Carrying Amount			
Balance at beginning of the financial year		61,203	53,204
Recognised on acquisition of Australian Drilling Specialties Pty Ltd (ADS)	(i)	10,513	-
Recognised on acquisition of System Mud Indústria e Comércio Ltda (System Mud)	(ii)	6,808	-
Reclassified to Investment in Associate	27	(1,416)	-
Recognised on acquisition of Fluidstar Pty Ltd and Ecospin Pty Ltd	(iii)	-	7,848
Recognised on acquisition of AMC Germany GmbH (formerly Mud-Data GmbH)	(iv)	152	145
Effect of foreign exchange movements		(185)	6
Balance at end of the financial year		<u>77,075</u>	<u>61,203</u>
Accumulated Impairment Losses			
Balance at beginning of the financial year		(22,498)	(22,498)
Impairment losses for the year		-	-
Balance at end of the financial year		<u>(22,498)</u>	<u>(22,498)</u>
Net Book Value			
At the beginning of the financial year		<u>38,705</u>	<u>30,706</u>
At the end of the financial year		<u>54,577</u>	<u>38,705</u>
Goodwill is allocated to cash-generating units as follows:			
AMC Germany	(iv)	297	145
ADS / Fluidstar / Ecospin	(i)	18,360	7,848
System Mud	(ii)	6,808	-
Reflex / Imdex Technology UK	(v)	29,112	19,953
Flexit / Imdex Technology Germany	(v)	-	10,759
		<u>54,577</u>	<u>38,705</u>

- (i) Goodwill arose during the period on the acquisition of Australian Drilling Specialties Pty Ltd (ADS) by Imdex Limited - (Refer note 26(a)). The goodwill of ADS forms part of the AMC CGU since it is a vertical integration with AMC and has been assessed for impairment as part of the AMC CGU.
- (ii) Goodwill arose in the current year on the acquisition of System Mud Indústria e Comércio Ltda (System Mud) by Imdex Limited - (Refer note 26(b)). System Mud is considered to be a separate cash generating unit since it operates independently from other Imdex operations in a separate geographical area being the Latin America region concentrating on the supply of drilling fluids and chemical supplies.
- (iii) Goodwill arose in the prior year on the acquisition of Fluidstar Pty Ltd (Fluidstar) and Ecospin Pty Ltd (Ecospin) by Imdex Limited - (Refer note 26(c)). 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.

- (iv) Goodwill arose in the prior year on the acquisition of AMC Germany GmbH (formerly Mud-Data GmbH) (AMC Germany) by Imdex Limited – (Refer to Note 26(d)). 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. A true up of AMC Germany goodwill of \$0.2m occurred in the current period.
- (v) Goodwill previously recognised for the Flexit / Imdex Technology Germany CGU has been reallocated to the Reflex CGU as the ITS goodwill (Gyrosmart) is now being marketed as the Reflex Gyro for mining.

At 30 June 2012, the following cash-generating units (CGUs) were identified as requiring a test of impairment of goodwill at balance date, with no write down required.

The key assumptions used in the value in use calculations for those CGU's tested were as follows:

CGU	Forecasted revenue growth	Discount Rate	Forecasted net margins	Expected exchange rate fluctuations
AMC (including Fluidstar, Eco-spin, ADS and Mud Systems)	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.	17.32%	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.	Exchange rate fluctuation expectations have been built into the forecasted numbers based on FY13 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.
AMC Germany (formerly Mud Data)	Revenue has been forecast using contracted and committed revenues as a base on which a moderate growth projection has been based. Growth projections have been estimated using European market performance and client feedback as a guide.	13.04%		
Reflex/Imdex Technology	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.	16.70%		
System Mud	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.	17.97%		
Flexit/Imdex Technology Germany	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.	9.38%	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 and North American oil and gas survey markets.	

13 Other Intangible Assets

		Patents	Intellectual Property	Technology Based	Contract Based	Customer Based	Development Costs	Trade Name	TOTAL
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross Carrying Value									
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
Capitalised during the year		-	-	-	943	-	1,254	-	2,197
Reclassified to Investment in Associate	27(i)	-	(904)	-	-	-	(1,980)	-	(2,884)
Amounts derecognised	26(d)(i)	-	-	-	(3,914)	-	-	-	(3,914)
Impact of exchange rate changes		-	-	-	-	(52)	-	(8)	(60)
Balance at 30 June 2012		761	601	14,080	2,258	10,893	7,366	3,887	39,846
Accumulated Amortisation and Impairment									
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
Amortisation expense / (write back)		127	75	2,102	(254)	1,901	1,403	603	5,957
Impact of exchange rate changes		-	-	-	-	(24)	-	(4)	(28)
Balance at 30 June 2012		761	601	12,491	1,315	10,488	3,765	3,869	33,290
Net Book Value									
As at 30 June 2011		127	979	3,691	3,660	2,334	5,730	625	17,146
As at 30 June 2012		-	-	1,589	943	405	3,601	18	6,556

14 Trade and Other Payables

	Notes	2012 \$'000	2011 \$'000
Trade payables	(i)	17,384	22,926
Accruals and other payables		15,965	9,953
		<u>33,349</u>	<u>32,879</u>

- (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	2012 \$'000	2011 \$'000
Current borrowings			
Secured			
At amortised cost			
Club Facility - AUD Tranche	(i)	5,580	-
Club Facility - USD Tranche	(i)	4,961	-
Club Facility - CAD Tranche	(i)	1,943	-
Commercial bill	(ii)	-	20,350
Bank loan - Sweden	(iii)	-	971
Bank loan - Canada	(iv)	-	6,904
Hire purchase liabilities	(v),24	396	720
		<u>12,880</u>	<u>28,945</u>

Non-current borrowings

Secured			
At amortised cost			
Club Facility - AUD Tranche	(i)	22,595	-
Club Facility - USD Tranche	(i)	17,406	-
Club Facility - CAD Tranche	(i)	6,478	-
Commercial bills	(ii)	-	5,500
Hire purchase liabilities	(v),24	70	574
		<u>46,549</u>	<u>6,074</u>

- (ii) On 7 October 2011 a clubbed banking facility involving Westpac Banking Corporation and HSBC was put in place. This facility replaced commercial bills and Canadian bank loans in place at that date. The facility allowed the Index Group access to a total facility of \$50 million split equally between the two club participants. Westpac Banking Corporation provided AUD denominated borrowings in Australia while HSBC provided CAD and USD denominated borrowings in Chile, South Africa, Canada and Australia. On 19 January 2012 this facility was extended from \$50 million to \$75 million. The banking facility limit decreases with each repayment and at 30 June 2012 the total facility available was \$64.96 million (including an unused \$6 million facility) – (Refer note 29(d)).
- AUD denominated borrowings bear interest at floating rates (currently 6.10% per annum). These borrowings are repayable in equal monthly installments of \$0.5 million to 31 October 2014 on which date the balance is payable.
 - USD denominated borrowings bear interest at floating rates (currently between 2.09% and 4.24% per annum depending on the borrowing country). These borrowings are repayable in equal monthly installments of USD 0.4 million to 31 October 2014 on which date the balance is payable.
 - CAD denominated borrowings bear interest at floating rates (currently 4.50% per annum). These borrowings are repayable in equal monthly installments of CAD 0.2 million to 31 October 2014 on which date the balance is payable.
- (iii) The club facility is secured by the assets of entities in Australia, Canada, South Africa and Chile.
- (iv) The prior period balance of commercial bills bore interest at a weighted average floating rate of 7.46% per annum. Bills totaling \$3.1 million were repayable on demand and bills totaling \$14.3 million were due on 30 June 2011. The balance of bills were repayable in 13 installments of \$0.75 million each due at the end of each calendar quarter and ending with a final installment of \$0.25 million on 30 June 2014. An interest rate cap of 7% per annum was in place over \$10 million of this debt until December 2010. The interest rate cap did not operate where the variable interest rate on bills is below 7%. These commercial bills were repaid in full in October 2011 when the clubbed banking facility per note (i) above came into operation.

- (v) These commercial bills were previously secured by a Mortgage Debenture over all the assets and liabilities of Imdex Limited, Australian Mud Company Pty Ltd, Reflex Instruments Asia Pacific Pty Ltd, Imdex International Pty Ltd, Wildcat Chemicals Australia Pty Ltd, Flexit Australia Pty Ltd, Imdex Sweden AB, Imdex Technology Sweden AB (formerly Flexit AB), Reflex Instruments AB, Fluidstar Pty Ltd, Ecospin Pty Ltd, AMC North America Ltd (formerly Poly-Drill Drilling Systems Ltd), Drillhole Surveying Instruments (Pty) Ltd and Samchem Drilling Fluids and Chemicals (Pty) Ltd.
- (vi) Comprised of a loan of SEK 3.3 million which was fully repaid on 30 June 2012. This loan was secured over the assets of the Reflex and Flexit companies that are domiciled in Sweden.
- (vii) The prior period balance comprised a loan of CAD 8.8 million at the Canadian Prime Interest Rate (3.0% at 30 June 2011) plus a margin of 1.5%. This loan was repayable in 3 quarterly installments of CAD 0.4 million each, 47 monthly installments of CAD 0.06 million due on the first day of each month and 58 monthly installments of CAD 0.08 million also due on the first day of each month. In the prior period the loan was disclosed as a current liability since the bank retained the option to have these loans repaid on demand. These borrowings were repaid in full in October 2011 when the clubbed banking facility per note (i) above came into operation.
- (viii) 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 9.67% (2011: 9.53%).

16 Provisions

	Notes	2012 \$'000	2011 \$'000
Current provisions			
Employee entitlements	(i)	2,896	2,191
Non-current provisions			
Employee entitlements		1,265	1,069

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

17 Other Liabilities

	Notes	2012 \$'000	2011 \$'000
Other Current Liabilities			
Unsecured			
At amortised cost			
Deferred acquisition payments	26(d)(i)	-	2,628
		-	2,628
Other Non Current Liabilities			
Unsecured			
At amortised cost			
Deferred acquisition payments	26(d)(i)	-	213
		-	213

18 Issued Capital and Shares reserved for Performance Rights Plan

	Notes	2012 \$'000	2011 \$'000
Issued and Paid Up Capital - Fully paid ordinary shares	(i)	86,069	70,059

	Notes	2012 Number	2012 \$'000	2011 Number	2011 \$'000
(i) Issued and Paid Up Capital - Fully paid ordinary shares					
Balance at beginning of the financial year		199,699,165	70,059	195,047,128	67,415
Issue of shares as part consideration for the acquisition of Australian Drilling Specialties Pty Ltd		3,206,770	6,000	-	-
Issue of shares as part consideration for the acquisition of System Mud Industria e Comercio Ltda		1,306,324	3,840	-	-
Issue of shares as part consideration for the acquisition of Mud Systems Pte Ltd		500,000	1,200	-	-
Issue of shares under staff option plan	(ii)	3,523,167	4,970	4,652,037	2,644
Closing balance at end of the financial year		208,235,426	86,069	199,699,165	70,059

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

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 2012, executives, directors and staff have options over 3,893,333 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 2011, executives, directors and staff had 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. Share options granted under the employee share option plan carry no rights to dividends and no voting rights.

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

(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 34.

	Notes	2012 \$'000	2011 \$'000
Shares reserved for Performance Rights Plan			
Balance at beginning of the financial year		-	-
Movement	19	(3,740)	-
Balance at the end of the financial year		(3,740)	-

Through a corporate trustee, the Company holds certain shares in Trust for employees under the Performance Rights Plan (PRP or Plan). Refer to note 34 for further information.

19 Reserves

	Notes	2012 \$'000	2011 \$'000
Foreign Currency Translation Reserve			
Balance at beginning of the financial year		(11,441)	(5,622)
Translation of foreign operations		(6,831)	(5,291)
Tax thereon		569	(528)
Balance at the end of the financial year		<u>(17,703)</u>	<u>(11,441)</u>

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.

Investment Revaluation Reserve

Balance at beginning of the financial year		6,524	-
Arising on revaluation of SEH shares to market value	9	5,290	9,320
Tax thereon		(1,587)	(2,796)
Balance at the end of the financial year		<u>10,227</u>	<u>6,524</u>

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.

Employee Equity-Settled Benefits Reserve

Balance at beginning of the financial year		7,158	5,107
Options expensed	4	-	580
Performance rights expensed	4	2,222	2,131
Shares purchased on market to satisfy performance rights		(5,769)	(134)
Options exercised during the financial year		(1,687)	(526)
Amounts transferred to shares reserved for performance rights plan	18	3,740	-
Amounts transferred to retained earnings		721	-
Balance at the end of the financial year		<u>6,385</u>	<u>7,158</u>

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 33. Further information regarding the Performance Rights Plan is contained in note 34.

Mandatory Issuable Capital

Mandatory issuable capital	26(b)	<u>990</u>	-
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Mandatory issuable capital relates to the future issue of 330,000 fully paid ordinary shares as consideration for the acquisition of System Mud.

20 Earnings Per Share

	2012 Cents per share	2011 Cents per share
Basic earnings per share	22.34	14.69
Diluted earnings per share	21.85	14.25
(a) Basic earnings per share	2012	2011
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:	\$'000	\$'000
Earnings	45,777	29,002
Weighted average number of ordinary shares for the purposes of basic earnings per share	Shares 204,879,162	Shares 197,472,481
(b) Diluted earnings per share	2012	2011
The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:	\$'000	\$'000
Earnings	45,777	29,002
Weighted average number of ordinary shares for the purposes of diluted earnings per share (ii)	Shares 209,553,673	Shares 203,462,391
(ii) The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	Shares 204,879,162	Shares 197,472,481
Shares deemed to be issued for no consideration in respect of employee and Director options	1,310,518	3,663,869
Shares deemed to be issued for no consideration in respect of performance rights (assuming not purchased on market)	3,363,993	2,326,041
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	209,553,673	203,462,391
(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 per share:		
Employees share options tranche 5	-	575,000
Employees share options tranche 6	-	200,000
Employees share options tranche 7	3,693,333	4,279,991
	3,693,333	5,054,991

21 Dividends

	2012 Cents per share	2012 Total \$'000	2011 Cents per share	2011 Total \$'000
Recognised amounts				
Fully paid ordinary shares - interim dividend franked to 30%	3.25	6,705	1.75	3,488
Unrecognised amounts				
Fully paid ordinary shares - final dividend franked to 30%	4.00	8,329	2.75	5,492

- (i) The interim, fully franked dividend was paid on 23 March 2012. The record date for determining the entitlement to the interim dividend was 9 March 2012. There are no dividend reinvestment plans in operation.
- (ii) The final fully franked dividend was declared on 17 August 2012 with a record date of 12 October 2012 and a payment date of 26 October 2012. The financial effect of this dividend has not been recognised in the financial statements at 30 June 2012.

In the prior year a final fully franked dividend was declared on 12 August 2011 with an entitlement date of 7 October 2011. A total payment of \$5,622,000 relating to the final fully franked dividend was made on 21 October 2011.

	2012 \$'000	2011 \$'000
Adjusted franking account balance	51,607	32,487
Impact on franking account of dividends not recognised	(3,570)	(2,354)
Income tax consequences of unrecognised dividends	-	-

22 Commitments for Expenditure

(a) Capital expenditure commitments

At 30 June 2012 the Group had capital expenditure commitments amounting to \$3,690,000. These commitments relate to the purchase of Solids Removal Units (SRU's) and related equipment.

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.

(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 at balance date (2011: nil).

24 Leases

(a) Hire Purchases

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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Hire purchase commitments				
Hire purchase commitments are payable as follows. Due:				
Within one year	417	793	396	699
Between one and five years	83	545	70	523
Later than five years	-	-	-	-
Minimum lease payments	500	1,338	466	1,222
Less: future finance charges	(34)	(44)	-	-
	466	1,294	466	1,222

Hire purchase liabilities provided for in the Financial Report

Current – Note 15	396	699
Non current – Note 15	70	523
	466	1,222

(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.

	2012	2011
	\$'000	\$'000
Non-cancellable operating lease payments		
Within one year	2,685	2,734
Between one and five years	3,465	4,624
Later than five years	-	275
	6,150	7,633

25 Subsidiaries

	Notes	Country of Incorporation	Ownership Interest	
			2012 %	2011 %
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
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		Brazil	100	100
AMC Drilling Fluids Pvt Limited		India	100	100
Fluidstar Pty Ltd	(ii), 26(c)	Australia	100	100
Ecospin Pty Ltd	(ii), 26(c)	Australia	100	100
Imdex Nominees Pty Ltd	(ii)	Australia	100	100
AMC Germany GmbH (formerly Mud-Data GmbH)	26(d)	Germany	100	100
AMC Oil & Gas Rom SRL (formerly Mud-Data-Rom SRL)	26(d)	Romania	100	100
Australian Drilling Specialties Pty Ltd	(ii), 26(a)	Australia	100	-
Imdex USA Inc	(iv)	United States of America	100	-
Imdex Technologies USA LLC	(v)	United States of America	100	-
AMC USA LLC	(v)	United States of America	100	-
Reflex USA LLC	(v)	United States of America	100	-
Mud Systems Pte Ltd	26(e)	Singapore	100	-
System Mud Indústria e Comércio Ltda	26(b)	Brazil	100	-
Imdex Global Coöperatie U.A	(vi)	Netherlands	100	-
Imdex Global B.V.	(vi)	Netherlands	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 26 July 2011.
- (v) These entities were incorporated on 11 August 2011.
- (vi) These entities were incorporated on 22 June 2012.

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

Income Statement	2012 \$'000	2011 \$'000
Revenue from sale of goods and operating lease rental	168,256	155,969
Other revenue from operations	1,693	1,386
Total revenue	<u>169,949</u>	<u>157,355</u>
Other income	2,563	1,929
Raw materials and consumables used	(62,126)	(44,683)
Employee benefit expenses	(25,505)	(22,084)
Depreciation and amortisation expense	(13,991)	(8,564)
Finance costs	(1,045)	(2,435)
Auditors and accounting fees	(938)	(443)
Commissions	(2,006)	(1,522)
Consultancy fees	(1,323)	(822)
Legal and professional expenses	(3,745)	(3,186)
Rent and premises costs	(1,607)	(1,360)
Travel and accommodation	(2,384)	(1,913)
Motor vehicle costs	(924)	(811)
Management fee overprovision from prior periods	-	(5,753)
Foreign exchange loss	(2,135)	(3,022)
Other expenses	(10,698)	(10,572)
Profit before income tax expense	<u>44,085</u>	<u>52,114</u>
Income tax expense	<u>(14,214)</u>	<u>(15,811)</u>
Profit for the year	<u>29,871</u>	<u>36,303</u>
Other comprehensive income		
Fair value adjustment on investment in SEH	5,290	9,320
Income tax relating to components of other comprehensive income	(1,587)	(2,796)
Total comprehensive income for the year	<u>3,703</u>	<u>6,524</u>

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

Balance Sheet	2012	2011
	\$'000	\$'000
Current Assets		
Cash and Cash Equivalents	3,286	10,647
Trade and Other Receivables	73,294	79,409
Inventories	30,268	28,491
Other	3,292	120
Total Current Assets	110,140	118,667
Non Current Assets		
Other Financial Assets	166,842	118,166
Property, Plant and Equipment	16,929	20,622
Other Intangible Assets	1,324	4,186
Total Non Current Assets	185,095	142,974
Total Assets	295,235	261,641
Current Liabilities		
Trade and Other Payables	19,795	25,612
Borrowings	9,514	21,070
Current Tax Payables	4,020	12,633
Provisions	2,042	1,769
Other Current Liabilities	-	2,628
Total Current Liabilities	35,371	63,712
Non Current Liabilities		
Borrowings	35,346	6,074
Provisions	1,265	1,069
Deferred Tax Liabilities	5,629	4,972
Other Non Current Liabilities	-	213
Total Non Current Liabilities	42,240	12,328
Total Liabilities	77,611	76,040
Net Assets	217,624	185,601
Equity		
Contributed Capital	86,069	70,059
Shares reserved for Performance Rights Plan	(3,740)	-
Employee Equity-Settled Benefits Reserve	6,385	7,158
Investment Revaluation Reserve	10,227	6,524
Retained Earnings *	118,683	101,860
Total Equity	217,624	185,601
* Retained Earnings at the beginning of the financial year	101,860	56,803
Net Profit	29,871	36,303
Dividends paid	(12,327)	(3,488)
Amounts transferred from employee equity-settled benefits reserve	(721)	-
Opening retained earnings of entities joining the closed group	-	12,242
Retained Earnings at the end of the financial year	118,683	101,860

26 Acquisition of Businesses

(a) Acquisition of entity - Australian Drilling Specialties Pty Ltd

With effect from 1 July 2011, Imdex Limited acquired 100% of the issued share capital of Australian Drilling Specialties Pty Ltd (ADS), incorporated in Australia and operating out of premises located in Western Australia. ADS is a drilling fluids and chemical manufacturer that owns the formulations and intellectual property for the products it manufactures. The numbers presented below are provisional and have been accounted for using the acquisition method of accounting.

Details of the assets, liabilities and goodwill:		Book value \$'000	Fair value adjustments \$'000	Fair value on acquisition \$'000
	Notes			
Trade and other receivables		2,408	-	2,408
Inventory		352	-	352
Property, plant and equipment		778	-	778
Trade and other payables		(901)	-	(901)
Provisions		(73)	-	(73)
Fair value of net identifiable assets acquired		2,564	-	2,564
Goodwill on acquisition	(i)			10,513
Total purchase consideration				13,077

Total purchase consideration comprises

Consideration in cash and cash equivalents	(ii)	6,000
Overdraft acquired	(ii)	1,077
Issue of ordinary shares	18	6,000
		13,077

Operating results of ADS included in the Consolidated Income Statement of Imdex Limited from acquisition to 30 June 2012:

	Results since acquisition \$'000
Revenue	11,382
Total expenses	(9,052)
Profit after tax for the period	2,330

- (i) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire ADS. 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 ADS. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured. There were no acquisition provisions created, nor were there any contingent liabilities assumed in the acquisition.
- (ii) The Consolidated Cash Flow Statement for the year ended 30 June 2012 records the payment for the acquisition of ADS as \$7.1 million being the cash purchase consideration of \$6.0 million shown above plus \$1.1 million overdraft acquired.

(b) Acquisition of entity - System Mud Indústria e Comércio Ltda

Imdex Limited acquired 100% of the issued share capital of System Mud Indústria e Comércio Ltda (System Mud), a manufacturer and seller of drilling muds to the mining and mineral exploration market in Brazil. The acquisition was completed on 18 April 2012. 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
Inventory		387	-	387
Other debtors		1,068	-	1,068
Property, plant and equipment		250	-	250
Trade and other payables		(957)	-	(957)
Fair value of net identifiable assets acquired		748	-	748
Goodwill on acquisition	(i)			6,808
Total purchase consideration				7,556
Total purchase consideration comprises				
Consideration in cash and cash equivalents	(ii)			3,350
Less cash and cash equivalents acquired	(ii)			(624)
Issue of Ordinary Shares	(iii), 18			3,840
Deferred consideration - Mandatory Convertible Capital	(iv)			990
				7,556
				Results since acquisition \$'000

Operating results of System Mud included in the Consolidated Income Statement of Imdex Limited from acquisition to 30 June 2012:

Revenue	5,413
Total expenses	(4,481)
Profit after tax for the period	932

- (i) Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire System Mud. 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 System Mud. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured. There were no acquisition provisions created, nor were there any contingent liabilities assumed in the acquisition.
- (ii) The Consolidated Cash Flow Statement for the year ended 30 June 2012 records the acquisition of System Mud as a net cash outflow of \$2.7 million being the cash consideration of \$3.3 million paid net of the \$0.6 million of cash acquired.
- (iii) (iii) Comprises 1,306,324 fully paid Imdex limited ordinary shares issued on settlement to the four vendors in equal proportions. These shares were issued at the weighted average price of a fully paid Imdex Limited ordinary share for the five days leading up to settlement on 18 April 2012, being \$2.94 per share.
- (iv) Comprises 330,000 fully paid ordinary shares in Imdex Limited to be issued on the two year anniversary of completion (18 April 2014). The future issue of these shares is at a guaranteed price of \$3.50 per share. That is, if the share price on the two year anniversary date is below \$3.50 there is a cash top up of the difference. However, in the event that the share price reaches \$3.50 at any time within that two year period, the potential cash top up falls away. Management's view at 30 June 12 is that the Imdex Limited share price will have exceeded \$3.50 by 18 April 2014, consequently no cash liability has been booked.

(c) 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 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		3,357	-	3,357
Inventory		2,970	-	2,970
Property, plant and equipment		434	-	434
Trade and other payables		(2,381)	-	(2,381)
Fair value of net identifiable assets acquired		4,380	-	4,380
Goodwill on acquisition	(i)			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)
	(ii)			12,228

Operating results of Fluidstar and Ecospin included in the Consolidated Income Statement of Imdex Limited from acquisition to 31 December 2010:

	Results since acquisition \$'000
Revenue	6,279
Total expenses	(5,503)
Profit after tax for the period	776

- (i) 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.
- (ii) The Consolidated Cash Flow Statement for the year ended 30 June 2011 records the payment for the acquisition of Fluidstar and Ecospin as \$12.4 million being the total purchase consideration of \$12.4 million shown above plus \$0.2 million of on-costs expensed during the period and less \$0.2 million of cash acquired.

(d) Acquisition of entity - AMC Germany 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 and 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)	-	-	-
Trade and other payables		(1,078)	-	(1,078)
Deferred tax	(i)	-	-	-
Fair value of net identifiable assets acquired		1,218	-	1,218
Goodwill on acquisition	(ii)			297
Total purchase consideration				1,515
Total purchase consideration comprises				
Consideration in cash and cash equivalents				1,601
Less: Cash and cash equivalents acquired				(86)
	(iii)			1,515
Operating results of AMC Germany included in the Consolidated Income Statement of Imdex Limited from acquisition to 30 June 2011:				Results since acquisition \$'000
Revenue				1,143
Total expenses				(1,593)
Loss after tax for the period				(450)

- (i) The provisional accounting for this acquisition shown at 30 June 2011 included intangibles assets of \$3.9 million and related deferred tax of \$1.2 million, being the fair value of a key geothermal contract. Since 30 June 2011 the purchase agreement was renegotiated with deferred consideration hurdles relating to this contract being removed and the value of this contract being reassessed. As a consequence the intangible asset, deferred tax and deferred consideration have all been derecognised in the current period. In addition the fair value of net assets acquired was adjusted by \$0.2 million causing an equivalent change to the value of goodwill recognised.
- (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) 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.

(e) Acquisition of entity - Mud Systems Pte Ltd (Mud Systems)

With effect from 1 January 2012, Imdex Limited acquired 100% of the issued share capital of Mud Systems Pte Ltd, a Singapore based company that is involved in the supply, manufacture and rental of equipment, predominately in the oil and gas industry. The purchase consideration for the acquisition was 500,000 fully paid ordinary shares of Imdex Limited issued to the vendor on 8 May 2012 at a fair value of \$2.40 per share. The key reason for the purchase of Mud Systems was to access the exclusive supply agreement and ongoing relationship with the manufacturer of the centrifuges used in Solids Removal Units (SRU's). The excess of fair value of consideration paid over fair value of net assets (\$0.9 million) has been allocated in full to intangible assets.

27 Investment in Associates

On 1 July 2011, Imdex Limited acquired 50% of the issued share capital of DHS Services (DHS) in exchange for granting an exclusive global licence over its oil and gas surveying instruments and technology. DHS is registered in the British Virgin Islands and operates an oil and gas services business based in Dubai using the technology licensed to it by Imdex Limited. Imdex Limited accounted for its investment in DHS as an associate as it was deemed to have a significant influence over but not control of DHS since it held 50% of the issued capital but only 2 out of 5 board positions.

Effective 1 January 2012, DHS shares were rolled over into a newly created entity, DHS Energy Services (DHSES). On 23 January 2012 Imdex Limited announced that, effective 1 January 2012, DHSES purchased the business of Vaughn Energy Services (VES), a US based oil and gas services provider, for US\$100 million. To fund the purchase DHSES increased its share capital. On 19 January 2012 Imdex Limited raised additional debt of \$25 million from its banking club facility and applied approximately USD\$22.5 million of this debt to purchase additional shares in DHSES. Following this transaction Imdex Limited's shareholding in DHSES decreased from 50% to 30%. The numbers presented below in relation to the acquisition of VES are provisional and have been accounted for using the acquisition method of accounting.

Financial information in respect of the Associate is set out below:

	Note	2012 \$'000
Total Assets		139,961
Total Liabilities		(20,125)
Net Assets		119,836
Share of Net Assets of Associate		35,951
Total Revenue		28,901
Total Profit for the Period		2,216
Share of loss of Associate		(1,460)
Goodwill transferred to Associate	(i)	1,416
Intangible assets transferred to Associate	(i)	2,884
Investment in Associate	(ii)	21,415
		24,255

- (i) Goodwill and intangible assets transferred to the associate total \$4.3 million and comprise the Technology Licence Agreement granted to DHS - (Refer to notes 12 and 13).
- (ii) Comprises a loan of USD \$22.5 million advanced to the associate during the year that was subsequently capitalised.

28 Segment Information

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

	2012	2011
	\$'000	\$'000
Minerals	241,655	177,683
Oil and Gas	27,908	27,480
Total of all segments	269,563	205,163
Unallocated	89	171
Total revenue	269,652	205,334

(b) Segment Results

Minerals	81,234	45,916
Oil and Gas (i)	(7,674)	(1,687)
Total of all segments	73,560	44,229
Eliminations	-	-
Central administration costs (ii)	(6,060)	(5,636)
Profit before income tax expense	67,500	38,593
Income tax expense	(21,723)	(9,591)
Profit attributable to ordinary equity holders of Imdex Limited	45,777	29,002

- (i) Includes the share of loss of Associate
- (ii) Central administration costs comprise net financing costs for the Group and the corporate portion of head office costs. Head office costs attributable to operations are allocated to reportable segments in proportion to the revenues earned from those segments.

(c) Segment Assets and Liabilities

	Assets		Liabilities	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Minerals	201,185	171,119	20,610	33,461
Oil and Gas	51,955	26,305	26,447	16,816
Total of all segments	253,140	197,424	47,057	50,277
Unallocated (i)	21,412	16,122	59,429	37,860
Consolidated	274,552	213,546	106,486	88,137

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

(d) Other segment information

	Minerals		Oil & Gas		Unallocated		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Depreciation	5,562	4,132	800	1,345	399	244	6,761	5,721
Amortisation	4,510	4,006	1,447	2,772	-	-	5,957	6,778
Acquisition of segment assets	6,652	7,650	3,750	3,009	663	743	11,065	11,402
Significant non cash expenses other than depreciation and amortisation	1,778	2,169	444	542	(101)	101	2,121	2,812

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 and gas industries
- (ii) Europe: Manufacture and sale/rental of products to the mining and mineral exploration and oil and gas industries
- (iii) Africa: Manufacture and sale/rental of products to the mining and mineral exploration and oil and gas industries
- (iv) Americas: Manufacture and sale/rental of products to the mining and mineral exploration and oil and gas industries

	Revenue from external customers		Segment assets (non-current)		Acquisition of segment assets	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Asia Pacific	131,486	118,723	106,661	72,852	4,097	4,891
Europe	16,104	10,457	9,606	15,417	4,199	2,466
Africa	47,971	28,659	2,738	3,523	858	1,712
Americas	74,091	47,495	21,225	7,986	1,911	2,333
Total	269,652	205,334	140,230	99,778	11,065	11,402

(e) Information about major customers

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

29 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:

	2012 \$'000	2011 \$'000
Cash and cash equivalents	11,232	18,388
Bank overdraft	-	-
	<u>11,232</u>	<u>18,388</u>

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is \$11,231,992 (2011: \$18,388,328)

(b) Non cash financing and investing activities

During the year the Group provided non cash consideration to acquire the issued share capital for certain acquisitions and transferred intellectual property to an associate. These transactions are disclosed in note 26 and note 27 respectively.

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

Profit for the year	45,777	29,002
Adjustments for non-cash and non-operational items		
Depreciation of non-current assets	6,761	5,721
Amortisation of intangible assets	5,957	6,778
Non-cash interest on deferred payments	(101)	101
Impairment losses	-	737
Interest received disclosed as investing activities	(89)	(171)
Share options and performance rights expensed	2,222	2,711
Loss on sale of non-current assets	27	32
Share of loss of Associate	1,460	-
Interest on hire purchase liabilities	102	343
Other	(74)	-
Changes in assets and liabilities during the financial year		
Increase in assets:		
Current receivables	(8,016)	(5,380)
Current inventories	(10,802)	(8,764)
Other current assets	(6,699)	(1,100)
Increase / (decrease) in liabilities:		
Current payables	(2,222)	3,408
Provision for employee entitlements	828	833
Current and deferred tax liability	(8,075)	1,642
Net Cash Provided by Operating Activities	<u>27,056</u>	<u>35,893</u>

(d) Financing facilities

	2012 \$'000	2011 \$'000
Total facilities available		
Club Facility - AUD Tranche	34,175	-
Club Facility - USD Tranche	22,367	-
Club Facility - CAD Tranche	8,421	-
Bank loan - Sweden	-	971
Bank loan - Canada	-	7,631
Commercial bills	-	25,850
Equipment finance facility	466	4,015
Multi option facility (including bank overdraft)	-	2,220
	65,429	40,687
Facilities utilised at balance sheet date		
Club Facility - AUD Tranche	28,175	-
Club Facility - USD Tranche	22,367	-
Club Facility - CAD Tranche	8,421	-
Bank loan - Sweden	-	971
Bank loan - Canada	-	6,904
Commercial bills	-	25,850
Equipment finance facility	466	1,294
Multi option facility (including bank overdraft)	-	-
	59,429	35,019
Facilities not utilised at balance sheet date		
Club Facility - AUD Tranche	6,000	-
Club Facility - USD Tranche	-	-
Club Facility - CAD Tranche	-	-
Bank loan - Sweden	-	-
Bank loan - Canada	-	727
Commercial bills	-	-
Equipment finance facility	-	2,793
Multi option facility (including bank overdraft)	-	2,220
	6,000	5,668

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.

	2012 \$ 000	2011 \$ 000
Debt (i)	59,429	37,786
Cash and bank balances	(11,232)	(18,388)
Net debt	<u>48,197</u>	<u>19,472</u>
Equity (ii)	<u>168,066</u>	<u>125,409</u>
Net debt divided by debt plus equity	<u>22.3%</u>	<u>13.4%</u>

(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

	2012 \$ 000	2011 \$ 000
Financial Assets		
Cash and cash equivalents	11,232	18,388
Loans and receivables	59,689	50,219
Available-for-sale financial assets	21,412	16,122
Financial Liabilities		
Bank overdraft	-	-
Amortised loans and payables	92,778	70,739

(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	
	2012 \$ 000	2011 \$ 000	2012 \$ 000	2011 \$ 000
United States Dollars	29,911	3,548	25,151	20,212
South African Rand	3,571	3,098	2,783	5,294
Canadian Dollars	10,211	8,604	5,916	7,375
Swedish Kroner	-	971	162	205
British Pound	2,815	2,497	1,311	100
Euro	2,002	7,229	6,771	2,260
Chilean Pesos	6,115	4,546	4,414	3,978
Other	1,601	3,487	9,593	5,722

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% (2011: 10%) increase and decrease in the Australian Dollar against the relevant foreign currencies. The sensitivity rate of 10% (2011: 10%) 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% (2011: 10%) 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% (2011: 10%) 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		
	2012	2011		2012	2011	
	\$ 000	\$ 000		\$ 000	\$ 000	
(Loss) or profit	476	(1,666)	(i)	79	(220)	(i)
Other equity	-	-	(ii)	-	-	(ii)

	European Dollar Impact			Canadian Dollar Impact		
	2012	2011		2012	2011	
	\$ 000	\$ 000		\$ 000	\$ 000	
(Loss) or profit	(477)	497	(i)	430	123	(i)
Other equity	-	-	(ii)	-	-	(ii)

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

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

(g) Interest rate risk management

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

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

Interest rate sensitivity

The sensitivity data presented in the below paragraph is 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 \$0.6 million (2011: \$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 \$0.6 million (2011: \$0.3 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(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 2012 no such collateral had been obtained. (30 June 2011 : nil)

(i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who monitor short, medium and long term liquidity requirements through the use of financial models. The treasury function reports regularly to key management personnel and the Board on matters affecting liquidity risk. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 30(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 consolidated statement of financial position.

	Weighted average effective interest rate	0-3 months	3 months to 1 year	1-5 years	5+ years
	%	\$'000	\$'000	\$'000	\$'000
2012					
Non-interest bearing	-	25,012	8,337	-	-
Finance lease liability	9.67%	127	290	83	-
Variable interest rate instruments	5.13%	3,118	9,353	46,492	-
		28,257	17,980	46,575	-
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	-

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 consolidated statement of financial position.

	Weighted average effective interest rate	0-3 months	3 months to 1 year	1-5 years	5+ years	Adjustment	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2012							
Non-interest bearing	-	59,689	-	21,412	-	-	81,101
Variable interest rate instruments	0.25%	11,232	-	-	-	-	11,232
		70,921	-	21,412	-	-	92,333
2011							
Non-interest bearing	-	50,219	-	16,122	-	-	66,341
Variable interest rate instruments	0.25%	18,388	-	-	-	-	18,388
		68,607	-	16,122	-	-	84,729

(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
- the fair value of derivative financial instruments are calculated using quoted market prices.

The financial statements include holdings in 'available for sale' listed shares which are measured at fair value (note 9).

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

Fair value measurements recognised in the statement of financial position

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

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

	Level 1 \$ 000	Level 2 \$ 000	Level 3 \$ 000	Total \$ 000
Available-for-sale financial assets				
2012				
Shares in Sino Gas & Energy Holdings Limited	21,412	-	-	21,412
2011				
Shares in Sino Gas & Energy Holdings Limited	16,122	-	-	16,122

31 Related Party Disclosures

(a) Equity interests in related parties

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

(b) Transactions with key management personnel

(i) Key management personnel compensation

Details of key management personnel compensation is set out in note 32.

(ii) Loans to key management personnel

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

(iii) Key management personnel equity holdings

2012	Balance at 1 July 2011	Granted as compensation	Received on exercise of options	Net other change #	Balance at 30 June 2012	Balance held nominally
	No.	No.	No.	No.	No.	No.
Mr B W Ridgeway	2,435,000	-	-	(220,370)	2,214,630	-
Mr R W Kelly	380,000	-	-	-	380,000	-
Mr K A Dundo	300,000	-	-	(150,000)	150,000	-
Mr M Lemmel	903,921	-	-	(173,000)	730,921	-
Ms E Donaghey	185,000	-	-	25,000	210,000	-
Mr G E Weston	1,000,000	40,299	-	-	1,040,299	-
Mr D J Loughlin	-	41,862	500,000	(288,500)	253,362	-
Mr P A Evans	45,000	37,269	300,000	-	382,269	-
	5,248,921	119,430	800,000	(806,870)	5,361,481	-

2011	Balance at 1 July 2010	Granted as compensation	Received on exercise of options	Net other change #	Balance at 30 June 2011	Balance held nominally
	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 P A Evans	45,000	-	-	-	45,000	-
	5,588,921	-	3,000,000	(3,340,000)	5,248,921	-

- represent on market transactions

(iv) Share options issued by Imdex Limited

2012	Balance at 1 July 2011	Granted as compensation	Exercised	Inception / (cessation) as key management person	Balance at June 2012	30 Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.
Mr B W Ridgeway	-	-	-	-	-	-	-	-
Mr R W Kelly	-	-	-	-	-	-	-	-
Mr K A Dundo	-	-	-	-	-	-	-	-
Mr M Lemmel	-	-	-	-	-	-	-	-
Ms E Donaghey	-	-	-	-	-	-	-	-
Mr G E Weston	500,000	-	-	-	500,000	-	500,000	-
Mr D J Loughlin	500,000	-	(500,000)	-	-	-	-	-
Mr P A Evans	500,000	-	(300,000)	-	200,000	-	200,000	-
	1,500,000	-	(800,000)	-	700,000	-	700,000	-

2011	Balance at 1 July 2010	Granted as compensation	Exercised	Inception / (cessation) as key management person	Balance at June 2011	30 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	-	-	-	500,000	-	500,000	166,668
Mr D J Loughlin	500,000	-	(1,000,000)	-	500,000	-	500,000	-
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

~ - Mr P J Mander ceased to be a Key Management Person on 1 July 2010 when changed internal reporting

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

A total of 800,000 options were exercised by key management personnel during the current year. The exercise price was 75c per share for the 500,000 exercised by Mr D Loughlin and \$1.00 per share for the 300,000 exercised by Mr P Evans. No amounts remain unpaid on the options exercised.

(v) Performance rights granted by Imdex Limited

2012	Balance at 1 July 2011	Granted as compensation	Satisfied by the issue of shares	Expired	Closing balance at 30 June 2012
	No.	No.	No.	No.	No.
Mr B W Ridgeway	196,579	153,318	-	-	349,897
Mr R W Kelly	-	-	-	-	-
Mr K A Dundo	-	-	-	-	-
Mr M Lemmel	-	-	-	-	-
Ms E Donaghey	-	-	-	-	-
Mr G E Weston	120,897	48,611	(40,299)	(3,832)	125,377
Mr D J Loughlin	125,587	42,245	(41,862)	(3,331)	122,639
Mr P A Evans	111,806	42,245	(37,269)	(3,331)	113,451
	554,869	286,419	(119,430)	(10,494)	711,364

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 P A Evans	-	111,806	-	-	111,806
	-	554,869	-	-	554,869

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 34.

(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 \$549,874 (2011: \$378,638).

(b) Transactions with Directors

	Note	2012 \$	2011 \$
Legal services expense	vi(a)	549,874	378,638

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:

Total assets and liabilities arising from transactions, other than compensation, with Directors or their related entities:			
Current Liabilities	vi(a)	39,826	26,957

(c) Parent entity

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

32 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:

	2012	2011
	\$	\$
Short-term employee benefits	2,969,289	2,619,395
Post-employment benefits	257,904	224,291
Other long-term benefits	97,552	106,185
Termination benefits	-	-
Share-based payments	381,164	420,872
	<u>3,705,909</u>	<u>3,370,743</u>

33 Staff Option Scheme

(a) Share Based Payment Arrangements

Staff Option Plan

The Group has in place a Staff Option Scheme (Scheme) to reward employees (including Key Management Personnel) for their past services as well as to provide an incentive for future efforts. The terms and conditions of the Scheme are set out in the Scheme Rules with the Board of Directors responsible for the administration of the Scheme. The options carry no rights to dividends and no voting rights. The options expire on their expiry date. Each employee share option converts to one ordinary share of Imdex Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. Options may be exercised at any time from the date of vesting to the date of expiry. The number of options granted to staff is generally based on an assessment of the performance of that staff member as determined by the Board of Directors. Staff are normally only eligible to receive options when they have been with the Company in excess of 6-12 months. Options expire when the option holder ceases to be employed by the Group.

(b) Share Based Payment Arrangements

Former Chairman's Options

Options were issued to the former Chairman 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 8 July 2011.

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.

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

2012	Issue Date	Expiry Date	Exercise Price \$	Fair Value at Grant Date \$	Opening balance	Number of Options			Closing balance
						Issued current year	Exercised current year	Lapsed current year	
Staff Options									
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	2,263,167	-	(2,248,167)	(15,000)	-
Tranche 5 (i)	12-Jun-07	11-Jun-12	1.80	0.51	575,000	-	(75,000)	(500,000)	-
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	4,279,991	-	-	(586,658)	3,693,333
Former Chairman's Options (Mr I F Burston)									
Tranche 1 (ii)	19-Oct-06	18-Oct-11	0.75	0.35	500,000	-	(500,000)	-	-
					8,518,158	-	(3,523,167)	(1,101,658)	3,893,333
2011	Issue Date	Expiry Date	Exercise Price \$	Fair Value at Grant Date \$	Opening balance	Number of Options			Closing balance
						Issued current year	Exercised current year	Lapsed current year	
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

(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.

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

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

(e) Exercised during the financial year

2012

Option Series	Number Exercised	Exercise Date	Weighted Average Share Price at Exercise Date (\$)	Amount Paid (\$)	Amount Unpaid (\$)
Staff Options Tranche 3	700,000	Various	2.18	525,000	-
Staff Options Tranche 4	2,248,167	Various	2.14	2,218,168	-
Staff Options Tranche 5	75,000	16-Apr-12	2.93	135,000	-
Former Chairman's Options	500,000	08-Jul-11	2.46	375,000	-
	<u>3,523,167</u>				

2011

Option Series	Number Exercised	Exercise Date	Weighted Average Share Price at Exercise Date (\$)	Amount Paid (\$)	Amount Unpaid (\$)
Staff Options Tranche 2	599,167	Various	1.94	543,503	-
Staff Options Tranche 4	1,552,870	Various	1.88	599,167	-
Former Chairman's Options	500,000	08-Feb-11	2.05	375,000	-
Managing Directors' Options	2,000,000	25-Oct-10	1.26	600,000	-
	<u>4,652,037</u>				

(f) 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 \$2.94 (2011: \$2.04), and a weighted average remaining contractual life of 262 days (2011: 442 days)

(g) 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

	2012		2011	
	Number of Options	Weighted Average Exercise Price (\$)	Number of Options	Weighted Average Exercise Price (\$)
Balance at beginning of the financial year	8,518,158	2.04	13,436,864	1.48
Granted during the financial year	-	-	-	-
Exercised during the financial year	(3,523,167)	0.94	(4,652,037)	0.46
Expired/ forfeited during the financial year	(1,101,658)	2.43	(266,669)	1.60
Balance at end of the financial year	<u>3,893,333</u>	2.94	<u>8,518,158</u>	2.04
Exercisable at end of the financial year	<u>3,893,333</u>		<u>8,518,158</u>	

34 Performance Rights Plan

(a) Performance Rights Plan

At the Imdex Limited Annual General Meeting on 15 October 2009 the shareholders approved the formation of a Performance Rights Plan (PRP or Plan). The Plan allows for the issue of performance rights to employees from time to time. The quantum of performance rights granted to employees is at the discretion of the Directors and is generally based on seniority and level of contribution to the strategic goals of Imdex Limited. A performance right is the right to receive one fully paid Imdex Limited ordinary share for nil consideration should set hurdles be achieved and tenure of employment 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.

(b) Performance rights granted in the current year

Staff Performance Rights

1,465,090 performance rights were granted to employees during the current year in 3 tranches (Tranches 7, 8 and 9 in the table below):

- Tranche 7 – 615,000 performance rights were issued to Key Management Personnel with 1/4 to be allotted in August 2014 with the remaining 3/4 to be allotted in August 2015. These performance rights are subject to ongoing employment tenure only. The fair value of a performance right at grant date was \$2.10. The expected total cost of the estimated 615,000 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$1.3 million. This value will be expensed over the vesting period from September 2011 to August 2015, with \$0.2 million expensed in the current year.
- Tranche 8 – 15,000 performance rights were issued to an employee and all will be allotted in August 2013 subject to ongoing employment tenure only. The fair value of a performance right at grant date was \$2.08. The expected total cost of the estimated 15,000 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$0.03 million and has been fully expensed in the current year.
- Tranche 9 – 835,090 performance rights were issued to employees and are to be allotted in equal 1/3 lots annually beginning in August 2012. These performance rights are subject to profitability related hurdles as well as ongoing employment tenure. 21,743 of these performance rights expired due to performance hurdles not being met. The fair value of a performance right at grant date was \$1.79. The expected total cost of the estimated 813,347 fully paid ordinary shares to be issued in Imdex Limited will therefore be \$1.5 million. This value will be expensed over the vesting period from October 2011 to August 2014, with \$0.9 million expensed in the current year.

Since their granting no 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.

For the purposes of the FY12 financial statements, the Directors have made an estimate of the likelihood of the achievement of FY12 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 1,465,090 performance rights, 1,443,347 will meet the required performance hurdles and will result in 1,443,347 fully paid Imdex Limited ordinary shares being issued over three years should employment tenure be retained.

Managing Director's Performance Rights

153,318 performance rights were granted to the Managing Director on 20 October 2011 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 FY12 to FY14. 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 FY14 independent audit report is signed in August 2014.

For the purposes of the FY12 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 153,318 performance rights issued, all will meet the required performance hurdles and will result in 153,318 fully paid Imdex Limited ordinary shares being issued on or about August 2014 should employment tenure be retained.

The fair value of a performance right at grant date was \$1.91 per right. The expected total cost of the estimated 153,318 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 October 2011 to August 2014, with \$0.1 million expensed in the current year.

(c) Performance rights Granted in the prior year

Staff Performance Rights

2,630,029 performance rights were granted to employees during the prior year in 3 tranches (Tranches 2, 3 and 4 in the table below). Since their granting, 810,335 of these performance rights have met the required performance hurdles and fully paid Imdex Limited ordinary shares have been issued to staff, while 391,887 of these performance rights have expired by virtue of staff leaving the employment of the Imdex Group. Shares issued in satisfaction of performance rights occur annually in 1/3 lots, with the first 1/3 lot being issued after the FY11 independent audit report was signed in August 11.

The weighted average fair value of performance rights outstanding at the end of the prior year 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 remaining vesting period from July 2010 to August 2013, with \$2.0 million expensed in the prior year.

Managing Director's Performance Rights

196,579 performance rights were granted to the Managing Director during the prior period following approval by the shareholders at the Annual General Meeting. 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 prior year.

(d) Summary of performance rights outstanding

Performance Rights Plan

2012	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	253,669	-	(126,835)	(5,635)	121,199
Tranche 2	3-Dec-10	Aug-15	-	1.395	2,072,372	-	(677,001)	(100,897)	1,294,474
Tranche 3	28-Jan-11	Aug-15	-	1.990	200,000	-	(66,667)	(133,333)	-
Tranche 4	10-Jun-11	Aug-16	-	2.160	200,000	-	(66,667)	-	133,333
MD Tranche	14-Oct-10	Oct-15	-	1.140	196,579	-	-	-	196,579
MD Tranche	20-Oct-11	Oct-16	-	1.910	-	153,318	-	-	153,318
Tranche 7	5-Sep-11	Aug-16	-	2.100	-	615,000	-	-	615,000
Tranche 8	29-Aug-11	Aug-16	-	2.080	-	15,000	-	-	15,000
Tranche 9	7-Oct-11	Aug-16	-	1.790	-	835,090	-	(21,743)	813,347

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

[^] - Performance rights expire either on failure to maintain employment tenure or on failure to satisfy performance hurdles.

35 Parent Entity Information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 2 for a summary of the significant accounting policies relating to the Group.

Financial Position	30 June 2012 \$'000	30 June 2011 \$'000
Assets		
Current Assets	2,744	1,813
Non Current Assets	162,571	106,546
Total Assets	165,315	108,359
Liabilities		
Current Liabilities	64,455	37,933
Non Current Liabilities	23,860	9,296
Total Liabilities	88,315	47,229
Net Assets	77,000	61,130
Equity		
Issued Capital	86,069	70,059
Shares reserved for Performance Rights Plan	(3,740)	-
Investment Revaluation Reserve	295	188
Employee Equity-Settled Benefits Reserve	6,385	7,158
Accumulated Losses *	(12,009)	(16,275)
Total Equity	77,000	61,130
Financial Performance	Year Ended 30 June 2012 \$'000	Year Ended 30 June 2011 \$'000
Loss for the year	(12,686)	(14,946)
Other comprehensive income, net of income tax	107	188
Total comprehensive income	(12,579)	(14,758)
 * Accumulated Losses at the beginning of the financial year	 (16,275)	 2,159
Loss for the year	(12,686)	(14,946)
Amounts transferred from employee equity-settled benefits reserve	(721)	-
Dividend received / (paid)	17,673	(3,488)
Accumulated Losses at the end of the financial year	(12,009)	(16,275)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

	30 June 2012 \$'000	30 June 2011 \$'000
Guarantee provided under the deed of cross guarantee	<u>77,611</u>	<u>76,040</u>

The parent entity has no contingent liabilities or contingent assets at balance date (2011: nil).

The parent entity has no commitments for the acquisition of property, plant and equipment at balance date (2011: nil).

36 Subsequent Events

Subsequent to year end the Directors declared a 4.00 cent per share fully franked dividend with a record date of 12 October 2012 and a payment date of 26 October 2012. The effect of this dividend has not been reflected in this financial report.

Additional Securities Exchange Information as at 29 August 2012

(a) Distribution of Shareholders

	Number of Fully Paid Ordinary Shareholders	Number of Performance Rights Holders	Number of Option Holders
1 – 1,000	475	35	-
1,001 – 5,000	1,475	98	9
5,001 – 10,000	897	29	23
10,001 – 100,000	1,199	56	67
100,001 – and over	123	7	8
	4,169	225	107
Holding less than a marketable parcel	133	-	-

(b) Substantial Shareholders

Ordinary Shareholders

	Fully Paid Number	Percentage
HSBC Custody Nominees (Australia) Limited	36,769,302	17.66%
J P Morgan Nominees Australia Limited	29,468,514	14.15%

(c) Twenty Largest Holders of Quoted Equity Securities

Ordinary Shareholders

	Fully Paid Number	Percentage
HSBC Custody Nominees (Australia) Limited	36,769,302	17.66%
J P Morgan Nominees Australia Limited	29,468,514	14.15%
National Nominees Limited	20,217,787	9.71%
JP Morgan Nominees Australia Limited (Cash Income Account)	14,508,763	6.97%
Citicorp Nominees Pty Limited	6,110,662	2.93%
Citicorp Nominees Pty Limited (Colonial First State Inv Account)	4,645,671	2.23%
BNP Paribas Nominees Pty Ltd (Master Cust DRP)	3,219,154	1.55%
Telic Alcatel (Australia) Pty Ltd (Middendorp Directors SuperFund Account)	3,028,152	1.45%
Mr John Andrew Knox + Ms Janice Ann Knox (The JA Family Account)	2,928,627	1.41%
AMP Life Limited	2,732,212	1.31%
Buttonwood Nominees Pty Ltd	1,984,012	0.95%
RBC Investor Services Australia Nominees Pty Ltd (Pi Pooled Account)	1,591,884	0.76%
Imdex Nominees Pty Ltd (Imdex Equity Plans Account)	1,510,927	0.73%
Mr Petrus Middendorp	1,495,372	0.72%
Bond Street Custodians Ltd (Celeste Concentrated Fund)	1,402,869	0.67%
Keeble Nominees Pty Ltd (Ridgeway Super Fund Account)	1,226,737	0.59%
Aust Executor Trustees Ltd (Charitable Foundation)	1,056,067	0.51%
Passio Pty Ltd (G Weston & Assoc SuperFund Account)	1,025,000	0.49%
Methuen Holdings Pty Ltd (PB Family Account)	1,000,000	0.48%
Wear Services Pty Ltd	987,893	0.47%
	136,909,605	65.75%

(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	2,214,630	-	349,897
Mr K A Dundo	150,000	-	-
Mr M Lemmel	730,921	-	-
Ms E Donaghey	210,000	-	-
Mr P A Evans	382,269	200,000	116,782
	4,067,820	200,000	466,679

(e) Company Secretary

Mr Paul Anthony Evans

(f) Registered Office

8 Pitino Court
Osborne Park
Western Australia
6018
Phone: (08) 9445 4010

(g) Share Registry

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

Company History

17 December 1980	Australian company Pilbara Gold NL incorporated
21 July 1985	Pilbara Gold NL changed name to Imdex Limited
24 September 1987	Imdex Limited listed on the ASX
1988	Formation of Australian Mud Company
1997	Acquisition of Surtron Technologies Pty Ltd and Ace Drilling Supplies
2001	Joint venture formed with Imdex and Rashid Trading Establishment (RTE) in Saudi Arabia
1 July 2005	Sale of Imdex Minerals
1 August 2005	Acquisition of African based company Samchem
1 August 2006	Acquisition of Swedish based Reflex Group of Companies and United Kingdom based company Chardec
1 May 2007	Acquisition of Swedish based company Flexit
1 July 2007	Ace merged with Reflex. Imdex finalised the sale of its interest in Imdex Arabia to RTE. Acquisition of Canadian based Poly-Drill and a 75% interest in Kazakhstan based Suay Energy Services
31 October 2007	Sale of Surtron Technologies
1 November 2007	Acquisition of Chilean based company Southernland
1 January 2008	Acquisition of German based company System Entwicklungs
1 July 2008	Acquisition of the remaining 25% of Kazakhstan based Suay Energy Services
1 September 2008	Acquisition of Australian based company Wildcat Chemicals Australia
1 July 2010	New regional structure implemented and business reporting streamlined into Minerals and Oil & Gas Divisions
1 September 2010	Acquisition of Australian based companies Fluidstar and Ecospin
1 March 2011	Acquisition of German based company Mud-Data
1 July 2011	Formation of DHS Services joint venture
1 July 2011	Acquisition of Australian based company Australian Drilling Specialties Pty Ltd
1 August 2011	Acquisition of Brazilian based company System Mud Indústria e Comércio Ltda
1 January 2012	Acquisition of Vaughn Energy Services by Imdex's DHS Services joint venture



Providing innovative drilling fluids and advanced downhole instrumentation worldwide.

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.

Imdex Limited
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