IDM INTERNATIONAL LIMITED

ABN 26 108 029 198

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

IDM INTERNATIONAL LIMITED
ABN 26 108 029 198
HALF-YEAR REPORT

CONTENTS

CORPORATE INFORMATION

Directors
Barry Colin Bolitho (Non-Executive Chairman)
Michael James Brindley Brickell
Cheryl Lynn Wilson
Anthony Julien

Company Secretary
Scott Adrian Mison

Registered Office & Principal place of business
Ground Floor, 10 Outram Street
West Perth WA 6005
Telephone: +61 8 9325 7080

Share Registry
Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth WA 6000
Telephone: 1300 367 601

Stock Exchange Listing
The Company is listed on the Australian Stock Exchange Limited
ASX Code: IDM

Solicitor
Jeremy Shervington
West Perth WA 6005

Bankers
National Australia Bank Limited
100 St George's Terrace
Perth WA 6000

Auditors
Ernst & Young
11 Mounts Bay Road
Perth WA 6000

Stock Exchange Listing
The Company is listed on the Australian Stock Exchange Limited
ASX Code: IDM

Website
www.idminternational.net

Directors' Report

Your directors submit their interim report for the half-year ended 31 December 2012 ("**Balance Date**").

This interim report covers the consolidated entity comprising IDM International Limited ("**IDM**" or "**the Company**") and its' wholly owned subsidiaries (together the "**Group**") for the half-year ended 31 December 2012. The functional currency of the Company is AUD ($). The functional currency of the subsidiaries is USD ($).

DIRECTORS

The names of the directors of the Company in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Barry Colin Bolitho (Non-Executive Chairman)
Michael James Brindley Brickell (Non-Executive Director)
Cheryl Lynn Wilson (Non-Executive Director)
John Terry Mears (Non-Executive Director) (resigned 14 May 2014)
Anthony Julien (Non-Executive Director) (appointed 30 October 2013)
David Tok Pay Kong (Non-Executive Director) (resigned 30 October 2012)
Philip James Garratt (Director and Chief Executive Officer) (resigned 4 September 2012)

REVIEW AND RESULTS OF OPERATIONS

The principal activities of the Group throughout the half-year comprised of the following:
- production of chromite, zircon and high iron Ilmenite at reduced operating hours to match production volumes to sales volumes, ultimately resulting on operations being placed into care and maintenance in December 2012; and
- ongoing general administration of the Group.

The Group's net consolidated loss for the half-year was $5,943,901 (2011: $1,636,608).

OREGON HEAVY MINERALS PROJECT

On 4 December 2012, the Company placed the Coos Bay operation into care and maintenance. Employees were made redundant and only a core team has been kept in place. This team will conduct project evaluation, ensure the plant is kept in good condition, complete reclamation, monetise inventory and conduct and complete preliminary exploration in the Kimberley Clark leases. The move is in response to ongoing poor mineral sands market conditions.

LITIGATION

The Company's 100% subsidiary Oregon Resources Corporation Limited (ORC) had sought to be included as an intervener in the litigation brought against two of the regulatory agencies responsible for issuing several permits enabling the commercial operation of the project.

Directors' Report (continued)

CORPORATE

On 2 July 2012, the Company issued 1,695,260 shares on the exercise of options at 6 cents.

On 6 July 2012, the Company issued 4,972,595 shares on the exercise of options at 6 cents.

On 27 July 2012, the company issue 6,000,000 unlisted options exercisable at 10 cents with an expiry of 17 June 2017. The Company also issued 1,625,000 unlisted options exercisable at 16 cents with an expiry of 4 March 2016.

On 28 August 2012, the Company announced that it had entered into a Promissory Note with The Sentient Group to lend the Company $5,000,000. The Company used the proceeds for working capital. The principal under the Promissory Note will incur an interest rate of 18% per year and receive a 1% Royalty on gross revenue from the sale of mineral sands from its Oregon operation and is repayable on demand. The Promissory Note ranks senior in priority and preference to any other indebtedness or other encumbrance of the Company and is secured against all of the assets of the Oregon Resources Corporation.

On 4 September 2012, Mr Wayne Knott was appointed as CEO of the Company. Mr Philip Garratt resigned from the board and as CEO of the Company.

On 7 September 2012, the Company announced its intention to maximize short-term sales whilst maintaining steady inventory levels. To enable this, the Coos Bay, Oregon operation reduced operating hours to match production volumes with sales volumes. Cost efficiency, the preservation of the Company's financial condition and achieving increasing sales revenues remained a priority for the Company.

On 26 September 2012, the Group received a waiver, consent and amendment letter from Macquarie Bank Limited (as agent for and on behalf of the financiers) which:

- waived any Event of Default arising out of the Breaches for the period up to and including 31 December 2012.
- extended the time for repayment of Facility A and Facility B by amending the repayment schedule to the Project Facility Agreement. The first repayment of $13.169 million was payable at 31 December 2012.
- extended the Final Maturity Date of the Working Capital Facility Agreement from 29 June 2012 to 31 December 2012.
- extended the date for payment of any outstanding fees and expenses payable to Macquarie in accordance with the Facility Agreements to 31 December 2012.

The following provisions of the facility agreements were in breach:

A. *<u>Project Facility Agreement (US$35,000,000):</u>*

- Repayment of Facility A (Term facility)
- Interest of Facility A (Term facility)
- Repayment of Facility B (Term facility)
- Interest of Facility B (Term facility)
- Financial Undertakings (a)
- Payment of fees

(a) The financial undertakings breached on the Project Facility Loan are as follows:

1. the Current Ratio is not less than 1:1;
2. the Loan Life Cover Ratio ("LLCR") is not less than 1.50:1;
3. the Debt Service Cover Ratio ("DSCR") on each Calculation Date is not less than 1.2:1;
4. the projected DSCR on each Calculation Date until the Final Maturity Date is not less than 1.2:1;
5. the Reserve Tail Ratio is not less than 35%;
6. the Revenue of the Borrower from sales of Product for any consecutive period of 3 months is at least 80% of the projected Revenue of the Borrower from sales of Product for that period as set out in the Base Case Financial Model; and
7. Operating Costs (excluding royalties payable under a Royalty Agreement and any royalties required to be paid to ensure the Mineral Rights are valid and in good standing) of the Borrower for any consecutive period of 3 months is not more than 120% of projected Operating Costs for that period as set out in the Base Case Financial Model.

Directors' Report (continued)

B. *<u>Workings Capital Facility Agreement (US$2,000,000):</u>*
- Repayment
- Interest
- Undertakings
- Fees – Commitment Fees

ORC also failed to make payment of such royalties as required to be paid in accordance with the terms of the Royalty Agreements.

On 4 December 2012, the Group decided to suspend operations at Coos Bay and place it into care and maintenance.

On 21 December 2012, The Sentient Group entered into a Senior Debt Deed of Novation agreement with Macquarie Bank Limited in relation to the Company's Senior Debt. This resulted in Macquarie Bank Limited's retirement as beneficiary, agent and security trustee.

SUBSEQUENT EVENTS

On 16 April 2014, ORC entered into a further US$2,000,000 Loan Agreement with the Sentient Group. The proceeds of the Loan Agreement will be used for working capital. The principal under the Loan Agreement is interest free, is repayable on demand and is unsecured.

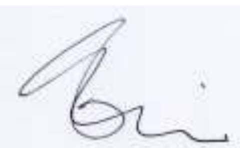
On 24 March 2015, the Company entered into an agreement to sell 100% of the issued capital in ORC to the Sentient Group. In consideration, the Sentient Group will release IDM from all of its obligations as guarantor under the Project Debt Facility Agreement and IDM will undertake to issue the Sentient Group with shares equal to US$1,074,028 at the same issue price as those shares issued to investors at the point at which IDM undertakes a recapitalisation.

IDM is required to obtain shareholder approval for the transaction and following this, IDM will transfer to the Sentient Group, the issued share capital of ORC. At this point, IDM will have an unsecured loan of US$1,074,028 owing to the Sentient Group which will be repaid upon recapitalisation.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC CO 98/0100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.



Barry Bolitho
Chairman
Perth, Western Australia
Dated this 17th day of April 2015

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the Company's auditors, Ernst & Young, to provide the directors with a written Independence Declaration in relation to their review of the interim financial report for the half-year ended 31 December 2012.

We have obtained the following independence declaration from our auditors, Ernst & Young.

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's Independence Declaration to the Directors of IDM International Limited

In relation to our review of the financial report of IDM International Limited for the half-year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

R A Kirkby
Partner
Perth
17 April 2015

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2012

	Notes	*31 December 2012 $'000*	*30 June 2012 $'000*
ASSETS			
Current Assets			
Cash and cash equivalents	4	**1,136**	1,687
Trade and other receivables		**181**	81
Prepayments		**106**	770
Inventory		**5,241**	8,225
Total Current Assets		**6,664**	10,763
Non-current Assets			
Other financial assets		**939**	1,018
Property, plant and equipment		**16,055**	17,757
Mine properties and development		**596**	740
Total Non-current Assets		**17,590**	19,515
TOTAL ASSETS		**24,254**	30,278
LIABILITIES			
Current Liabilities			
Trade and other payables		**2,931**	4,599
Unearned revenue		**877**	1,960
Provisions		**809**	915
Loan and borrowings	5	**47,728**	40,622
Financial liability	6	**-**	545
Total Current Liabilities		**52,345**	48,641
Non-current Liabilities			
Loans and borrowings	5	**192**	253
Financial liability	6	**-**	4,465
Total Non-current Liabilities		**192**	4,718
TOTAL LIABILITIES		**52,537**	53,359
NET LIABILITIES		**(28,283)**	(23,081)
SHAREHOLDERS' DEFICIT			
Equity attributable to equity holders of the parent			
Contributed equity	7	**86,549**	86,549
Reserves		**(3,280)**	(4,021)
Accumulated losses		**(111,552)**	(105,609)
TOTAL SHAREHOLDERS' DEFICIT		**(28,283)**	(23,081)

Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	***31 December 2012 $'000***	*31 December 2011 $'000*
Revenue from sale of goods		**5,007**	-
Other income	3	**6,479**	793
		11,486	793
Changes in inventories		**(2,983)**	-
Raw materials and consumables used		**(3,849)**	-
Administration expenses		**(2,188)**	(815)
Board expenses		**(189)**	(242)
Compliance expenses		**(109)**	(88)
Employment expenses		**(3,160)**	(837)
Occupancy expenses		**(6)**	(14)
Travel expenses		**(11)**	(164)
Finance costs		**(3,908)**	(174)
Other expenses		**(15)**	(96)
Inventory impairment expense		**(1,011)**	-
Loss before income tax		**(5,943)**	(1,637)
Income tax expense		**-**	-
Loss for the half-year		**(5,943)**	(1,637)
Other comprehensive income			
Foreign currency translation		**429**	2,014
Total comprehensive income for the half-year, net of tax		**(5,514)**	377
Loss per share attributable to the ordinary equity holders of the Company:			
Basic loss per share (cents per share)	7(c)	**(0.91)**	(0.31)
Diluted loss per share (cents per share)	7(c)	**(0.91)**	(0.31)

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Contributed Equity	*Option Issue Reserve*	*Foreign Currency Reserve*	*Accumulated Losses*	*Total*
	$'000	***$'000***	***$'000***	***$'000***	***$'000***
Balance at 1 July 2012	**86,549**	**6,302**	**(10,323)**	**(105,609)**	**(23,081)**
Other comprehensive income	**-**	**-**	**429**	**-**	**429**
Loss for the half-year	**-**	**-**	**-**	**(5,943)**	**(5,943)**
Total comprehensive income/(loss) for the half-year			**429**	**(5,943)**	**(5,514)**
Transactions with owners in their capacity as owners:					
Shared based payments	**-**	**312**	**-**	**-**	**312**
Balance at 31 December 2012	**86,549**	**6,614**	**(9,894)**	**(111,552)**	**(28,283)**
Balance at 1 July 2011	**75,510**	**5,601**	**(11,307)**	**(19,272)**	**50,532**
Other comprehensive income	-	-	2,014	-	2,014
Loss for the half-year	-	-	-	(1,637)	(1,637)
Total comprehensive income/(loss) for the half-year	-	-	2,014	(1,637)	377
Transactions with owners in their capacity as owners:					
Share based payments	-	469	-	-	469
Issue of shares	2,601	-	-	-	2,601
Share issue costs	(13)				(13)
Balance at 31 December 2011	**78,098**	**6,070**	**(9,293)**	**(20,909)**	**53,966**

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	***31 December 2012 $'000***	*31 December 2011 $'000*
Cash flows used in operating activities			
Receipts from customers		**4,117**	-
Payments to suppliers and employees		**(10,086)**	(5,578)
Interest and finance costs paid		**(41)**	(51)
Net cash flows used in operating activities		**(6,010)**	(5,629)
Cash flows from in investing activities			
Interest received		**5**	30
Payment for construction of plant		**-**	(7,192)
Payment for plant and equipment		**(271)**	(382)
Net cash flows used in investing activities		**(266)**	(7,544)
Cash flows from financing activities			
Proceeds from issue of shares		**60**	2,588
Proceeds from borrowings		**5,778**	2,800
Repayment of borrowings		**(86)**	-
Net cash flows from financing activities		**5,752**	5,388
Net (decrease)/increase in cash and cash equivalents		**(524)**	(7,785)
Net foreign exchange differences		**(27)**	338
Cash and cash equivalents at beginning of period		**1,687**	8,849
Cash and cash equivalents at end of period	4	**1,136**	1,402

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Corporate information

The interim consolidated financial statements of the Group for the six months ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 17 April 2015.

IDM International Limited is a limited company incorporated and domiciled in Australia whose shares are publicly traded. The principal activities of the Company and its subsidiaries are described in the Directors' Report.

(b) Basis of preparation

The interim condensed consolidated financial report for the half-year ended 31 December 2012 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2012 and considered together with any public announcements made by IDM International Limited during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations of the ASX listing rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Going concern

The directors have prepared the financial report of the consolidated entity on a going concern basis which contemplates the continuity of normal business activity and realisation of assets and settlement of liabilities in the normal course of business.

The Group has incurred a loss for the half year of $5.943 million (2011: $1.637 million) and had net current liabilities of $45.681 million (30 June 2012: $37.878 million) at 31 December 2012.

As at 31 December 2012 the Group was in breach of its borrowing covenants of its loans and had debt repayments of $41.944 million due as a result of the breach.

Notwithstanding the above, the directors consider the going concern basis to be appropriate as, due to the following matters which occurred subsequent to year end:

- On 16 April 2014, ORC entered into a further US$2,000,000 Loan Agreement with the Sentient Group. The proceeds of the Loan Agreement will be used for working capital. The principal under the Loan Agreement is interest free, is repayable on demand and is unsecured.
- On 24 March 2015, the Company entered into an agreement to sell 100% of the issued capital in ORC to the Sentient Group. In consideration, the Sentient Group will release IDM from all of its obligations as guarantor under the Project Debt Facility Agreement and IDM will undertake to issue the Sentient Group with shares equal to US$1,074,028 at the same issue price as those shares issued to investors at the point at which IDM undertakes a recapitalisation.
- IDM is required to obtain shareholder approval for the transaction and following this, IDM will transfer to the Sentient Group, the issued share capital of ORC. At this point, IDM will have an unsecured loan of US$1,074,028 owing to the Sentient Group which will be repaid upon recapitalisation.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

(b) Basis of preparation (continued)

Going concern (continued)
The directors believe that these factors will allow time for the Group to source alternative sources of funding for the long term viability of the Group, but recognise that the ability to continue as a going concern is dependent upon:

(i) The Company obtaining shareholder approval for the sale of ORC and the successful recapitalisation of the Company;
(ii) The Group being able to continue to negotiate payment terms and conditions with its Lenders; and
(iii) The Company raising required capital in the future.

Should the consolidated entity be unable to materially achieve the matters set out above, there is significant uncertainty as to whether the consolidated entity will be able to meet its debts as and when they fall due, and thus continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts, nor to the amounts or classification of liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

(c) Changes in Accounting Policy

All new and amended accounting standards and interpretations effective 1 July 2012 have been adopted by the Group. The adoption of new standards and amendments from 1 July 2012 has not had a significant impact on the accounting policies of the Group.

The Group has not elected to early adopt any new standards or amendments that are issued by not yet effective.

2 SEGMENT INFORMATION

The Group operates in the mining and exploration industry segment, with all operations located in the United States.

The Group's activities consist predominantly of the production of minerals at the Oregon heavy minerals plant and minerals exploration evaluation within United States of America (USA). AASB 8 requires operating segments to be identified on the basis of internal reports that are used by the chief operating decision makers ("CODM") in order to allocate resources to the segment and to assess its performance. The CODM of the Consolidated Entity is the Board of Directors. The Consolidated Entity has identified its operating segments based on the internal reports that are provided to the CODM on at least a monthly basis. The entity has one reportable operating segment as follows:

1. Heavy Minerals Segment: This segment includes assets and activities that are associated with the determination and assessment of the existence of mineral reserves within USA.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of these financial statements.

	CONSOLIDATED	
	31 December 2012 $'000	*31 December 2011 $'000*
3 OTHER INCOME		
Re-measurement of royalty obligation (Note 6)	**6,417**	762
Bank interest	**-**	31
Miscellaneous	**62**	-
	6,479	793

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	CONSOLIDATED	
	31 December 2012 $'000	*30 June 2012 $'000*
4 CASH AND CASH EQUIVALENTS		
For the purpose of the half year cash flow statement, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	**1,121**	1,672
Short-term deposits	**15**	15
	1,136	1,687

	CONSOLIDATED	
	31 December 2012 $'000	*30 June 2012 $'000*
5 INTEREST - BEARING LOANS AND BORROWINGS		
Secured loans:		
Current		
Debt facility (iii)	**41,944**	40,103
Promissory note (i)	**964**	-
Working capital debt facility (ii)	**4,820**	-
Other	**-**	519
Total Current	**47,728**	40,622
Non-Current		
Other	**192**	253
Total Non-Current	**192**	253
	47,920	40,875

(i) On 27 August 2012, the Company's wholly owned subsidiary Oregon Resource Corporation ("ORC") entered into a US$5,000,000 Promissory Note with the Sentient Group. US$1,000,000 was drawn down as at 31 December 2012 and the balance of the commitment was rolled into the Working Capital Debt Facility.

The principal under the Promissory Note will incur an interest rate of 18% per annum and receive a 1% royalty on gross revenue from the sale of mineral sands from its Oregon operations and is repayable on demand. The Promissory Note ranks senior in priority and preference to any other indebtedness or other encumbrance of the Company and is secured against all of the assets of ORC.

(ii) On 24 September 2012, the Company's wholly owned subsidiary Oregon Resource Corporation ("ORC") entered into a US$5,000,000 Senior Working Capital Debt Facility Agreement with the Sentient Group which was fully drawn-down as at 31 December 2012.

The principal under the Working Capital Debt Facility will incur an interest rate of 18% per annum and is guaranteed by IDM International Ltd and ORC Properties LLC.

(iii) On 21 December 2012, The Sentient Group entered into a Senior Debt Deed of Novation Agreement with Macquarie Bank Limited in relation to the Company's Senior Debt. This resulted in Macquarie Bank Limited's retirement as beneficiary, agent and security trustee.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

5 INTEREST - BEARING LOANS AND BORROWINGS (CONTINUED)

As at 31 December 2012 the following provisions of the facility agreements were in breach:

A. Project Facility Agreement (US$35,000,000):
- Repayment of Facility A (Term facility)
- Interest of Facility A (Term facility)
- Repayment of Facility B (Term facility)
- Interest of Facility B (Term facility)
- Financial Undertakings (a)
- Payment of fees

The financial undertakings breached on the Project Facility Loan are as follows:
1. the Current Ratio is not less than 1:1;
2. the Loan Life Cover Ratio ("LLCR") is not less than 1.50:1;
3. the Debt Service Cover Ratio ("DSCR") on each Calculation Date is not less than 1.2:1;
4. the projected DSCR on each Calculation Date until the Final Maturity Date is not less than 1.2:1;
5. the Reserve Tail Ratio is not less than 35%;
6. the Revenue of the Borrower from sales of Product for any consecutive period of 3 months is at least 80% of the projected Revenue of the Borrower from sales of Product for that period as set out in the Base Case Financial Model; and
7. Operating Costs (excluding royalties payable under a Royalty Agreement and any royalties required to be paid to ensure the Mineral Rights are valid and in good standing) of the Borrower for any consecutive period of 3 months is not more than 120% of projected Operating Costs for that period as set out in the Base Case Financial Model.

B. Workings Capital Facility Agreement (US$2,000,000):
- Repayment
- Interest
- Undertakings
- Fees – Commitment Fees

ORC also failed to make payment of such royalties as required to be paid in accordance with the terms of the Royalty Agreements.

On 24 March 2015, the Company entered into an agreement to sell 100% of the issued capital in ORC to the Sentient Group. In consideration, the Sentient Group will release IDM from all of its obligations as guarantor under the Project Debt Facility Agreement and IDM will undertake to issue the Sentient Group with shares equal to US$1,074,028 at the same issue price as those shares issued to investors at the point at which IDM undertakes a recapitalisation.

IDM is required to obtain shareholder approval for the transaction and following this, IDM will transfer to the Sentient Group, the issued share capital of ORC. At this point, IDM will have an unsecured loan of US$1,074,028 owing to the Sentient Group which will be repaid upon recapitalisation.

Subsequent to half-year end on 16 April 2014, ORC entered into a further US$2,000,000 Loan Agreement with the Sentient Group. The proceeds of the Loan Agreement will be used for working capital.

The principal under the Loan Agreement is interest free, is repayable on demand and is unsecured.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

6 FINANCIAL LIABILITY

	CONSOLIDATED	
	31 December 2012	*30 June 2012*
	$'000	*$'000*
Current		
Royalty obligation	-	545
Non-Current		
Royalty obligation	-	4,465
	-	5,010

Royalty Agreements

As part of the Company's debt facility, a Royalty of 3.0% on gross revenue is payable for the first 280,000 tonnes of chromite production, reducing subsequently to 1.5% with the following terms and conditions:

a. The Royalty to specifically exclude revenue generated from any low carbon, high chromite ferrochrome production (**"LCHCF"**);
b. The Royalty shall continue for the life of the Project and is to be registered against the Project mineral rights;
c. In the event some or all of the forecast chromite production under the current mine plan of the Project is substituted by LCHCF, the Royalty remains payable with respect to a minimum of 70,000 tonnes of chromite production per annum at US$480/t as well as on revenue from the other by-products;
d. The Borrower will be granted a one-time call option exercisable at any time to acquire the Royalty from the Lenders ("**Call Option**") on or after the Final Maturity Date or such earlier date as agreed in writing with the Lenders;
e. The strike price of the Call Option will be the Present Value of the Royalty payments over an additional 8 years of production from the Project (commencing at the exercise date) as per the following assumptions:
    1. Gross Revenues for each additional year shall equal the Gross Revenues for the 12 calendar months immediately preceding the exercise date of the Call Option
    2. A discount rate of 10% per annum is to be applied.

As part of the Company's promissory note facility, a royalty of 1% on gross revenue is payable from the sale of mineral sands from its Oregon operations effective from 27th August 2012.

An assessment of the likelihood of future production and therefore the fair value of the abovementioned royalty liabilities has resulted in the royalty obligation liability being recognised at $nil.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

7 CONTRIBUTED EQUITY

	CONSOLIDATED	
	31 December 2012 $'000	*30 June 2012 $'000*
Ordinary shares	**80,549**	80,549
Performance shares	**6,000**	6,000
	86,549	86,549

(a) Ordinary shares

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

	Number	***$'000***
Movements in ordinary shares on issue		
At 1 July 2012	**644,082,402**	**80,549**
Issue of shares – exercise of options*	**6,667,855**	**-**
Balance at 31 December 2012	**650,750,257**	**80,549**

* As at 30 June 2012, IDM had received monies for exercise of options, however had not issued the shares.

	CONSOLIDATED	
	31 December 2012	*31 December 2011*
(c) Loss per share		
	Cents	Cents
Basic and diluted loss per share	**(0.91)**	(0.31)
	$'000	*$'000*
Loss used in calculation of loss per share	**(5,943)**	(1,637)
	Shares Thousands	*Shares Thousands*
Weighted average number of shares used as denominator in calculating loss per share	**650,750**	530,916

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

8 COMMITMENTS AND CONTINGENCIES

(a) Commitments

(i) Property, plant and equipment commitments

Future minimum commitments for property and equipment as at 31 December 2012 are as follows:

	CONSOLIDATED	
	31 December 2012 $'000	***30 June 2012 $'000***
Within one year	**1,505**	1,018
After one year but not more than five years	**-**	669
More than five years	**-**	369
Total minimum lease payments	**1,505**	2,056

(iii) Other expenditure commitments – Mineral leases

The Group has minimum expenditure commitments relating to mineral leases for the Oregon Heavy Minerals Project. Expenditure commitments at 31 December 2012 but not recognised as liabilities are as follows:

	CONSOLIDATED	
	31 December 2012 $'000	***30 June 2012 $'000***
Within one year	**70**	72
After one year but not more than five years	**183**	287
More than five years	**41**	52
Total minimum lease payments	**294**	411

(b) Contingencies

Legal claim
The Company's subsidiary (ORC) had sought to be included as an intervener in the litigation brought against two of the regulatory agencies responsible for issuing several permits enabling the commercial operation of the project.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

9 SHARE BASED PAYMENTS

During the period options were issued to Directors and Employees under the Employee and Options Plan (ESOP).

The fair value of the equity-settled share options granted to employees under the ESOP is estimated as at the grant date using the Binomial or Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the models for the period ended 31 December 2012:

(a)	*ESOP Options*
Grant date	17 June 2012
Number of options	6,000,000
Share price	8 cents
Exercise price	10 cents
Dividend Yield	0.0%
Expected volatility	80.0%
Risk-free interest rate	2.58%
Expected life	5.0 years
Weighted average fair value	5 cents
Model used	Black-Scholes
Total amount	$294,000
Expensed to 31 December 2012	$119,438

(b)	*ESOP Options*
Grant date	27 July 2012
Number of options	1,625,000
Share price	8 cents
Exercise price	16 cents
Dividend Yield	0.0%
Expected volatility	80.0%
Risk-free interest rate	2.58%
Expected life	3.5 years
Weighted average fair value	3 cents
Model used	Black-Scholes
Total amount	$48,750
Expensed to 31 December 2012	$35,467

The expense for the ESOP options is included in employee expenses.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

10 EVENTS AFTER BALANCE DATE

On 16 April 2014, ORC entered into a further US$2,000,000 Loan Agreement with the Sentient Group. The proceeds of the Loan Agreement will be used for working capital. The principal under the Loan Agreement is interest free, is repayable on demand and is unsecured.

On 24 March 2015, the Company entered into an agreement to sell 100% of the issued capital in ORC to the Sentient Group. In consideration, the Sentient Group will release IDM from all of its obligations as guarantor under the Project Debt Facility Agreement and IDM will undertake to issue the Sentient Group with shares equal to US$1,074,028 at the same issue price as those shares issued to investors at the point at which IDM undertakes a recapitalisation.

IDM is required to obtain shareholder approval for the transaction and following this, IDM will transfer to the Sentient Group, the issued share capital of ORC. At this point, IDM will have an unsecured loan of US$1,074,028 owing to the Sentient Group which will be repaid upon recapitalisation.

The outcome of the sale will be the disposal of the majority of the assets and liabilities of the group excluding the US$1,074,028 unsecured loan.

Directors' Declaration

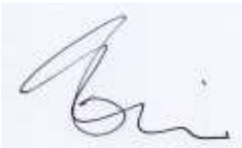
In accordance with a resolution of the directors of IDM International Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
   (i) giving a true and fair view of the financial position as at 31 December 2012 and the performance for the half-year ended on that date of the consolidated entity; and
   (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) Subject to the matters disclosed at note 1, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Barry Bolitho
Chairman
Perth, Western Australia
Dated this 17th day of April 2015

Independent Review Report

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Independent auditor's review report to the members of IDM International Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of IDM International Limited, which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-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 half-year end or from time to time during the half-year.

Directors' responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of IDM International Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Basis for Disclaimer of Review Conclusion

Accounting books and records of Oregon Resources Corporation Inc. ("ORC")

The company owns 100% of ORC, a controlled foreign subsidiary. This subsidiary's operations have been placed on care and maintenance and the majority of the employees have been retrenched. In undertaking our review we were unable to obtain sufficient appropriate evidence to support the recognition and classification of ORC's revenues and expenses during the half-year ended 31 December 2012, which represent the majority of revenues and expenses of the consolidated entity. As a result, it has not been practicable for us to carry out our normal review procedures relating to the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended 31 December 2012.

Carrying value of Inventories

We did not observe the counting of the physical inventories at ORC at 31 December 2012 and were unable to perform alternative review procedures to determine whether any adjustments might have been found necessary in respect of inventories.

Carrying value of Property, Plant and Equipment

The group's property, plant and equipment is carried in the statement of financial position at an impaired cost of $16,054,849. The Group obtained a valuation dated 22 September 2014 to support the carrying value at 31 December 2012. The valuation obtained was not based on fair value as required by Australian Accounting Standards. We have therefore not been able to obtain sufficient appropriate audit evidence to support the carrying value of the property, plant and equipment as at 31 December 2012.

Disclaimer of Review Conclusion

Because of the significance of the matters described in the Basis for Disclaimer of Review Conclusion paragraphs, we have not been able to obtain sufficient appropriate evidence to provide a basis for a review conclusion. Accordingly, we do not express a review conclusion on the financial report.

Emphasis of Matter

Without further modification to our Disclaimer Review Conclusion, we draw attention to Note 2 in the half-year financial report which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern. These conditions, along with other matters as set forth in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Building a better working world

Report on Other Legal and Regulatory Requirements

Due to the matters described in the Basis for Disclaimer of review conclusion paragraphs, we have not been given all information, explanations and assistance necessary for the conduct of the review and we are unable to determine whether the overseas subsidiary of the company has kept financial records sufficient to enable the financial report to be prepared and audited.

Ernst & Young

R A Kirkby
Partner
Perth
17 April 2015