IDM INTERNATIONAL LIMITED

ABN 26 108 029 198

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

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 2013 ("**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 2013. 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)

REVIEW AND RESULTS OF OPERATIONS

The principal activities of the Group throughout the half-year comprised of the following:
- sale of chromite, zircon and high iron Ilmenite inventory; and
- ongoing general administration of the Group.

The Group's net consolidated loss for the half-year was $6,266,131 (2012: $5,943,901).

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)

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.

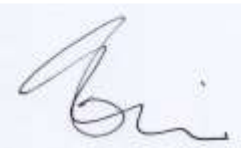
On 24 March 2015, the Company entered into an agreement to sell 100% of the issued capital in ORC to the Sentient Group. In consideration, the Sentient Group will release IDM from all of its obligations as guarantor under the Project Debt Facility Agreement and IDM will undertake to issue the Sentient 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 17 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 2013.

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 2013, 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 2013

	Notes	*31 December 2013 $'000*	*30 June 2013 $'000*
ASSETS			
Current Assets			
Cash and cash equivalents	3	**90**	1,539
Trade and other receivables		**17**	79
Prepayments		**13**	59
Inventory	10	**76**	344
Total Current Assets		**196**	2,021
Non-current Assets			
Other financial assets		**1,099**	1,065
Property, plant and equipment		**16,146**	17,003
Mine properties and development		**1,002**	677
Total Non-current Assets		**18,247**	18,745
TOTAL ASSETS		**18,443**	20,766
LIABILITIES			
Current Liabilities			
Trade and other payables		**3,052**	2,897
Provisions		**239**	431
Loan and borrowings	4	**62,771**	57,249
Total Current Liabilities		**66,062**	60,577
Non-current Liabilities			
Loans and borrowings	4	**166**	190
Total Non-current Liabilities		**166**	190
TOTAL LIABILITIES		**66,228**	60,767
NET LIABILITIES		**(47,785)**	(40,001)
SHAREHOLDERS' DEFICIT			
Equity attributable to equity holders of the parent			
Contributed equity	5	**86,549**	86,549
Reserves		**(9,235)**	(7,717)
Accumulated losses		**(125,099)**	(118,833)
TOTAL SHAREHOLDERS' DEFICIT		**(47,785)**	(40,001)

Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	***31 December 2013 $'000***	*31 December 2012 $'000*
Revenue from sale of goods		**127**	5,007
Re-measurement of financing royalty obligation	8	**-**	6,417
Other income		**2**	62
		129	11,486
Changes in inventories		**(127)**	(2,983)
Raw materials and consumables used		**(421)**	(3,849)
Administration expenses		**(2,030)**	(2,188)
Board expenses		**-**	(189)
Compliance expenses		**(81)**	(109)
Employment expenses		**(513)**	(3,160)
Finance costs		**(3,164)**	(3,908)
Other expenses		**(59)**	(32)
Inventory impairment expense	10	**-**	(1,011)
Loss before income tax		**(6,266)**	(5,943)
Income tax expense		**-**	-
Loss for the half-year		**(6,266)**	(5,943)
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Foreign currency translation		**(1,452)**	429
Total comprehensive income for the half-year, net of tax		**(7,718)**	(5,514)
Loss per share attributable to the ordinary equity holders of the Company:			
Basic loss per share (cents per share)	5(c)	**(0.96)**	(0.91)
Diluted loss per share (cents per share)	5(c)	**(0.96)**	(0.91)

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Contributed Equity	*Option Issue Reserve*	*Foreign Currency Reserve*	*Accumulated Losses*	*Total*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 1 July 2013	**86,549**	**6,761**	**(14,478)**	**(118,833)**	**(40,001)**
Other comprehensive income	**-**	**-**	**(1,452)**	**-**	**(1,452)**
Loss for the half-year	**-**	**-**	**-**	**(6,266)**	**(6,266)**
Total comprehensive income/(loss) for the half-year	**-**	**-**	**(1,452)**	**(6,266)**	**(7,718)**
Transactions with owners in their capacity as owners:					
Share based payments	**-**	**(66)**	**-**	**-**	**(66)**
Balance at 31 December 2013	**86,549**	**6,695**	**(15,930)**	**(125,099)**	**(47,785)**

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:					
Share based payments	-	312	-	-	312
Balance at 31 December 2012	**86,549**	**6,614**	**(9,894)**	**(111,552)**	**(28,283)**

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

		31 December 2013 $'000	*31 December 2012 $'000*
Cash flows used in operating activities			
Receipts from customers		**127**	4,117
Payments to suppliers and employees		**(2,056)**	(10,086)
Interest and finance costs paid		**(77)**	(41)
Net cash flows used in operating activities		**(2,006)**	(6,010)
Cash flows from in investing activities			
Interest received		**2**	5
Proceeds from sale of plant and equipment		**121**	-
Payment for exploration and evaluation		**(293)**	-
Payment for plant and equipment		**(32)**	(271)
Net cash flows used in investing activities		**(202)**	(266)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	60
Proceeds from borrowings		**872**	5,778
Repayment of borrowings		**(105)**	(86)
Net cash flows from financing activities		**767**	5,752
Net decrease in cash and cash equivalents		**(1,440)**	(524)
Net foreign exchange differences		**(9)**	(27)
Cash and cash equivalents at beginning of period		**1,539**	1,687
Cash and cash equivalents at end of period	3	**90**	1,136

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

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 2013 were authorised for issue in accordance with a resolution of the directors on 17 April 2015.

IDM International Limited is a for profit 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

This interim condensed consolidated financial report for the half-year ended 31 December 2013 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 2013 and considered together with any public announcements made by IDM International Limited during the half-year ended 31 December 2013 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 $6.266 million (2012: $5.943 million) and had net current liabilities of $65.866 million (30 June 2013: $58.557 million) at 31 December 2013.

As at 31 December 2013 the Group was in breach of its borrowing covenants of its loans and had debt repayments of $53.917 million due as a result of the breach.

Notwithstanding the above, the directors consider the going concern basis to be appropriate 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 2013

(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

The accounting policies applied by the Group in this consolidated half year financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2013, except for the impact of the Standards and interpretations described below. These accounting policies are consistent with Australian 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 half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'
- Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine'(and related AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20')

The Adopted standards with the exception of those noted below have no material impact on the disclosure or the half year interim financial report.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

(c) Changes in Accounting Policy (continued)

Impact of the application of AASB 13

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions.

Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements. AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2012 comparative period, the application of AASB 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of Interpretation 20

The interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs').

Per the interpretation, the Group is required to recognise a stripping activity asset if all of the following is met:

1. It is probable that the future economic benefit (improved access to ore body) associated with the stripping activity will flow to the entity.
2. The entity can identify the component of the ore body for which access has been improved and;
3. The costs related to the stripping activity associated with that component can be measured reliably.

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

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

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 minerals exploration evaluation at the Oregan Heavy Minerals Project 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.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	CONSOLIDATED	
	31 December 2013 $'000	*30 June 2013 $'000*
3 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	**90**	1,524
Short-term deposits	**-**	15
	90	1,539

	CONSOLIDATED	
	31 December 2013 $'000	*30 June 2013 $'000*
4 INTEREST - BEARING LOANS AND BORROWINGS		
Secured loans:		
Current		
Debt facilityUS$37,000,000 bank loan novated (ii)	**53,917**	50,228
Working Capital Debt FacilityUS$6,000,000 (i)	**7,962**	7,021
Working Capital Loan (iii)	**892**	-
Total Current	**62,771**	57,249
Non-Current		
Other	**166**	190
Total Non-Current	**166**	190
	62,937	57,439

(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.

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 30 June 2013.

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.

(ii) 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.

(iii) During the half-year, the Company's wholly owned subsidiary Oregan Resource Corporation ("ORC") borrowed funds from Ferrometals BV on an interest free basis, repayable on demand. ORC entered into a formal loan agreement with Ferrometals BV on 16 April 2014 for a facility of US$2,000,000.

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

4 INTEREST - BEARING LOANS AND BORROWINGS (CONTINUED)

As at 31 December 2013 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

(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.

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 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 have been 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 2013

	CONSOLIDATED	
	31 December 2013 $'000	*30 June 2013 $'000*
5 CONTRIBUTED EQUITY		
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 2013	**650,750,257**	**80,549**
Balance at 31 December 2013	**650,750,257**	**80,549**

(b) Options

Options are considered to be potential ordinary shares. The options have not been included in the determination of basic or diluted earnings per share as the options are anti-dilutive.

(c) Loss per share

	Cents	Cents
Basic and diluted loss per share	**(0.96)**	(0.91)
	$'000	*$'000*
Loss used in calculation of loss per share	**(6,266)**	(5,295)
	Shares Thousands	*Shares Thousands*
Weighted average number of shares used as denominator in calculating loss per share	**650,750**	650,750

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

6 DIVIDENDS PAID

There were no dividends proposed or paid during the half-year ended 31 December 2013 (2012: $ nil).

7 COMMITMENTS AND CONTINGENCIES

(a) Commitments

(i) Property, plant and equipment commitments

Future minimum commitments for property and equipment as at 31 December 2013 are as follows:

	CONSOLIDATED	
	31 December 2013 $'000	***30 June 2013 $'000***
Within one year	**1,403**	1,270
After one year but not more than five years	**-**	-
More than five years	**-**	-
Total	**1,403**	1,270

(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 2013 but not recognised as liabilities are as follows:

Within one year	**82**	80
After one year but not more than five years	**143**	153
More than five years	**11**	22
Total minimum lease payments	**236**	255

(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 2013

8 FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and short-term deposits, Other financial assets include security Bonds with Banks and the carrying value is deemed to be fair value, held by the Group as at 31 December 2013:

	Loans and Receivables *$'000*	*Available for Sale* *$'000*	*Fair Value through Profit and Loss* *$'000*
Financial assets:			
Non-Current - Other financial assets	**1,099**	**-**	**-**
Total	**1,099**	**-**	**-**
Financial liabilities:			
Current - Loans and borrowings	**62,771**	**-**	**-**
Non-Current - Loans and borrowings	**166**	-	-
Total	**62,937**	-	-

Risk management activities

The Group's principal financial instruments comprise cash and short-term deposits, bank loans and the royalty obligation. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash assets held primarily in short term cash deposits with fixed and floating interest rates and the interest bearing loans and borrowings. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Group does not engage in any hedging or derivative transactions to manage interest rate risk.

The Group constantly analyses its interest rate exposure to ensure the appropriate mix of fixed and variable rates. The Group has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the Group continuously analyses it exposure.

Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 December 2013:

	Carrying Amount *$'000*	*Fair Value* *$'000*
Financial assets:		
Non-Current - Other financial assets	**1,099**	**1,099**
Total	**1,099**	**1,099**
Financial liabilities:		
Current - Loans and borrowings	**62,771**	**62,771**
Non-Current - Loans and borrowings	**166**	**166**
Total	**62,937**	**62,937**

Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

8 FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – the fair value is calculated using quoted prices in an active market.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in the Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The Group recognises transfers between the levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1, Level 2 or Level 3 fair value measurements during the half-year ended 31 December 2013.

The carrying value of other financial instruments not measured at fair value approximates their fair values.

9. 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 2013

10 INVENTORY

Inventory impairment relates to the write-down of raw materials, consumables and finished goods as a result of the decline in the market price for these goods.

11 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.

12 RELATED PARTY TRANSACTIONS

Other transactions and balances with Key Management Personnel and their related parties

Purchases

During the year, fees of $nil (2013 $23,000) exclusive of GST were accrued and paid under normal terms and conditions to Cadogan Consulting Group Ltd of which Mr P J Garratt is a director, for the provision of services in his capacity as chief executive officer at normal commercial rates. The fees were included as part of the remuneration to Mr P J Garratt.

During the year, fees of $nil (2013: $110,000) were paid under normal terms and conditions to West Coast Business Advisory Services of which Mr S M Blacklock is a principal, for the provision of services by Mr S M Blacklock in his capacity as chief financial officer at normal commercial rates.

During the year, fees of $nil (2013: $31,249) exclusive of GST were accrued and paid under normal terms and conditions to Bolitho Mining Pty Ltd of which Mr Bolitho is a director, for the provision of services in his capacity as Chairman at normal commercial rates. The fees were included as part of the remuneration to Mr Bolitho.

During the year, fees of $262,500 (2013: $nil) exclusive of GST were accrued and paid under normal terms and conditions to Corpmin Consulting Pty Ltd of which Mr Knott is a director, for consulting services following his resignation. The fees were included as part of the remuneration to Mr Knott.

Directors' Declaration

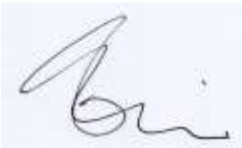
In accordance with a resolution of the directors of IDM International Limited, I state that:

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 2013 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

Building a better
working world

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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 2013, 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 2013 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 Qualified Review Conclusion

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 $16,146,173. The Group obtained a valuation dated 22 September 2014 to support the carrying value. 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 2013.

Comparability of the current period's figures and the corresponding figures

In the prior period, it was not practicable for us to carry out normal audit procedures relating to the confirmation of the carrying value of property, plant and equipment as at the year ended 30 June 2013 and the confirmation of the Group's revenues and expenses during the half-year ended 31 December 2012, due to lack of sufficient appropriate evidence. Our audit report on the consolidated statement of financial position as at 30 June 2013 and our review report on 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 31 December 2012, which are included in the half-year ended 31 December 2013 financial report for the purposes of comparison, was modified on this basis. Our opinion on the current period's financial report is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

Qualified Review Conclusion

Based on our review, which is not an audit, except for the effects of the matters described in the Basis for Qualified Review Conclusion paragraph, we have not become aware of any matter that makes us believe that the half-year financial report of IDM International Limited is not in accordance with the *Corporations Act 2001*, including:

- i giving a true and fair view of the consolidated entity's financial position as at 31 December 2013; and of its performance for the half-year ended on that date; and

- ii complying with applicable Australian Accounting Standards and the Corporations Regulations 2001.

Emphasis of Matter

Without further qualification to our Qualified 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.

Ernst & Young

R A Kirkby
Partner
Perth
17 April 2015