



# **IDM INTERNATIONAL LIMITED**

**ABN 26 108 029 198**

**ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2014**

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

## **General Information**

**IDM International Limited**

ABN 26 108 029 198

**Directors**

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

**Company Secretary**

Scott Adrian Mison

**Registered Office**

Ground Floor, 10 Outram Street  
West Perth WA 6005  
Australia

**Solicitors**

Jeremy Shervington  
52 Ord Street  
West Perth WA 6005  
Australia

**Auditors**

Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000  
Australia

**Bankers**

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

**Share Registry**

Computershare Investor Services Pty Ltd  
Level 2, RBA Building  
45 St George's Terrace  
Perth WA 6000  
Australia

**Stock Exchange Listing**

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

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**Contents of Financial Report**

Directors' Report .....	1
Auditors' Independence Declaration .....	19
Corporate Governance Statement .....	20
IDM International Limited Financial Statements .....	29
Consolidated Statement of Financial Position .....	30
Consolidated Statement of Comprehensive Income .....	31
Consolidated Statement of Changes in Equity .....	32
Consolidated Statement of Cash Flows .....	33
Notes to the Consolidated Financial Statements .....	34
1. Corporate information .....	34
2. Summary of significant accounting policies .....	34
3. Significant accounting judgements, estimates and assumptions .....	48
4. Operating segments .....	49
5. Revenue .....	50
6. Expenses .....	50
7. Income tax .....	51
8. Dividends paid and proposed .....	53
9. Earnings per share .....	53
10. Cash and cash equivalents .....	54
11. Trade and other receivables .....	54
12. Inventory .....	54
13. Other financial assets .....	54
14. Property, plant and equipment .....	55
15. Mine properties and development .....	56
16. Trade and other payables .....	57
17. Provisions .....	57
18. Interest bearing loans and borrowings .....	58
19. Contributed equity .....	60
20. Accumulated losses and reserves .....	62
21. Cash flow reconciliation .....	63
22. Related party disclosure .....	63
23. Parent Entity Information .....	64
24. Key management personnel .....	64
25. Share based payment plans .....	65
26. Financial risk management .....	68
27. Commitments and contingencies .....	71
28. Events after the balance date .....	72
29. Auditors' remuneration .....	72
30. Financial liabilities .....	72
Directors' Declaration .....	73
Independent Audit Report to the members of IDM International Limited.....	74
ASX Additional Information .....	77

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**DIRECTORS' REPORT**

The directors of IDM International Limited ("IDM" or "the Company") present their financial report with respect to the results of IDM and its controlled entity ("the Group") for the year ended 30 June 2014 ("the Balance Date"). The Company's presentation currency and functional currency is Australian dollars (AUD). The subsidiary's functional currency is US dollars (USD).

**DIRECTORS**

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

**Names, qualifications experience and special responsibilities**

**Current Directors**

**Barry Colin Bolitho**  
**(B App Sc, Dip App Chem,**  
**FAusIMM)**

Non-Executive Chairman  
Appointed 10 March 2011

Mr Bolitho has many years' experience in senior executive roles in the resources industry, including experience as chairman, executive and non-executive directorships on ASX and TSX listed companies. He has tertiary qualifications in metallurgy and chemistry, and has extensive operational experience in a number of metals, including base metals, mineral sands and precious sands. He is a fellow of the Australian Institute of Mining and Metallurgy.

During the past three years, Mr Bolitho has also served as a Director of the following listed Companies:

- Blackwood Corporation Limited (December 2010 to 13 March 2014)
- Brightstar Resources Limited (April 2011 to 8 December 2012)

**Michael James Brindley Brickell**  
**FCA.**

Deputy Chairman &  
Non-Executive Director  
Appointed 8 November 2006

Mr Brickell has over 40 years of experience at senior management levels in retail business enterprises in England, Europe and North America. He was the President of Resource Finance and Investment Limited from 1996 until June 2006 and is now Chairman of the Board. He is also Chairman and CEO of Cotswold Collections Limited a retail mail order company and Marilyn Moore Studio Limited a wholesale and retail fashion business both based in Cheltenham, England and is a Director of a Private Company. Mr Brickell is a Fellow of the Institute of Chartered Accountants in England & Wales. Presently Mr Brickell also serves on the Audit and Compliance Committee.

During the past three years Mr Brickell has also served as a director of the following other listed companies:

- Resource Finance and Investment Ltd\* (Appointed 1 August 1995)

\*denotes current directorship

**IDM INTERNATIONAL LIMITED  
2014 ANNUAL REPORT**

**DIRECTORS' REPORT (CONTINUED)**

**Names, qualifications, experience and special responsibilities (continued)**

**Current Directors (continued)**

**Cheryl Lynn Wilson**

Non-Executive Director  
Appointed 8 November 2006

Ms Wilson has over 20 years of experience in the mineral resources industry and a wide range of management experience in banking, law, marketing and corporate development. Ms Wilson has vast experience on the Oregon Heavy Mineral Sands Project. Until January 2011 she was President of Oregon Resources Corporation Inc. and was responsible for overall management and operations. In 2011 she transitioned to a consulting role, retaining a position on the Board of Directors of the Company. She has also managed the operations of Dynamex Resources Corporation, a base metal exploration project in Kentucky, USA. While continuing to oversee these projects, from 1998 through 2001, she was Vice President of Geovic Ltd., an Oregon corporation, established to explore and develop a cobalt and nickel mineral resource in Cameroon, Africa.

**Anthony Julien**

Non-Executive Director  
Appointed 30 October 2013

Mr Julien has over 12 years' experience working in the IT sector, where the past 2 years has worked at SAP Australia focused on delivering IT solutions to the mining, oil & gas and utilities markets. Anthony's entrepreneurial spirit has seen him start and sell various companies in IT, wholesale/distribution and media.

**Officers**

**Scott Adrian Mison**

Company Secretary  
B.Bus, CA, ACIS  
Appointed 8 June 2010

Mr Mison holds a Bachelor of Business degree majoring in Accounting and Business Law, is a Member of the Institute of Chartered Accountants in Australia and Chartered Secretaries Australia. Mr Mison has over 15 years' experience in finance and corporate compliance in the mining and oil and gas sector. Mr Mison is also Company Secretary to several public companies.

**Resigned Directors and Officers**

**John Terry Mears**

Non-Executive Director  
Resigned 14 May 2014

**Wayne Knott**

Chief Executive Officer  
Appointed 4 September 2012  
Resigned 31 July 2013

**Steven Blacklock**

Chief Financial Officer  
Resigned 30 June 2013

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**DIRECTORS' REPORT (CONTINUED)**

**Interests in the shares and options of the Company and related bodies corporate**

At the date of this report, the interest of the Directors in the shares and options of IDM International Limited were:

<b>Director</b>	<b>Number of Ordinary Shares</b>	<b>Number of Listed Options over Ordinary Shares</b>	<b>Number of Unlisted Options over Ordinary Shares</b>
B C Bolitho	Nil	Nil	3,000,000
M J B Brickell	3,121,428	169,643	2,000,000
C L Wilson	Nil	Nil	4,750,000
A Julien	Nil	Nil	Nil

**EARNINGS PER SHARE**

Basic earnings per share	(1.55) cents
Diluted earnings per share	(1.55) cents

**CORPORATE INFORMATION**

**Corporate Structure**

IDM International Limited is a public company limited by shares that is incorporated and domiciled in Australia.

**Principal Activities**

The principal activities of the Group throughout the year have comprised of the following:

- Maintaining mining and processing operations in care and maintenance; and
- Ongoing general administration of the Group.

**DIVIDENDS**

No dividends in respect of the current or previous financial year have been paid, declared or recommended for payment.

**OPERATING AND FINANCIAL REVIEW**

**REVIEW OF OPERATIONS**

During the year under review, the Company continued its care and maintenance program for its Coos Bay operation. Staffing has been kept to a minimum to preserve cash. This team will ensure the plant is kept in good condition, monitor reclamation recently completed, continue to monetise inventory, conduct and complete exploration and conduct project evaluation.

The Company is continuing its drilling and exploration program and all permits are in good standing. Ongoing focus and engagement with various permitting agents is continually undertaken to ensure these are maintained.

The Sentient Group has continued to fund the working capital requirements of the Group by advancing \$2.3 million during the year, in the form of a short term loan.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**DIRECTORS' REPORT (CONTINUED)**

**FINANCIAL OVERVIEW**

**Operating Results for the Year**

The Company's consolidated operating loss after income tax was \$10,088,000 (2013: \$13,224,000).

**Review of Financial Condition**

During the year the Company utilised funds in the following manner:

- maintenance of the processing plant;
- exploration activities; and
- funds for the administration of the Group.

***Liquidity and Capital Resources***

The statement of cash flows illustrates that there was a decrease in cash and cash equivalents in the year ended 30 June 2014 of \$1,371,000 (2013: decrease of \$325,000). Operating activities amounted to \$3,026,000 (2013: \$5,628,000) of net cash out-flows. During the financial year the net cash out-flow from investing activities of \$396,000 (2013: \$325,000) was mainly attributable to payments for the construction of plant, purchases of property, plant and equipment and expenditure relating to exploration and evaluation of the Oregon Heavy Minerals Project. There was a \$1,938,000 net cash in-flow (2013: \$5,605,000) from financing activities during the year.

The significant cash flow items for the Group during the financial year consisted of:

- funds received from sale of inventory;
- funds received from the borrowings;
- payments relating to the exploration and evaluation; and
- payments to employees, contractors and suppliers.

***Treasury Policy***

The Board is responsible for the treasury function and managing the Group's currency risks and finance facilities management. Treasury management is a regular agenda item at meetings of the Board.

***Risk Management***

The Board takes a pro-active approach to management and mitigation of risk. The Board is responsible for ensuring that risks and also opportunities are identified on a timely basis and the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be a part of this process and as such has not established a separate risk management committee. Risk management is a regular agenda item at meetings of the Board. The following risks are considered on a regular basis by the Board:

- legal and regulatory compliance;
- financial;
- human resources;
- occupational health;
- operational risks; and
- management of environmental issues.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**DIRECTORS' REPORT (CONTINUED)**

**OPERATING AND FINANCIAL REVIEW (CONTINUED)**

*Summary of Shares and Options on the date of the Directors' Report*

As a result of the various issue of shares and options during the financial year and since the Balance Date, the Company has the following securities on issue as at the date of the Directors' Report.

<b>Security Description</b>	<b>Number of Securities</b>
ully paid shares	650,750,257
Options exercisable at 25 cents expiring 4 August 2015	25,000,000
Employee Share Option Plans:	
Options exercisable at 10 cents expiring 5 July 2015	10,750,000
Options exercisable at 16 cents expiring 4 March 2016	1,875,000
Options exercisable at 23 cents expiring 1 November 2016	3,000,000

*Unissued shares*

As at the date of this report, there were 15,625,000 unissued ordinary shares under options (includes rights) (15,625,000 at Balance Date).

Option holders do not have any right, by virtue of the options, to participate in any share issue of the Company or any related body corporate.

*Shares issued as a result of the exercise of options*

During the financial year there were no shares issued as a result of the exercise of options. (2013: nil)

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**DIRECTORS' REPORT (CONTINUED)**

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Except as otherwise set out in this report, the Directors are unaware of any significant changes in the state of affairs or principal activities of the Company that occurred during the period under review.

**SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

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.

Other than the matters detailed above no circumstance has arisen since the Balance Date which has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in subsequent financial years.

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The Group intends to continue with care and maintenance activities on the Oregon Heavy Minerals Project whilst evaluating other opportunities in the mining industry.

Information on likely developments in the operations of the Group has not been included in this report because at this stage the directors believe it would be likely to result in unreasonable prejudice to the Group.

**ENVIRONMENTAL REGULATION**

The Group's operations are not subject to any significant environmental regulations under Federal, Commonwealth or State legislation in Australia.

The Group's operations are subject to certain environmental regulations under Federal and State legislation in the United States.

There have been no significant known breaches of the Group's environmental regulations to which it is subject to.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**DIRECTORS' REPORT (CONTINUED)**

**REMUNERATION REPORT (AUDITED)**

The information in this section has been audited.

This Remuneration Report outlines the director and executive remuneration arrangements of IDM International Limited and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purpose of this report Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report, the term 'executive' encompasses the Chief Executive and senior executives of the Company and the Group.

(i) **Directors**

Barry Colin Bolitho	Chairman (non-executive)
Michael James Brindley Brickell	Director (non-executive)
Cheryl Lynn Wilson	Director (non-executive)
John Terry Mears	Director (non-executive) (resigned 14 May 2014)
Anthony Julien	Director (non-executive) (appointed 30 October 2013)

(ii) **Executives**

Wayne Knott	Chief Executive Officer (appointed 4 September 2012, appointed Chief Operating Officer 1 June, 2012, resigned 31 July 2013)
Todd Matthew Lessard	Director of Engineering & Processing (ORC) (resigned 31 October 2013)
Brianna Hansen	Director of Marketing & Sales (ORC)

There were no changes to key management personnel after the reporting date and before the financial report was authorised for issue.

**Remuneration Philosophy**

The Board of Directors of IDM International Limited is currently responsible for determining and reviewing compensation arrangements for the directors and senior executives of the Group. The Board's remuneration policy has been implemented to ensure that the remuneration package properly reflects the person's duties and responsibilities, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The policy seeks to provide remuneration and benefits that encourage high standards of performance and demonstrate the value the Group places on its officers by being equitable, consistent with individual performance and experience, and market competitive. Such officers are given the opportunity to receive their base emolument in a variety of forms. It is intended that the manner of payment chosen will be optimal for the recipient without creating any additional cost to the Company.

To assist in achieving these objectives, the Board has adopted the following principles in its remuneration framework:

- Provide competitive rewards to attract executives of the high calibre;
- Link executive rewards to shareholder value;
- Place a significant portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks; and
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

**Remuneration Structure**

In accordance with best practice corporate governance, the structure of non-executive and executive director remuneration is separate and distinct.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**DIRECTORS' REPORT (CONTINUED)**

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

**Non-Executive Director Remuneration**

*Objective*

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

*Structure*

The Constitution specifies that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was as shareholder meeting on 11 June 2010 which approved an aggregate remuneration of \$300,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. The board did not engage external consultants during the year ended 30 June 2013.

Each director receives a fee for being a Director of the Company. Directors who are called upon to perform extra services beyond the director's ordinary duties may be paid additional fees for those services.

The non-executive directors of the Company can participate in the Employee Share Option Plan which provides incentives where specified criteria are met. The specified criteria are made upon the granting of the options. The remuneration of non-executive directors for the year ending 30 June 2014 is detailed in the table on page 10 of this report.

**Executive Remuneration**

*Objective*

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- reward executives for Company, business unit and individual performance;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

*Structure*

In determining the level and make-up of executive remuneration, the Board reviews the executive roles on an annual basis. It is the Board's policy that employment contracts are entered into with the Chief Executive Officer and all senior executives.

**Fixed Remuneration**

The fixed remuneration of directors and executives is comprised of a base salary and superannuation. The fixed remuneration of executives is reviewed annually.

**Variable Remuneration – Long Term Incentives**

*Objective*

The objectives of long term incentives are to:

- align executives remuneration with the creation of shareholder wealth;
- recognise the ability and efforts of the directors, employees and consultants of the Company who have contributed to the success of the Company and to provide them with rewards where deemed appropriate;
- provide an incentive to the directors, employees and consultants to achieve the long term objectives of the Company and improve the performance of the Company; and
- attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its directors, employees and consultants.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**DIRECTORS' REPORT (CONTINUED)**

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

*Structure*

Long term incentives granted to senior executives are delivered in the form of options issued under the Employee Share and Option Plan.

*Company Performance*

It is not possible at this time to evaluate the Company's financial performance using generally accepted measures such as profitability, total shareholder return or peer company comparison as the Company is at a very early stage in the implementation of the corporate strategy. This assessment will be developed over the next few years.

The following information provides a summary of the Company's financial performance for the last five financial years:

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Loss before income tax	(10,088)	(13,224)	(86,337)	(11,127)	(2,142)
Earnings per share (cents/share)	(1.55)	(2.03)	(15.36)	(2.40)	(0.62)
Share price at Balance Date	N/A	N/A	0.08	0.26	0.11

*Relationship of Reward and Performance*

The value of options will represent a significant portion of an executive's salary package. The ultimate value to the executives of the options depends on the share price of IDM. The share price is the key performance criteria for the long term incentive as the realised value arising from options issued is dependent upon an increase in the share price to above the exercise price of the options.

*Long Term Incentive to Performance*

The objective of the long term incentive plan is to reward executives in a manner which aligns reward with the creation of shareholder wealth. As such this reward is only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance.

Long term incentives are delivered in the form of options. The grants issued under the Employee Share and Option Plan includes performance-based incentives which are based on the following:

- Commencement of Oregon plant construction
- Oregon plant commissioning
- Achieving production capacity from Oregon plant

If a director resigns before the vesting period the options will be forfeited and cannot be exercised, unless agreed by the board.

**Employment Contracts**

*Executives (standard contracts)*

Executives have rolling contracts. The Company may terminate the executive's employment contracts by providing up to 6 months written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). On termination on notice by the Company, any options that have vested during the notice period will be issued. Options that have not vested will be forfeited. Where termination with cause occurs, the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**DIRECTORS' REPORT (CONTINUED)**

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

**Remuneration of key management personnel**

**Table 1: Remuneration for the year ended 30 June 2014**

	Short Term				Post-Employment	Share Based Payment	Total	Performance Related	Remuneration consisting of options
	Salary & Fees	Non-Monetary Benefits	Consulting Fees	Other	Super-annuation	Options			
	\$	\$	\$		\$	\$	\$	%	%
<b>Non-executive directors</b>									
B C Bolitho	-	-	-	-	-	-	-	-	-
M J B Brickell	-	-	-	-	-	-	-	-	-
J T Mears	-	-	-	-	-	-	-	-	-
C L Wilson	-	-	-	-	-	-	-	-	-
A Julien	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
W Knott	47,123	-	262,500 <sup>a</sup>	-	-	(76,562) <sup>b</sup>	233,061	-	(33)
T M Lessard	99,530	-	-	8,749	-	-	108,279	-	-
B Hansen	104,419	-	-	3,102	-	1,111	108,632	1.02	1.02
	<b>251,072</b>	-	<b>262,500</b>	<b>11,851</b>	-	<b>(76,451)</b>	<b>449,972</b>		
<b>Totals</b>	<b>251,072</b>	-	<b>262,500</b>	<b>11,851</b>	-	<b>(76,451)</b>	<b>449,972</b>		

a: Amount represents payments made for services rendered post resignation.

b: Amount represents reversal of cumulative expense in prior period for options that did not ultimately vest.

**Table 2: Remuneration for the year ended 30 June 2013**

	Short Term				Post-Employment	Share Based Payment	Total	Performance Related	Remuneration consisting of options
	Salary & Fees	Non-Monetary Benefits	Consulting Fees	Other	Super-annuation	Options			
	\$	\$	\$		\$	\$	\$	%	%
<b>Non-executive directors</b>									
B C Bolitho	21,249	-	10,000	-	-	105,000	136,249	77.06	77.06
M J B Brickell	15,000	-	-	-	-	-	15,000	-	-
J T Mears	15,000	-	-	-	-	-	15,000	-	-
C L Wilson	76,361	-	-	-	-	-	76,361	-	-
D T Kong	15,000	-	-	-	-	-	15,000	-	-
	<b>142,610</b>	-	<b>10,000</b>	-	-	<b>105,000</b>	<b>257,610</b>		
<b>Executive directors</b>									
P J Garratt	46,000	-	-	-	-	-	46,000	-	-
	<b>46,000</b>	-	-	-	-	-	<b>46,000</b>		
S M Blacklock	219,999	-	-	-	-	-	219,999	-	-
D F Smith	76,922	28,719	-	96,466 <sup>#</sup>	-	-	202,107	-	47.73
W Knott	284,152	-	-	-	20,833	156,188	440,340	33.87	33.87
T M Lessard	107,849	2,080	-	-	-	-	109,929	-	-
J D Drew	78,138	1,465	-	-	-	-	79,603	-	-
B Hansen	76,510	89	-	-	-	5,675	82,274	6.90	6.90
	<b>843,570</b>	<b>32,353</b>	-	<b>96,466</b>	<b>20,833</b>	<b>161,862</b>	<b>1,134,252</b>		
<b>Totals</b>	<b>1,032,180</b>	<b>32,353</b>	<b>10,000</b>	<b>96,466</b>	<b>20,833</b>	<b>266,862</b>	<b>1,378,622</b>		

<sup>#</sup>: Amount represents severance payment made on resignation.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**DIRECTORS' REPORT (CONTINUED)**

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

**Table 3: Compensation options: Granted and vesting during the year ended 30 June 2014**

During the year no options were granted as remuneration (2013: 7,625,000) were granted as remuneration to employees that were not directors or key management personnel.

The following table shows the number of vested options granted to key management personnel.

	Granted		Terms & Conditions for each Grant				Vested	
	Number	Grant Date	Fair Value per option at grant date \$	Exercise price per option \$	Expiry Date	First Exercise Date	Number	%
<b>Other key management personnel</b>								
B Hansen	250,000	25 Feb 2011	\$0.104	\$0.16	4 Mar 2016	31 Oct 2011	250,000	100%
<b>Total</b>	<b>250,000</b>						<b>250,000</b>	

**Table 4: Compensation options: Granted and vesting during the year ended 30 June 2013**

During the year 7,625,000 options (2012: 3,000,000) were granted as remuneration to employees that were not directors or key management personnel.

The following table shows the number of options granted in 2013 and vested options granted in 2012 to directors and key management personnel.

	Granted		Terms & Conditions for each Grant				Vested	
	Number	Grant Date	Fair Value per option at grant date \$	Exercise price per option \$	Expiry Date	First Exercise Date	Number	%
<b>Other key management personnel</b>								
W Knott	6,000,000	17 Jun 12	\$0.05	\$0.10	17 Jun 2017	17 Jun 2013	3,000,000	50
B Hansen	250,000	25 Feb 2011	\$0.104	\$0.16	4 Mar 2016	31 Oct 2011	166,667	66.67%
<b>Total</b>	<b>6,250,000</b>						<b>3,166,667</b>	

For terms and conditions of the options, refer to page 12.

**Table 5: Compensation options: Forfeited during the year ended 30 June 2014**

The following table shows the number of options issued to key management personnel that were forfeited in 2014.

	Granted		Terms & Conditions for each Grant				Forfeited	
	Number	Grant Date	Fair Value per option at grant date \$	Exercise price per option \$	Expiry Date	First Exercise Date	Number	%
<b>Other key management personnel</b>								
W Knott	6,000,000	17 Jun 12	\$0.05	\$0.10	17 Jun 2017	17 Jun 2013	3,000,000	50
<b>Total</b>	<b>6,000,000</b>						<b>3,000,000</b>	

**IDM INTERNATIONAL LIMITED  
2014 ANNUAL REPORT**

**DIRECTORS' REPORT (CONTINUED)**

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

**Terms and conditions of unlisted Options expiring 5 July 2015 and 4 March 2016**

- (a) Each Option is exercisable on or before 5.00 pm Perth time on or before 05 July 2015 or 4 March 2016;
- (b) The Options will not be transferable or assignable to any person other than an Eligible Employee's nominee;
- (c) The Options held by each Option holder can be exercised in whole or in part, and if exercised in part multiples of no less than 500 must be exercised on each occasion;
- (d) The exercise price of each Option is \$0.10 or \$0.16;
- (e) The ESOP Options may be exercised by notice in writing to the Company received at any time following completion of the vesting period described in paragraph (l) and during the relevant exercise period together with a cheque for the exercise price and the option certificate (if any) for those Options for cancellation by the Company;
- (f) The Option holder will be permitted to participate in any new pro-rata issue of securities of the Company on prior exercise of the Options in which case the Option holder will be afforded the period of at least 9 Business Days prior to and inclusive of the record date to determine entitlements to the issue to exercise the Options;
- (g) The Options do not confer on the holder any right to participate in dividends until Shares are allotted pursuant to the exercise of the Options;
- (h) In the event of a reorganisation of the issued capital of the Company, the Options will be reorganised in accordance with the Listing Rules (if applicable) and in any case in a manner which will not result in any benefits being conferred on Option holders which are not conferred on Shareholders;
- (i) The number of Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to exercise of the Options so that, upon exercise of the Options the number of Shares received by the Option holder will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the record date for the bonus issues. The exercise price of the Options shall not change as a result of any such bonus issues;
- (j) Application will not be made for the Options to be granted quotation by ASX;
- (k) Subject to paragraph (i) above the Options do not confer on the holder any right to a change in the exercise price of the Options or a change to the number of underlying securities over which the Options can be exercised;
- (l) The Options issued will vest (ie. become able to be exercised) on the Company achieving certain milestones in relation to the development of the Oregon on the following dates for each class of option:

Options exercisable at \$0.10

<b>Number of Options</b>	<b>Vesting Date</b>
One third of number of Options issued	Commencement of Oregon plant construction
One third of number of Options issued	Oregon plant commissioning
One third of number of Options issued	Achieving production capacity from Oregon plant

Options exercisable at \$0.16

<b>Number of Options</b>	<b>Vesting Date</b>
One third of number of Options issued	Achieving production capacity from Oregon plant
One third of number of Options issued	One year anniversary on achieving production from Oregon plant.
One third of number of Options issued	Two year anniversary on achieving production from Oregon plant.

The Options may not be exercised prior to these Vesting Dates.

- (m) In the case of an Eligible Employee who ceases to be an employee of the Company within the vesting period described in paragraph (l) the Options will not be exercisable and will automatically expire; and
- (n) In the case of an Eligible Employee who ceases to be an employee after the vesting period described in paragraph (l) the Options will automatically expire 14 business days after the cessation of such employment or contracting provided that nothing in this paragraph will prevent the holder of any such Options exercising any of those Options during that 14 business day period.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**DIRECTORS' REPORT (CONTINUED)**

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

**Terms and conditions of unlisted Options expiring 1 November 2016**

- (a) Each Option, when exercised, entitles the holder to subscribe for and be allotted one Share in the capital of the Company.
- (b) The Options can be exercised in whole or in part, and if exercised in part multiples of 50,000 must be exercised on each occasion.
- (c) Each Option is exercisable at 23 cents payable in cash.
- (d) Each Option is non-transferable.
- (e) Each Option will expire 5.00 pm Perth time 59 months after the date of issue.
- (f) The Option holder cannot participate in any new issue of securities of the Company to Shareholders without exercising of the relevant Options in which case the Option holder will be afforded the period of at least 9 Business Days (as defined in ASX Listing Rules) prior to and inclusive of the record date to determine entitlements to the issue to exercise the relevant Options.
- (g) The Options do not confer on the holder any rights to participate in dividends until Shares are allocated pursuant to the exercise of the Options.
- (h) In the event of a reorganisation of the issued capital of the Company, the Options will be reorganised in accordance with the Listing Rules (if applicable) and in any case in a manner which will not result in any benefits being conferred on the Option-holder which are not conferred on Shareholders.
- (i) The number of Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to the exercise of the Options so that, upon exercise of the Options the number of Shares received by the Option-holder will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the record date for the bonus issues. The exercise price of the Options shall not change as a result of any such bonus issue.
- (j) Application will not be made for the Options to be granted quotation by ASX.
- (k) Subject to paragraph (i) above the Options do not confer on the holder any right to a change in the exercise price of the Options or a change to the number of underlying securities over which the Options can be exercised.
- (l) The vested Options of an Option-holder will expire unless exercised within one month of the date that the relevant person ceases to be employed by or to act as a Director of the Company or a subsidiary of the Company.
- (m) The Options granted will vest 12 months from issue.
- (n) If an Option-holder ceases to be employed by or to act as a Director of the Company or a subsidiary of the Company prior to any Options granted to that Option-holder having vested pursuant to paragraph (m) above, all non-vested Options granted to that Option-holder will thereupon be forfeited.

The above options were issued with no performance hurdles as they were issued as an incentive to attract and ensure the continuity of service of directors who have appropriate knowledge and expertise.

**Terms and conditions of unlisted Options expiring 17 June 2017**

- (a) Each Option is exercisable on or before 5.00 pm Perth time on or before 17 June 2017;
- (b) The Options will not be transferable or assignable to any person other than an Eligible Employee's nominee;
- (c) The Options held by each Option holder can be exercised in whole or in part, and if exercised in part multiples of no less than 500 must be exercised on each occasion;
- (d) The exercise price of each Option is \$0.10;
- (e) The ESOP Options may be exercised by notice in writing to the Company received at any time following completion of the vesting period described in paragraph (m) and during the relevant exercise period together with a cheque for the exercise price and the option certificate (if any) for those Options for cancellation by the Company;
- (f) The Option holder will be permitted to participate in any new pro-rata issue of securities of the Company on prior exercise of the Options in which case the Option holder will be afforded the period of at least 9 Business Days prior to and inclusive of the record date to determine entitlements to the issue to exercise the Options;
- (g) The Options do not confer on the holder any right to participate in dividends until Shares are allotted pursuant to the exercise of the Options;

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**DIRECTORS' REPORT (CONTINUED)**

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

**Terms and conditions of unlisted Options expiring 17 June 2017 (continued)**

- (h) In the event of a reorganisation of the issued capital of the Company, the Options will be reorganised in accordance with the Listing Rules (if applicable) and in any case in a manner which will not result in any benefits being conferred on Option holders which are not conferred on Shareholders;
- (i) In the event of a reorganisation of the issued capital of the Company, the Options will be reorganised in accordance with the Listing Rules (if applicable) and in any case in a manner which will not result in any benefits being conferred on holders which are not conferred on Shareholders;
- (j) The number of Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to exercise of the Options so that, upon exercise of the Options the number of Shares received by the Option holder will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the record date for the bonus issues. The exercise price of the Options shall not change as a result of any such bonus issues;
- (k) Application will not be made for the Options to be granted quotation by ASX;
- (l) Subject to paragraph (j) above the Options do not confer on the holder any right to a change in the exercise price of the Options or a change to the number of underlying securities over which the Options can be exercised;
- (m) The Options issued will vest (ie. become able to be exercised) on the following:

<b>Number of Options</b>	<b>Vesting Date</b>
50% of number of Options issued	After 1 year of service
50% of number of Options issued	After 2 years of service

The Options may not be exercised prior to these Vesting Dates.

- (n) In the case of an Eligible Employee who ceases to be an employee of the Company within the vesting period described in paragraph (m) the Options will not be exercisable and will automatically expire; and
- (o) In the case of an Eligible Employee who ceases to be an employee after the vesting period described in paragraph (m) the Options will automatically expire 14 business days after the cessation of such employment or contracting provided that nothing in this paragraph will prevent the holder of any such Options exercising any of those Options during that 14 business day period.

**Shares issued on Exercise of Compensation Options**

There were no shares issued on the exercise of compensation options during the financial years ended 30 June 2014 or 30 June 2013.

**Option holdings of Key Management Personnel at 30 June 2014 (Consolidated)**

	<i>Balance at beginning of period 01 July 13</i>	<i>Granted as Remuneration</i>	<i>Options Exercised</i>	<i>Net Change Other</i>	<i>Balance at end of period 30 Jun 14</i>	<i>Exercisable</i>	<i>Not Exercisable</i>
<b>Directors</b>							
B C Bolitho	3,000,000	-	-	-	3,000,000	3,000,000	-
M J B Brickell	2,000,000	-	-	-	2,000,000	2,000,000	-
C L Wilson	4,750,000	-	-	-	4,750,000	4,750,000	-
J T Mears*	-	-	-	-	-	-	-
A Julien**	-	-	-	-	-	-	-
<b>Executives</b>							
W Knott*	6,000,000	-	-	(6,000,000)	-	-	-
T M Lessard*	3,500,000	-	-	(3,500,000)	-	-	-
B Hansen	250,000	-	-	-	250,000	250,000	-
<b>Total</b>	<b>19,500,000</b>	<b>-</b>	<b>-</b>	<b>(9,500,000)</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>-</b>

\* resigned during the period.

\*\* appointed during the period.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**DIRECTORS' REPORT (CONTINUED)**

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

**Option holdings of Key Management Personnel at 30 June 2013 (Consolidated)**

	<i>Balance at beginning of period 01 July 12</i>	<i>Granted as Remuneration</i>	<i>Options Exercised</i>	<i>Net Change Other</i>	<i>Balance at end of period 30 Jun 13</i>	<i>Exercisable</i>	<i>Not Exercisable</i>
<b>Directors</b>							
BC Bolitho	3,000,000	-	-	-	3,000,000	3,000,000	-
P J Garratt*	-	-	-	-	-	-	-
M J B Brickell	2,000,000	-	-	-	2,000,000	2,000,000	-
C L Wilson	4,750,000	-	-	-	4,750,000	4,750,000	-
J T Mears	-	-	-	-	-	-	-
D Kong*	-	-	-	-	-	-	-
<b>Executives</b>							
W Knott	-	6,000,000	-	-	6,000,000	3,000,000	3,000,000
D F Smith*	5,500,000	-	-	(5,500,000)	-	-	-
S M Blacklock*	4,750,000	-	-	(4,750,000)	-	-	-
T M Lessard	3,500,000	-	-	-	3,500,000	3,500,000	-
J D Drew*	3,500,000	-	-	(3,500,000)	-	-	-
B Hansen	250,000	-	-	-	250,000	166,667	83,333
<b>Total</b>	<b>27,250,000</b>	<b>6,000,000</b>	<b>-</b>	<b>(13,750,000)</b>	<b>19,500,000</b>	<b>16,416,667</b>	<b>3,083,333</b>

\* resigned during the period.

**Shareholdings of Key Management Personnel at 30 June 2014 (Consolidated)**

*(i) Fully paid ordinary shares*

	<i>Balance 30 Jun 13</i>	<i>Granted as Remuneration</i>	<i>On Exercise of Options</i>	<i>Net Change Other</i>	<i>Balance 30 Jun 14</i>
<b>Directors</b>					
B C Bolitho	-	-	-	-	-
M J B Brickell	3,121,428	-	-	-	3,121,428
C L Wilson	-	-	-	-	-
J T Mears*	-	-	-	-	-
A Julien	-	-	-	-	-
<b>Executives</b>					
W Knott*	-	-	-	-	-
T M Lessard*	-	-	-	-	-
B Hansen	-	-	-	-	-
<b>Total</b>	<b>3,121,428</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,121,428</b>

\* resigned during the period.

**IDM INTERNATIONAL LIMITED  
2014 ANNUAL REPORT**

**DIRECTORS' REPORT (CONTINUED)**

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

**Shareholdings of Key Management Personnel at 30 June 2013 (Consolidated)**

(i) Fully paid ordinary shares

	<i>Balance 30 Jun 12</i>	<i>Granted as Remuneration</i>	<i>On Exercise of Options</i>	<i>Net Change Other</i>	<i>Balance 30 Jun 13</i>
<b>Directors</b>					
B C Bolitho	-	-	-	-	-
P J Garratt*	26,068,988	-	718,487	(26,787,475)	-
M J B Brickell	2,985,714	-	135,714	-	3,121,428
C L Wilson	-	-	-	-	-
J T Mears	-	-	-	-	-
D Kong*	-	-	-	-	-
<b>Executives</b>					
W Knott	-	-	-	-	-
D F Smith*	-	-	-	-	-
S M Blacklock*	-	-	-	-	-
T M Lessard	-	-	-	-	-
J D Drew*	-	-	-	-	-
B Hansen	-	-	-	-	-
<b>Total</b>	<u>29,054,702</u>	<u>-</u>	<u>854,201</u>	<u>(26,787,475)</u>	<u>3,121,428</u>

\* resigned during the period.

All equity transactions with key management personnel have been entered into under terms no more favourable than those the Group would have adopted if dealing at arm's length.

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

*Purchases*

During the year, fees of \$nil (2013 \$46,000) 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: \$220,000) 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.

\*\*\* End of Remuneration Report (Audited) \*\*\*

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS' MEETINGS**

The number of meetings of the Directors (including the Audit and Compliance committee) held during the year which each director was eligible to attend. The number of meetings attended by each director was as follows:

	Board of Directors		Audit & Compliance Committee	
	Held	Attended	Held	Attended
<i>Current Directors</i>				
B C Bolitho	2	2	-	-
M J B Brickell	2	2	-	-
C L Wilson	2	2	-	-
J T Mears*	2	2	-	-
A Julien**	-	-	-	-
*resigned 14 May 2014				
**appointed 30 October 2013				

**Committee membership**

Members of the Audit & Compliance Committee during the year were M J B Brickell (Chairman), C L Wilson and B C Bolitho.

Other directors and officers may attend meetings of the Audit and Compliance Committee at the invitation of the Chairman. The details of the functions and membership of the Audit and Compliance Committee of the Board are included in the Statement of Corporate Governance Practices.

**INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

The Company has entered into Deeds of Indemnity with the Directors indemnifying them against certain liabilities and costs to the extent permitted by law.

The Company has also agreed to pay a premium in respect of Directors' and Officers' Liability Insurance and Company Reimbursement policies, which cover all directors and officers of the Company. The policy conditions preclude the Company from any detailed disclosures of the cover and premium.

**INDEMNIFICATION OF AUDITORS**

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

**CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of IDM International Limited adhere to principles of corporate governance. The Company's corporate governance statement is included on page 20 of this annual report.

**AUDITOR INDEPENDENCE**

The Directors received the declaration included on page 19 of this annual report from the auditor of IDM International Limited.

**NON-AUDIT SERVICES**

During the year there were no non-audit services provided by the Group's auditor, Ernst & Young.

**IDM INTERNATIONAL LIMITED  
2014 ANNUAL REPORT**

**DIRECTORS' REPORT (CONTINUED)**

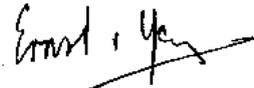
Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Barry Bolitho', is displayed within a light blue rectangular box.

Barry Bolitho  
Director  
Perth, Western Australia  
17 April 2015

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

In relation to our audit of the financial report of IDM International Limited for the financial year ended 30 June 2014, 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

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**CORPORATE GOVERNANCE STATEMENT**

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of IDM International Limited (formerly Industrial Minerals Corporation Limited) (“IDM”) adhere to strict principles of corporate governance.

The Board of Directors of IDM is responsible for the overall corporate governance of the Company, guiding and monitoring the business and affairs of Industrial Minerals on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Corporate Governance Statement is structured with reference to the Australian Stock Exchange Corporate Governance Council’s (“Council”) Principles of Good Corporate Governance and Best Practice Recommendations and the revised second edition of the ASX Principles and Recommendations. In accordance with the recommendations of the Council, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the year. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. IDM’s Corporate Governance Statement has been structured with reference to the Council’s principles and recommendations. The following is a summary of Industrial Minerals’ adherence to the Council’s principles and recommendations:

**Principle 1. Lay the foundations for management and oversight**

IDM largely complies with this recommendation except the Board and senior management of IDM actively participate in the operations of the Company due to the nature of the Company’s current operations.

**Principle 2. Structure the Board to add value**

IDM complies with this recommendation.

**Principle 3. Promote ethical and responsible decision making**

IDM complies with this recommendation.

**Principle 4. Safeguard integrity in financial reporting**

IDM largely complies with this recommendation. Due to the uncertainty of IDM’s future, the board put the company into suspension. Due to the financial condition of the Company the Board decided to keep costs to a minimum, until it had some certainty over the future of the Company..

**Principle 5. Make timely and balanced disclosure**

IDM complies with this recommendation.

**Principle 6. Respect the rights of shareholders**

IDM complies with this recommendation.

**Principle 7. Recognise and manage risk**

IDM complies with this recommendation.

**Principle 8. Remunerate fairly and responsibly**

IDM complies with this recommendation except that it has not established a Remuneration Committee. The objective of granting options is to ensure maximum stakeholder benefit is achieved from the retention of a high quality Board and to provide incentive to directors identify new commercial opportunities for the Company.

The IDM Corporate Governance Policies and Procedures are largely consistent with the Council’s best practice recommendations. The process to achieve consistency with the Council’s recommendations are gradual and where the Company’s corporate governance practices do not correlate with the practices recommended by the Council, the Company does not consider that the practices are appropriate for the Company due to the scale and nature of the Company’s operations.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered.

<b>Recommendation</b>	<b>Section</b>
Recommendation 1.1 Functions of the Board and Management	1.1
Recommendation 1.2 Senior Executive Evaluation	1.3
Recommendation 1.3 Reporting on Principle 1	2.6
Recommendation 2.1 Independent Directors	1.2
Recommendation 2.2 Independent Chair	1.2
Recommendation 2.3 Role of the Chair and CEO	1,2
Recommendation 2.4 Establishment of Nomination Committee	2.3
Recommendation 2.5 Board and Individual Director Evaluation	1.4.10
Recommendation 2.6 Reporting on Principle 2	The Directors' Report
Recommendation 3.1 Code of Conduct	2.5
Recommendation 3.2 Company Securities Trading Policy	1.4.9
Recommendation 3.3 Reporting on Principle 3	1.1
Recommendation 4.1 Establishment of Audit Committee	2.1
Recommendation 4.2 Structure of the Audit Committee	2.1
Recommendation 4.3 Audit Committee Charter	2.1
Recommendation 4.4 Reporting on Principle 4	2.1
Recommendation 5.1 Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2 Reporting on Principle 5	2.6
Recommendation 6.1 Communications Strategy	1.4.8 and 2.6
Recommendation 6.2 Reporting on Principle 6	1.4.8 and 2.6
Recommendation 7.1 Policies on Risk Oversight and Management	2.1
Recommendation 7.2 Risk Management Report	1.4.11
Recommendation 7.3 CEO and CFO Assurance	1.4.11
Recommendation 7.4 Reporting on Principle 7	2.6
Recommendation 8.1 Establishment of Remuneration Committee	2.3
Recommendation 8.2 Executive and Non-Executive Director Remuneration	2.3
Recommendation 8.3 Reporting on Principle 8	2.6

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**1. Board of Directors**

**1.1 Role of the Board**

The Board's current role is to collectively govern and manage the Company. The Directors must act in the best interests of the Company as a whole. It is the role of the Board to govern and manage the Company in accordance with the stated objectives of the Company.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors in the performance of their roles.

**1.2 Composition of the Board**

To add value to the Company, the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are stated on pages 1 to 2 of the Directors' Report. Directors are appointed based on their experience and on the independence of their decision-making and judgment.

The Company's Constitution provides for the appointment of a minimum number of directors as three with the maximum determined by the Board. Currently the Company has four directors, all of whom are non-executive directors. The Constitution does not require a shareholding qualification for directors.

The Company recognises the importance of non-executive directors and the external perspective and advice that non-executive directors can offer.

An independent director:

- Is a non-executive director and;
- Is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- Within the last three years has not been employed in an executive capacity by the Company or another company member, or been a Director after ceasing to hold any such employment;
- Within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another company member, or an employee materially associated with the service provided;
- Is not a material supplier or customer of the Company or another company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Has no material contractual relationship with the Company or other company member other than as a Director of the Company;
- Has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Mr Brickell is a Non-Executive Director and holds the position of Deputy Chairman. Mr Brickell does meet the Company's criteria for independence.

Up until January 2011, Ms Wilson held the position of Executive Director and President of Oregon Resources Corporation Inc. and is responsible for management of the Company's US operations, negotiating arrangements with third parties, advising the Board on the strategic direction of the Company, assessing new opportunities and risks and monitoring the operating performance of the Company and therefore does not meet the Company's criteria for independence.

Mr Mears is a Non-Executive Director. Mr Mears is a member of the Investment Team of Sentient Group since its inception in 2001. Mr Mears is the Chief Geologist for Sentient. Sentient is a major shareholder of the Company and therefore does not meet the Company's criteria for independence.

Mr Julien is a Non-Executive Director. Mr Julien is a nominee of the Sentient Group. Sentient is a major shareholder of the Company and therefore does not meet the Company's criteria for independence.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

Mr Bolitho is a Non-executive Director and also holds the position of Chairman. Mr Bolitho does meet the Company's criteria for independence.

**1.3 Responsibilities of the Board**

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

- (i) Leadership of the organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees.
- (ii) Strategy formulation: working to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- (iii) Overseeing planning activities: overseeing the development of the Company's strategic plan and approving that plan as well as the annual and long-term budgets.
- (iv) Shareholder liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- (v) Monitoring, compliance and risk management: overseeing the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- (vi) Company finances: approving expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestitures and financial and other reporting.
- (vii) Human resources: appointing, and, where appropriate, removing Chief Executive Officer and Chief Financial Officer as well as reviewing their performance and monitoring the performance of senior management in their implementation of the Company's strategy.
- (viii) Ensuring the health, safety and well-being of employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- (ix) Delegation of authority: where appropriate delegating appropriate powers to the Company's executives to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of any Committees of the Board.

**1.4 Board Policies**

**1.4.1 Conflicts of Interest**

Directors must disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company and if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest. If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

**1.4.2 Commitments**

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

**1.4.3 Confidentiality**

In accordance with legal requirements and agreed ethical standards, Directors of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

*1.4.4 Continuous Disclosure*

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

- Concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- That would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Upon confirmation of receipt from the ASX, the Company is able to publish the information in accordance with this policy.

*1.4.5 Education and Induction*

New Directors undergo an induction process in which they are given a full briefing on the Company. Information conveyed to new Directors includes:

- Details of the roles and responsibilities of a Director with an outline of the qualities required to be a successful Director;
- Formal policies on Director appointment as well as conduct and contribution expectations;
- Details of all relevant legal requirements;
- A copy of the Board Charter;
- Guidelines on how the Board processes function;
- Details of past, recent and likely future developments relating to the Board including anticipated regulatory changes;
- Background information on and contact information for key people in the organisation including an outline of their roles and capabilities;
- An analysis of the Company;
- A synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget; and
- A copy of the Constitution of the Company.

*1.4.6 Independent Professional Advice*

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

*1.4.7 Related Party Transactions*

Related party transactions include any financial transaction between a Director and the Company and will be reported in writing to each Board meeting. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

*1.4.8 Shareholder Communication*

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- (i) Communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;
- (ii) Giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- (iii) Making it easy for shareholders to participate in general meetings of the Company; and
- (iv) Requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company has a website at and also makes available a telephone number for shareholders to make enquiries of the Company.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

*1.4.9 Trading in Company Shares*

The Company has a Share Trading Policy under which Directors are required to discuss their intention to trade in the Company's securities with the Chairman prior to trading. Consideration will be given in these discussions to any special circumstances (e.g. financial hardship).

Directors must not trade in the shares of any other entity if inside information on such entity comes to the attention of the director by virtue of holding office as a director of the Company.

The following guidelines are to be observed by Directors and employees of IDM:

- Securities may be purchased or sold during the two week period immediately following the release of Industrial Minerals' half-yearly and final results ("results announcements") (subject to observing the additional approval requirements set out below).
- Securities should not be purchased or sold during the two week period preceding any results announcements.
- Securities should not be purchased or sold preceding any material ASX announcement by Industrial Minerals, if the employee is aware that it is likely that such an announcement will be made.
- Securities should not be purchased or sold for the purpose of short term speculation.
- Securities may be purchased or sold at other times (subject to additional disclosure requirements established by the Board).

In addition, consistent with the law, designated officers are prohibited from trading in the Company's securities while in the possession of unpublished price sensitive information concerning the Company. Unpublished price sensitive information is information regarding the Company of which the market is not aware and that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Notice of an intention to trade must be given prior to trading in the Company's securities as well as a confirmation that the person is not in possession of any unpublished price sensitive information. The completion of any such trade by a Director must also be notified to the Company Secretary who in turn advises the ASX.

*1.4.10 Performance Review/Evaluation*

The Board intends to commence an evaluation of its performance annually.

There was no evaluation conducted during the financial year.

*1.4.11 CEO and CFO certification*

In accordance with section 295A of the *Corporations Act*, the Chief Executive Officer and Chief Financial Officer have provided a written statement to the board that:

- their view provided on the Group's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- the Group's risk management and internal compliance and control system is operating effectively in all material respects.

The board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

In response to this, internal control questions are required to be completed by the key management personnel to support of these written statements.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**2. Board Committees**

**2.1 Audit & Compliance Committee**

The Board has adopted an Audit and Compliance Committee which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the Company to deal with the effectiveness and efficiency of business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. The Board has delegated the responsibility for the establishment and maintenance of the internal control framework and ethical standards to the Audit and Compliance Committee. The committee's responsibilities include the following:

- Oversee and appraise the independence, quality and extent of the total audit effort;
- Perform an independent overview of the financial information prepared by Company management for shareholders and prospective shareholders;
- Evaluate the adequacy and effectiveness of the Company's and the Company's risk management and financial control, and other internal control systems and evaluate the operation thereof;
- Review and endorse the annual and half year attestation statements in accordance with regulatory requirements;
- The appointment of external auditors;
- Review and implement risk management and internal control structures appropriate to the needs of IDM;
- Monitor compliance issues applicable laws and regulations, particularly compliance with the Stock Exchange Listing Rules;
- Review all public releases to the ASX of material consequence, prior to release to the market; and
- Review of Corporate Governance Practices.

The members of the Audit and Compliance Committee during the year were Messrs M J B Brickell, B C Bolitho, C L Wilson.

Mr Brickell (FCA.) has over 40 years of experience at senior management levels in retail business enterprises in England, Europe and North America. He is also a director of a number of public listed companies and is a Fellow of the Institute of Chartered Accountants in England & Wales.

Mr B C Bolitho is a Non- Executive Director. Mr Bolitho has tertiary qualifications in metallurgy and chemistry, and has extensive operational experience in a number of metals, including base metals, mineral sands and precious sands.

Ms C L Wilson has over 20 years' experience in the mineral resources industry and a wide range of management experience in banking, law, marketing and corporate development.

**2.2 Remuneration Committee**

The Directors have elected not to appoint a Remuneration Committee due to the scale and nature of the Company's activities.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board by remunerating directors fairly and appropriately with reference to relevant market conditions. To assist in achieving this objective, the Board attempts to link the nature and amount of directors' emoluments to the Company's performance. The outcome of the remuneration structure is:

- Reward executives for Company and individual performance against appropriate benchmarks;
- Review and evaluation performance of executives;
- Align the interests of the executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure remuneration is comparable to market standards.

For details of the amount of remuneration and all monetary and non-monetary components for each of the directors during the financial year, refer to page 10 of the Directors' Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to directors.

## **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

### **2.3      *Nomination Committee***

The Directors have elected not to appoint a Nomination Committee due to the scale and nature of the Company's activities.

Subject to the provision of the Company's Constitution, the issues of Board composition and selection criteria for directors are dealt with by the full Board. The Board continues to have the mix of skills and experience necessary for the conduct of the Company's activities.

The Constitution provides for events whereby directors may be removed from the Board. Similarly shareholders have the ability to nominate, appoint and remove directors. In addition, the Constitution provides for the regular rotation of directors which ensures that directors seek re-election by shareholders at least once every three years.

Given these existing regulatory requirements, directors are not appointed for a specified term and directors' continuity of service is in the hands of shareholders.

### **2.4      *Company Code of Conduct***

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole. This Code includes the following:

#### *Responsibilities to Shareholders and the Financial Community Generally*

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

#### *Responsibilities to Clients, Customers and Consumers*

Each employee has an obligation to use their best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers. The Company for its part is committed to providing clients, customers and consumers with fair value.

#### *Employment Practices*

The Company endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources.

#### *Obligations Relative to Fair Trading and Dealing*

The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers, competitors and other employees and encourages its employees to strive to do the same.

#### *Responsibilities to the Community*

As part of the community the Company is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs.

#### *Responsibility to the Individual*

The Company is committed to keeping private information collected during the course of its activities, confidential and protected from uses other than those for which it was provided.

#### *Conflicts of Interest*

Employees and Directors must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

## **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

### *Diversity*

The Board has not adopted a separate diversity policy, however is committed to workplace diversity and recognises the benefits arising from recruitment, development and retention of talented, diverse and motivated workforce. The Company is not of a sufficient size to justify measurable objectives at this stage. As at 30 June 2014, there were 3 women in the Groups workforce of 12, 2 of which held key executive positions and one as a board member.

### *How the Company Complies with Legislation Affecting its Operations*

Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

### *How the Company Monitors and Ensures Compliance with its Code*

The Board, management and all employees of the Company are committed to implementing this Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code.

## **2.6 Shareholder Communication**

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows:

- The Annual Financial Report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). The Board ensures that the annual report includes relevant information about the operations of the Company during the financial year, changes in the state of affairs of the Company and details of future developments, in addition to other disclosures required by the Corporations Act 2001;
- Release of a Half-Yearly Report to the Australian Stock Exchange Limited
- The Company's website at [www.idminternational.net](http://www.idminternational.net); and
- Proposed major changes in the economic entity which may impact on share ownership rights are submitted to a vote of shareholders.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Shareholders are responsible for voting on appointment of directors, appointment of auditors, level of remuneration of Non-Executive Directors and any matters of special business.

**Financial Statements**  
**FOR THE YEAR ENDED 30 JUNE 2014**

## Consolidated statement of financial position

AS AT 30 JUNE 2014

	Notes	CONSOLIDATED	
		2014 \$'000	2013 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	10	159	1,539
Trade and other receivables	11	47	79
Prepayments		17	59
Inventory	12	73	344
<b>Total Current Assets</b>		<b>296</b>	2,021
<b>Non-current Assets</b>			
Other financial assets	13	930	1,065
Property, plant and equipment	14	14,034	17,003
Mine properties and development	15	1,066	677
<b>Total Non-current Assets</b>		<b>16,030</b>	18,745
<b>TOTAL ASSETS</b>		<b>16,326</b>	20,766
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	16	1,483	2,897
Provisions	17	209	431
Loan and borrowings	18	63,389	57,249
<b>Total Current Liabilities</b>		<b>65,081</b>	60,577
<b>Non-current Liabilities</b>			
Loans and borrowings	18	47	190
<b>Total Non-current Liabilities</b>		<b>47</b>	190
<b>TOTAL LIABILITIES</b>		<b>65,128</b>	60,767
<b>NET LIABILITIES</b>		<b>(48,802)</b>	(40,001)
<b>SHAREHOLDERS' DEFICIT</b>			
<b>Equity attributable to equity holders of the parent</b>			
Contributed equity	19	86,549	86,549
Reserves	20	(6,430)	(7,717)
Accumulated losses	20	(128,921)	(118,833)
<b>TOTAL SHAREHOLDERS' DEFICIT</b>		<b>(48,802)</b>	(40,001)

## Consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	CONSOLIDATED	
		2014	2013
		\$'000	\$'000
Revenue from sale of goods		246	9,876
Other income	5	<u>1,482</u>	<u>5,673</u>
		<b>1,728</b>	<b>15,549</b>
Changes in inventories		(246)	(6,780)
Raw materials and consumables used		(274)	(6,796)
Other administration expenses		(752)	(1,065)
Depreciation and amortisation		(2,526)	(2,460)
Board expenses		-	(189)
Compliance expenses		(167)	(183)
Employment expenses	6(a)	(658)	(4,030)
Other expenses	6(b)	(129)	(54)
Interest expenses	6(c)	(7,064)	(6,117)
Impairment - inventory		<u>-</u>	<u>(1,099)</u>
<b>Loss before income tax</b>		<u><b>(10,088)</b></u>	<u><b>(13,224)</b></u>
Income tax expense	7	<u>-</u>	<u>-</u>
<b>Net loss for the year</b>		<u><b>(10,088)</b></u>	<u><b>(13,224)</b></u>
<b>Other comprehensive (loss) / income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Net foreign currency translation		<u>1,352</u>	<u>(4,155)</u>
<b>Total comprehensive loss for the year</b>		<u><b>(8,736)</b></u>	<u><b>(17,379)</b></u>
Total comprehensive loss attributable to the owners of the Company		<u><b>(8,736)</b></u>	<u><b>(17,379)</b></u>
<b>Loss per share for loss attributable to the ordinary equity holders of the Company:</b>			
Basic loss per share (cents per share)	9	(1.55)	(2.03)
Diluted loss per share (cents per share)	9	(1.55)	(2.03)

## Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Contributed Equity \$'000	Option Issue Reserve \$'000	Foreign Currency Reserve	Accumulated Losses \$'000	Total \$'000
<b>Balance at 1 July 2012</b>		86,549	6,302	(10,323)	(105,609)	(23,081)
Loss for the year		-	-	-	(13,224)	(13,224)
Other comprehensive income		-	-	(4,155)	-	(4,155)
<b>Total comprehensive income</b>		-	-	(4,155)	(13,224)	(17,379)
<b>Transactions by owners recorded directly in equity:</b>						
Share based payments	20	-	459	-	-	459
<b>Balance at 30 June 2013</b>		86,549	6,761	(14,478)	(118,833)	(40,001)
<b>Balance at 1 July 2013</b>		<b>86,549</b>	<b>6,761</b>	<b>(14,478)</b>	<b>(118,833)</b>	<b>(40,001)</b>
Loss for the year		-	-	-	(10,088)	(10,088)
Other comprehensive income		-	-	1,352	-	1,352
<b>Total comprehensive income</b>		-	-	1,352	(10,088)	(8,736)
<b>Transactions by owners recorded directly in equity:</b>						
Share based payments	20	-	(65)	-	-	(65)
<b>Balance at 30 June 2014</b>		<b>86,549</b>	<b>6,696</b>	<b>(13,126)</b>	<b>(128,921)</b>	<b>(48,802)</b>

## Consolidated statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	CONSOLIDATED	
		2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		300	8,167
Payments to suppliers and employees		(3,213)	(13,735)
Interest paid		(113)	(55)
<b>Net cash flows used in operating activities</b>	21	<b>(3,026)</b>	<b>(5,623)</b>
<b>Cash flows from investing activities</b>			
Interest received		2	7
Proceeds from refund of security bonds		108	-
Proceeds from sale of property, plant and equipment		43	-
Payments for construction		(46)	-
Purchase of plant and equipment		(85)	(309)
Payment for exploration and evaluation		(418)	-
<b>Net cash flows used in investing activities</b>		<b>(396)</b>	<b>(302)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		2,346	5,778
Repayment of borrowings		(295)	(178)
<b>Net cash flows from financing activities</b>		<b>2,051</b>	<b>5,600</b>
Net decrease in cash and cash equivalents		(1,371)	(325)
Net foreign exchange differences		(9)	177
Cash and cash equivalents at beginning of financial year		<b>1,539</b>	<b>1,687</b>
<b>Cash and cash equivalents at end of financial year</b>	10	<b>159</b>	<b>1,539</b>

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

---

## 1 CORPORATE INFORMATION

The financial report of IDM International Limited for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 17 April 2015.

IDM International Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange Limited. It is domiciled in Australia.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

The address of the registered office is Level 2, 23 Barrack Street, Perth, WA 6000.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except royalty obligations which are stated at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

#### *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 net profit/loss of \$10.088million for the year ended 30 June 2014. It had net current liabilities of \$64.785million and net liabilities of \$48.802 million at 30 June 2014.

As at 30 June 2014 the Group was in breach of its borrowing covenants of its loans and had debt repayments of \$51.854 million due as a result of the breach.

Notwithstanding the above, the directors considered the going concern basis to be appropriate as, subsequent to year end:

- 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 YEAR ENDED 30 JUNE 2014**

---

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 or to the amounts and classification of liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

#### **(b) Basis of consolidation**

The consolidated financial statements comprise the financial statements of IDM International Limited and its controlled subsidiary as at 30 June each year (“the Group”).

Subsidiaries are those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

The subsidiary is fully consolidated from the date on which control is obtained by the Group and would cease to be consolidated from the date of which control is transferred out of the Group.

#### **(c) Statement of compliance**

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### **(d) New accounting standards and interpretations**

##### **(i) Changes in accounting policy and disclosures**

The accounting policies applied by the Group in this 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.

In the year ended 30 June 2014, the Directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the group’s operations and effective for the current annual reporting period.

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 year.

## **Notes to the Financial Statements (continued)**

**FOR THE YEAR ENDED 30 JUNE 2014**

---

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(d) New accounting standards and interpretations (Continued)**

New and revised Standards and amendments thereof and Interpretations effective for the current 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 financial report.

#### **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.

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

---

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) New accounting standards and interpretations (Continued)

##### 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.

#### (ii) New accounting standards and interpretations issued but not yet effective (Continued)

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2014 are outlined in the table below:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2018
AASB 15 Revenue from Contracts with Customers	1 January 2017	30 June 2017
AASB 2014-4 'Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	1 January 2016	30 June 2016
AASB 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2017
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	1 January 2016	30 June 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016	30 June 2016
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	1 July 2015	30 June 2016

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. As a result of this review the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group's business, with the exception of the adoption of AASB 15 and AASB 9 is expected to have some impact on the Group's financial statements. At this early stage, that impact has not yet been fully assessed.

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 YEAR ENDED 30 JUNE 2014**

---

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(d) Cash and cash equivalents**

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### **(e) Foreign currency translation**

##### *(i) Functional and presentation currency*

The functional and presentation currency of IDM International Limited is Australian dollars (AUD). The functional currency of Oregon Resources Corporation Inc. is United States dollars (USD).

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

##### *(ii) Transactions & balances*

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

##### *(iii) Translation of foreign operations*

As at the reporting date the assets and liabilities of Oregon Resources Corporation Inc. ("ORC") are translated into the presentation currency of IDM International Limited at the rate of exchange ruling at the reporting date and its income and expenditure are translated at the exchange rate ruling at the date of transactions. The exchange differences arising on the translation are taken to Other Comprehensive Income and transferred to a separate component of equity. On consolidation, exchange differences arising from the translation of the net investment in ORC and of borrowings designated as hedges of net investment are taken to the foreign currency translation reserve.

If ORC was sold, the exchange differences would be transferred out of equity and recognised in the profit or loss.

#### **(f) Trade and other receivables**

Trade receivables, which generally have 0-30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Company will not be able to collect the debt.

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

---

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (g) Inventories

Finished goods, work-in-process and ore stockpiles are physically measured or estimated by periodic surveys and valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling final product. Net realisable value tests are performed at least annually and represent the estimated future sales price of the product based on current sales contracts at the reporting date, less estimated costs to convert the inventories into saleable form and estimated costs to sell and transport from inventory location to end user.

Cost is determined by the First in First Out ("FIFO") method and comprises an appropriate portion of fixed and variable overhead costs, including depletions, depreciation and amortisation, incurred in converting materials into finished goods.

Materials or supplies are valued at the lower of cost and net realisable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

#### (h) Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial instruments: Recognition and measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets on initial recognition.

##### *(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised costs using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### (i) Exploration and evaluation expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the area of interest method. Mineral property acquisition costs are initially capitalised as tangible assets when purchased. The Company assesses the carrying costs for impairment when indicators of impairment exist. Mineral property exploration costs are expensed as incurred.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Depreciation is charged using the units-of production method, with separate calculations being made for each area of interest. The units of production basis results in a depreciation charge proportional to the depletion of proved and probable reserves.

##### *Impairment*

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Any impairment losses are recognized in the income statement. If evidence exists that indicates that an impairment should be reversed, then the reversal is recorded in the income statement.

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

---

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) Mine properties & development

Expenditure on the acquisition and development of mine properties within an area of interest are carried forward at cost separately for each area of interest. Accumulated expenditure is amortised over the life of the area of interest to which such costs relate on a production output basis.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

##### *Impairment*

The carrying value of capitalised mine properties and development expenditure is assessed for impairment whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

The recoverable amount of capitalised mine properties and development expenditure 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 an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value less costs of disposal.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the profit or loss.

#### (k) Property, plant and equipment

##### *Recognition*

On initial acquisition, land, buildings, plant and equipment are valued at cost, being the purchase price, the directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary for assets to be capable of operating in the manner intended by management, any capitalized borrowing costs and an estimate of dismantling and restoration costs. In subsequent periods, buildings, plant and equipment are stated at cost less accumulated depreciation and any impairment in value, whilst land is stated at cost less any impairment in value and is not depreciated.

Where an item of property, plant and equipment is disposed of, it is derecognized and the difference between its carrying value and net sales proceeds is disclosed as a profit or loss on disposal in the income statement. Any items of property, plant or equipment that cease to have future economic benefit expected to arise from their continued use or disposal are derecognized with any gain or loss included in the income statement in the financial year in which the item is derecognized.

## **Notes to the Financial Statements (continued)**

**FOR THE YEAR ENDED 30 JUNE 2014**

---

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(k) Property, plant and equipment (continued)**

##### *Depreciation / Amortisation / Depletion*

Depreciation is provided so as to write off of cost, less estimated residual values of buildings, plant and equipment (based on the prices prevailing at the balance sheet date).

Mine production assets are depreciated using a unit of production methodology based on estimated economically recoverable reserves, which results in a depreciation charge proportional to the depletion of reserves. Buildings, plant and equipment unrelated to the mine sites are depreciated using the straight-line method based on estimated useful lives. Where parts of an asset have different useful lives, depreciation is calculated on each separate part. Each item, or part's estimated useful life has due regard to both its own physical life limitations and the present assessment the Company's ability to recover the cost of such assets and to possible future variation in those assessments. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates which affect units of production are accounted for prospectively.

The expected useful lives are as follows:

Buildings	40 years
Motor vehicles	5 years
Plant and equipment	40 years
Mine properties	Units of production over reserves

##### *Impairment*

The net carrying amounts of land, buildings, plant and equipment are reviewed for impairment either individually or at the cash-generating level when events and changes in circumstances indicate that the carrying amount may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that excess is fully provided against in the financial year in which this is determined.

##### *Major maintenance and repairs*

Expenditure on major maintenance or repairs comprises the costs of the replacement of parts or assets and overhaul costs. Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the item will flow to the Company through an extended life, the expenditure is capitalised and the carrying value of the item replaced is derecognised. Similarly, overhaul costs associated with major maintenance are capitalised and depreciated over their useful lives where it is probable that future economic benefits will be available and any remaining carrying amounts of the cost of previous overhauls are derecognised. All other costs are expensed as incurred.

#### **(l) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

## **Notes to the Financial Statements (continued)**

**FOR THE YEAR ENDED 30 JUNE 2014**

---

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(l) Provisions (continued)**

##### *Employee benefits*

##### *Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave due to be settled within 12 months of the reporting date are recognised in respect of the employees' services up to the reporting date. They are measured at the amounts due to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

##### *Long service leave*

The liability for long service leave is recognised and measured as the present value of expected payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to due future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

##### *Reclamation provision*

A reclamation provision is recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The amount recognised is the estimated cost of decommissioning, discounted to its present value. Changes in the estimated timing of reclamation or reclamation cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the reclamation provision is included as a finance cost.

#### **(m) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

##### *Group as a lessee*

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

#### **(n) Loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

## **Notes to the Financial Statements (continued)**

**FOR THE YEAR ENDED 30 JUNE 2014**

---

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(o) Financial liabilities**

Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Group's financial liabilities include trade and other payables, and loans and borrowings

##### *Royalty Obligation*

The royalty obligation is carried at fair value through profit and loss and is valued using a discounted cash flow analysis.

#### **(p) Trade and other payables**

Trade payables and other payables are carried at amortised costs. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

#### **(q) Impairment of non-financial assets other than goodwill**

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

IDM conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. In any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Value in Use is determined using discounted cash flows.

Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment may have reversed. An assessment is made at each reporting date as to whether there are any indications, such as decline in price of product, significant decrease in reserve estimates, changes in environmental and/or government regulations, etc.

## **Notes to the Financial Statements (continued)**

**FOR THE YEAR ENDED 30 JUNE 2014**

---

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(r) Deferred stripping costs**

Stripping costs incurred in the development of a mine before production commences are capitalised as part of the cost of constructing the mine and subsequent amortised over the life of the mine on a units-of-production basis.

Where a mine operates several open pits that are regarded as separate operations for the purpose of mine planning, stripping costs are accounted for separately by reference to each separate site. If, however, the sites are highly integrated for the purpose of the mine planning, the second and subsequent sites are regarded as extension of the first site in accounting for stripping costs. In such cases, the initial stripping of the second and subsequent sites is considered to be production phase stripping relating to the combined operation.

In determining whether stripping costs incurred subsequently during the production phase of its operations relate to reserves and resources that will be mined in a future period and therefore should be capitalised and included in the carrying amounts of mining properties, the company makes estimates of the stripping activity over the life of the mine ("life of mine strip ratio"). Changes in estimated life of mine strip ratios can result in a change to the future capitalization of stripping costs incurred. These stripping costs are subsequently amortised over the benefit to be gained from incurring these costs, which is normally 12 to 18 months.

Deferred stripping costs are included as part of "Mine properties". These form part of the total investment in the relevant cash generating units, which are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### **(s) Share-based payment transactions**

##### *(i) Equity settled transactions:*

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The Group has adopted an Employee Share and Option Plan to provide these benefits to directors, executives, employees and consultants.

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using either a binomial or Black and Scholes model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the market price of the shares of IDM.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employees turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer award vested than were originally expected to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

---

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (s) Share-based payment transactions (continued)

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangements, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

#### (t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### (u) Revenue recognition

Revenue is recognized and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

##### (i) Sale of minerals

Revenue from the sale of minerals is recognized when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This generally occurs when product is physically transferred onto a vessel, train, truck or other delivery mechanisms.

##### (ii) Interest revenue

Revenue is recognized as interest accrues using the effective interest method. This is a method of calculating the amortized cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### (v) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## **Notes to the Financial Statements (continued)**

**FOR THE YEAR ENDED 30 JUNE 2014**

---

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(v) Income tax and other taxes (continued)**

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### *Other taxes*

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

## **Notes to the Financial Statements (continued)**

**FOR THE YEAR ENDED 30 JUNE 2014**

---

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(v) Income tax and other taxes (continued)**

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flow arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

#### **(w) Earnings per share**

Basic earnings per share is calculated as net profit attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

#### **(x) Segments**

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the Board of Directors (the chief operating decision makers) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the executive management team.

Currently the Group has only one operating segment, being the Group as a whole.

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

---

### 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies management continually evaluates estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the estimates and assumptions. Significant estimates and assumptions made by the management in the preparation of these financial statements are outlined below:

#### *(a) Determination of minerals resources and ore reserves*

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortization rates and provision for decommissioning and restoration. Industrial Minerals estimates its mineral and ore reserves in accordance with the *Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve 2004* (the 'JORC code'). The information on minerals resources and ore reserves were prepared by or under the supervision of Competent Persons as defined in the JORC code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

#### *(b) Impairment of capitalised exploration and evaluation expenditure*

The future recoverability of capitalised exploration expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

#### *(c) Impairment of mine properties and development*

The carrying value of capitalised mine properties and development expenditure is assessed for impairment whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. The recoverable amount of capitalised mine properties and development expenditure 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.

#### *(d) Impairment of property, plant and equipment*

Property, plant and equipment is reviewed if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

## **Notes to the Financial Statements (continued)**

**FOR THE YEAR ENDED 30 JUNE 2014**

---

### **3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**

#### *(d) Impairment of property, plant and equipment (continued)*

In determining value in use, future cash flows are based on:

- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and
- future cash costs of production.

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

#### *(e) Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using either a binomial or Black and Scholes model, with the assumption detailed in note 25. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact expenses and equity.

#### *(f) Judgements in applying accounting policies*

Management has applied their judgement in the application of the going concern basis of preparation (refer note 2(a)).

### **4 SEGMENT INFORMATION**

#### *Identification of reportable segments*

The Group has identified its operating segments based on the internal reports that are used by the chief operating decision makers in assessing performance and determining the allocation of resources.

The Group has identified that it has one operating segment being related to the activities in the United States, on the basis that the operations in Australia relate to running the Corporate Head Office only.

#### *Accounting policies and inter-segment transactions*

The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 2 to the accounts.

Interest revenue is derived in Australia. Non-current assets excluding financial assets relate to capitalised expenditure located in United States.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

---

**5 REVENUE AND OTHER INCOME**

	CONSOLIDATED	
	2014	2013
	\$'000	\$'000
Re-measurement of financing royalty obligation (refer note 30)	-	5,608
Gain on de-recognition of loan liability (refer note 16)	<b>1,417</b>	-
Bank interest	2	4
Other income	<b>63</b>	61
	<b>1,482</b>	<b>5,673</b>

**6 EXPENSES**

**(a) Employment expenses**

Salary and wages	<b>723</b>	3,571
Share based payments to employees	<b>(65)</b>	459
	<b>658</b>	4,030

**(b) Other expenses**

Occupancy expenses	<b>20</b>	13
Travel expenses	<b>8</b>	11
Other expenses	<b>101</b>	31
	<b>129</b>	54

**(c) Interest expenses**

Debt Facility	<b>7,064</b>	6,117
	<b>7,064</b>	6,117

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

---

### 7 INCOME TAX

The major components of income tax expense are:

	CONSOLIDATED	
	2014	2013
	\$'000	\$'000
<b>Income Statement</b>		
Current income tax charge/(benefit)	-	-
Deferred income tax charge/(benefit)	-	-
Income tax expense reported in the income statement	-	-
<b>Amounts charged or credited directly to equity</b>		
Share issue costs	-	-
Income tax benefit not recognised	-	-
Income tax benefit reported in equity	-	-
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate as follows:		
Accounting profit/(loss) before tax	(10,088)	(13,224)
At the parent entity's statutory income tax rate of 30% (2012: 30%):	(3,026)	(3,967)
Foreign tax rate adjustment (USA: 35%)	(170)	(80)
Share based payments	(20)	144
Other non-deductible expenses	-	-
Tax losses and timing differences not brought to account	3,216	3,903
	-	-

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 7 INCOME TAX (CONTINUED)

	BALANCE SHEET		INCOME STATEMENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Deferred Income Tax</b>				
Deferred income tax at 30 June relates to the following:				
<i>Consolidated</i>				
<i>Deferred tax liabilities</i>	-	-	-	-
<i>Deferred tax assets</i>				
Share issue costs	443	453	-	-
Net operating losses and other temporary difference - USA	34,571	28,326	-	-
Revenue tax losses – Australia	3,467	3,349	-	-
Deferred tax assets not recognised	(38,481)	(32,128)	-	-
	-	-	-	-
Deferred tax (income)/expense			-	-
Net deferred tax recognised in Balance Sheet	-	-	-	-

At 30 June 2014, there is no recognised or unrecognised deferred income tax liability (2013: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiary, as the Group has no liability for additional taxation should such amounts be remitted.

As a result of the change in control of the Oregon Resources Corporation in 2010, some tax losses arising in Oregon Resources Corporation may be limited for US income tax purposes.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 8 DIVIDENDS PAID AND PROPOSED

No dividends in respect of the current or previous financial period have been paid, declared or recommended for payment.

### 9 EARNINGS / (LOSS) PER SHARE

#### (a) Loss used in calculating loss per share

	CONSOLIDATED	
	2014	2013
	\$'000	\$'000
For basic and diluted earnings per share:		
<i>Net loss attributable to ordinary equity holders of the parent</i>	<b>(10,088)</b>	(13,224)

#### (b) Weighted average number of shares

	2014	2013
	Number	Number
	(Thousands)	(Thousands)
<i>Weighted average number of ordinary shares for basic loss per share</i>	<b>650,750</b>	<b>650,750</b>
Effect of dilution:		
Share options	-	-
<i>Weighted average number of ordinary shares adjusted for the effect of dilution</i>	<b>650,750</b>	<b>650,750</b>

As at 30 June 2014, the Company had on issue 93,375,000 (2013: 107,275,000) options over unissued capital and has incurred a net loss. Subsequent to year end no options were exercised (2013: nil).

There are 93,375,000 (2013: 107,275,000) options excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for both of the periods presented.

#### (c) Information on the classification of securities

##### (i) Options

Options granted to key management personnel as described in note 25 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of basic loss per share.

Options issued to shareholders pursuant to offers made under disclosure documents in prior financial periods are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of basic loss per share.

All share options are not considered dilutive as the conversion of options to ordinary shares will result in a decrease in the net loss per share.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

CONSOLIDATED

**2014**            2013  
**\$'000**            \$'000

### 10 CASH AND CASH EQUIVALENTS

Cash at bank and in hand	159	1,524
Short-term deposits	-	15
	<b>159</b>	<b>1,539</b>

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Due to the short term return of these deposits, their carrying value approximates their fair value.

The Group had unused borrowing facilities of \$244,000 (US\$230,000) at balance date.

### 11 TRADE & OTHER RECEIVABLES

**Current**

Trade and other receivables (a)	43	75
GST receivable	4	4
	<b>47</b>	<b>79</b>

(a) Trade receivables are non-interest bearing and are generally on 0 - 30 days terms. The carrying amounts of trade and other receivables represent fair value.

### 12 INVENTORY

Raw material	-	-
Finished goods	73	344
	<b>73</b>	<b>344</b>

### 13 OTHER FINANCIAL ASSETS

Restricted cash	921	946
Deposits	9	119
	<b>930</b>	<b>1,065</b>

Restricted cash relates to bonds paid on mining permits.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 14 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amounts at the beginning and end of the period:

	<b>Land and improvements \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Construction in progress \$'000</b>	<b>Total \$'000</b>
<b>Year ended 30 June 2014</b>				
At 1 July 2013	667	16,067	269	17,003
Additions / Transfers	14	10	46	70
Depreciation charge for the year	-	(2,526)	-	(2,526)
Disposals	-	(100)	-	(100)
Net exchange differences	(18)	(386)	(9)	(413)
<b>At 30 June 2014</b>	<b>663</b>	<b>13,065</b>	<b>306</b>	<b>14,034</b>
<b>At 30 June 2014</b>				
Cost	961	19,754	64,929	87,065
Accumulated depreciation and impairment	(298)	(6,689)	(64,623)	(73,031)
<b>Net carrying amount</b>	<b>663</b>	<b>13,065</b>	<b>306</b>	<b>14,034</b>

(i) Land with a carrying value of \$662,501 is pledged as security for the payment of the balance of the settlement of the land as disclosed in note 16.

### IMPAIRMENT TESTING OF ASSETS

The Group performed its annual impairment test as at 30 June 2014. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 30 June 2014, the parent company IDM International Limited remained suspended from trading on the Australian Stock Exchange, the Oregon Mineral Sands project remained on care and maintenance, indicating a potential impairment of the operating segment. In addition, the overall decline in the industrial materials sector as well as ongoing economic uncertainty has led to a decline in the demand for industrial minerals.

The net carrying amounts of land, buildings, plant and equipment are reviewed for impairment either individually or at the cash-generating level when events and changes in circumstances indicate that the carrying amount may not be recoverable. To the extent that these values exceed their recoverable amount, that excess is fully provided against in the financial year in which this is determined. The CGU of the Group is the Oregon Mineral Sands project, held in the Groups' wholly owned subsidiary Oregon Resources Corporation.

The recoverable amount of the CGU has been determined using a fair value less cost to sell ("FVLCS") calculation using an independent valuation of the property including all the facilities, fixtures and fittings on an "as is market value" basis. As the recoverable amount is higher than the net carrying value of the CGU, no further impairment charge has been recognised.

The net carrying value of the CGU is within the reasonable range of values for recoverable amount, and therefore no further impairment charge has been recognised.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 14 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and improvements \$'000	Plant and equipment \$'000	Construction in progress \$'000	Total \$'000
<b>Year ended 30 June 2012</b>				
At 1 July 2012	453	200	17,104	17,757
Additions / Transfers	146	16,886	(16,695)	337
Depreciation charge for the year	-	(2,310)	-	(2,310)
Disposals	-	(455)	-	(455)
Net exchange differences	68	1,746	(140)	1,674
<b>At 30 June 2013</b>	<b>667</b>	<b>16,067</b>	<b>269</b>	<b>17,003</b>
<b>At 30 June 2013</b>				
Cost	2,386	20,230	64,892	87,508
Accumulated depreciation and impairment	(1,719)	(4,163)	(64,623)	(70,505)
<b>Net carrying amount</b>	<b>667</b>	<b>16,067</b>	<b>269</b>	<b>17,003</b>

### 15 MINE PROPERTIES AND DEVELOPMENT

Reconciliation of carrying amounts at the beginning and end of the year:

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Balance at beginning of financial year	677	740
Additions	418	25
Amortisation expense	-	(150)
Net exchange differences	(29)	62
Balance at end of financial year	<b>1,066</b>	677
Cost	18,562	18,169
Accumulated impairment	(17,496)	(17,492)
Net carrying amount	<b>1,066</b>	677

Once the technical feasibility and commercial viability, including financing, of extracting a mineral resource is demonstrable, amounts are transferred to Mine Properties and Development.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

		CONSOLIDATED	
		2014	2013
		\$'000	\$'000
<b>16</b>	<b>TRADE AND OTHER PAYABLES</b>		
	<b>Current</b>		
	Trade payables (a)	<u>1,031</u>	933
		<u>1,031</u>	933
	Other	452	543
	Westbrook property loan (b)	-	1,421
		<u>452</u>	1,964
	Total current payables	<u>1,483</u>	2,897

(a) Trade payables are non-interest bearing and are normally settled on 60 - 90 day terms. Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

Information regarding interest rate, foreign exchange and liquidity risk and fair values is set out in note 27.

(b) Subsequent to year end, the Group withdrew from the contract to purchase the Westbrook property which has resulted in a decrease in trade and other payables and a gain on de-recognition of amount payable of \$1,421,000. The withdrawal from the agreement has resulted in the termination of ORC's right to purchase the property and ORC's forfeiture of the \$300,000 deposit as liquidated damages.

### 17 PROVISIONS

**Current**

Annual leave	14	105
Reclamation (a)	<u>195</u>	326
	<u>209</u>	431

(a) The Group accrues provisions for the forthcoming costs of reclamation of the territory. On the basis of forecasts the cost of reclamation would be \$195,000.

**Movement in reclamation provision**

Carrying amount at beginning of the year	326	626
Foreign exchange translation	8	29
Provision for the year	-	58
Utilised during the year	<u>(125)</u>	(387)
Carrying amount at the end of year	<u>209</u>	326

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 18 INTEREST BEARING LOANS AND BORROWINGS

	CONSOLIDATED	
	2014	2013
	\$'000	\$'000
Secured loans:		
<b>Current</b>		
Debt facility - US\$37,000,000 bank loan (novated) (iii)	52,922	49,800
Working capital debt facility – US\$8,000,000 (i), (ii)	8,168	7,021
Other (iv)	2,299	428
	63,389	57,249
<b>Non-Current</b>		
Other	47	190
	47	190
	63,436	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.

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 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.

(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.

As at 30 June 2014 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

## **Notes to the Financial Statements (continued)**

**FOR THE YEAR ENDED 30 JUNE 2014**

---

### **18 INTEREST - BEARING LOANS AND BORROWINGS (continued)**

(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.

(iv) 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.

At 30 June 2014, US\$1.8 million has been drawn-down under this facility.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

---

**19 CONTRIBUTED EQUITY**

		CONSOLIDATED	
		2014	2013
		\$'000	\$'000
	Ordinary shares	80,549	80,549
	Performance shares	6,000	6,000
		86,549	86,549
Fully paid ordinary shares carry one vote per share and carry the rights to dividends			
		Number	Number
		2014	2013
(a)	<b>Ordinary shares</b>		
	Issued and fully paid	650,750	650,750
<i>Movement in ordinary shares on issue</i>			
		Number	\$'000
		(Thousands)	
	<b>At 1 July 2013</b>	644,081	80,549
	Issue of shares – exercise of options	1,696	-
	Issue of shares – exercise of options	4,973	-
	<b>At 30 June 2013</b>	650,750	80,549
	<b>At 30 June 2014</b>	650,750	80,549

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 19 CONTRIBUTED EQUITY (CONTINUED)

#### (b) Capital Risk Management

Capital is comprised of shareholders equity as disclosed in the Statement of Financial Position.

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain capital structure that ensures the lowest cost of capital available to the entity.

In order to maintain or adjust the capital structure, the entity may, where applicable, adjust the amount of dividends to shareholders, return of capital to shareholders, issue new shares, enter into joint ventures or sell assets.

The entity does not have a defined share buy-back plan.

No dividends were paid in 2013 and no dividends are expected in 2014.

The Group is not subject to any externally imposed capital requirements.

	CONSOLIDATED	
	2014	2013
	\$'000	\$'000
<b>(c) Performance shares</b>		
Issued and fully paid	<b>6,000</b>	6,000
	Number	\$'000
	(Thousands)	
<i>Movement in performance shares on issue</i>		
At 1 July 2012	-	6,000
At 30 June 2013	-	6,000
At 1 July 2013	-	6,000
<b>At 30 June 2014</b>	<b>-</b>	<b>6,000</b>

On 28 February 2009 the performance shares held by RFI were cancelled as a consequence of Oregon Resources Corporation not achieving its performance hurdle. No adjustment was made to equity as a result of the cancellation on the basis that the performance shares did not represent contingent consideration for the acquisition of ORC, but instead cash equivalent payment for the acquisition of an asset.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 20 ACCUMULATED LOSSES AND RESERVES

(a) Movement in accumulated losses were as follows:

	CONSOLIDATED	
	2014	2013
	\$'000	\$'000
Balance 1 July	(118,833)	(105,609)
Net loss	(10,088)	(13,224)
Balance 30 June	(128,921)	(118,833)

(b) Other reserves

	CONSOLIDATED		
	Option Issue Reserve	Foreign currency translation	Total
	\$'000	\$'000	\$'000
<b>At 30 June 2012</b>	6,302	(10,323)	(4,021)
Share based payment	459	-	459
Currency translation differences	-	(4,155)	(4,155)
<b>At 30 June 2013</b>	6,761	(14,478)	(7,717)
Share based payment	(65)	-	(65)
Currency translation differences	-	1,352	1,352
<b>At 30 June 2014</b>	<b>6,696</b>	<b>(13,126)</b>	<b>(6,430)</b>

(c) Nature and purpose of reserves

*Option Issue Reserve*

The option issue reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration. Refer to note 25 for further details of the Employee Share and Option Plan and note 25(g) for details of other options issued.

*Foreign currency translation*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the foreign subsidiary.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 21 CASH FLOW RECONCILIATION

	CONSOLIDATED	
	2014	2013
	\$'000	\$'000
<b>(a) Reconciliation of net loss after tax to net cash flows from operations</b>		
Net loss	(10,088)	(13,224)
<i>Adjustments for:</i>		
Depreciation and amortisation	2,566	2,460
Interest income classified as investing cash flow	(2)	(7)
Share based payments / (reversal)	(65)	459
Gain on de-recognition of loan liability	1,417	-
Impairment of inventory	-	1,099
Waiver of financing royalty obligation		(5,608)
 <i>Changes in assets and liabilities</i>		
Decrease/(Increase) in trade and other receivables	32	2
Decrease/(Increase) in inventory	397	7,881
Decrease/(Increase) in prepayments	(53)	711
Increase/(Decrease) in trade and other payables	2,746	509
Increase/(Decrease) in provisions	(222)	(484)
Increase/(Decrease) in other current liabilities	246	579
Net cash from operating activities	(3,026)	(5,623)

### 22 RELATED PARTY DISCLOSURE

#### (a) Subsidiaries

The consolidated financial statements include the financial statements of IDM International Limited and its subsidiary listed in the following table.

<i>Name</i>	Country of Incorporation	Equity %		Investment (\$'000)	
		2014	2013	2014	2013
Oregon Resources Corporation Inc.	United States	100	100	20,000	20,000

#### (b) Ultimate parent

IDM International Limited is the parent entity.

#### (c) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 24.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 23: PARENT ENTITY INFORMATION

	2014	2013
Information relating to IDM International Limited:	\$'000	\$'000
Current assets	30	178
Total assets	30	178
Current liabilities	62,441	56,988
Total liabilities	62,441	56,988
Issued capital	86,549	86,549
Accumulated losses	(93,752)	(93,287)
Share Option Reserve	6,695	6,760
Total shareholders' deficiency	(62,411)	(56,810)
Loss of the parent entity	(396)	(969)
Total comprehensive loss of the parent entity	(396)	(969)

There are no commitments or contingencies as at 30 June 2014 for IDM International Limited.

### 24 KEY MANAGEMENT PERSONNEL

#### (a) Compensation of Key Management Personnel

	CONSOLIDATED	
	2014	2013
	\$'000	\$'000
Short-term employee benefits	525	1,171
Post-employment benefits	-	21
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	(76)	267
	<b>449</b>	<b>1,459</b>

#### (b) Other transactions and balances with Key Management Personnel and their related parties

##### *Purchases*

During the year, fees of \$nil (2013 \$46,000) 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: \$220,000) 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.

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 25 SHARE BASED PAYMENT PLANS

#### (a) Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	CONSOLIDATED	
	2014	2013
	\$'000	\$'000
Expense/(reversal) arising from equity-settled share-based payment transactions to employees	(65)	459
Total expense/(reversal) arising from share-based payment transactions	(65)	459

The share-based payment plan is described below. There have been no modifications to the plan during the year.

#### (b) Types of share-based payment plans

##### Employee Share and Option Plan ("ESOP")

The Company has established the ESOP to assist in the retention and motivation of employees by providing them with the opportunity to acquire Shares. Under the ESOP, options over unissued shares are offered to eligible executives, employees and contractors of the Group. The principal terms of the ESOP are as follows:

- (1) The persons who are eligible to participate in the ESOP are employees and contractors of the Company (including the directors of the Company from time to time) ("Eligible Employee") or their nominee who have been selected by the Board to participate in the ESOP;
- (2) The ESOP Options will not be transferable or assignable to any person other than an Eligible Employee's nominee;
- (3) The ESOP Options may be subject to a vesting period which is determined by the Board;
- (4) The ESOP Options may be exercised wholly or in part, and if exercised in part multiples of 500 must be exercised on each occasion;
- (5) The ESOP Options may be exercised by notice in writing to the Company received at any time during the relevant exercise period together with a cheque for the exercise price and the option certificate (if any) for those ESOP Options for cancellation by the Company;
- (6) The Company shall allot the number of Shares the subject of any exercise notice and apply at its cost for listing of the Shares within 14 days of the allotment of the Shares;
- (7) The ESOP Options will be exercisable after admission of the Company to the ASX, at a price and with an exercise period to be determined in the absolute discretion of the Board;
- (8) Shares issued on the exercise of the ESOP Options will rank pari passu with all existing Shares of the Company from the date of issue;
- (9) The maximum number of ESOP Options that may be offered to participants under the ESOP is 10% of the issued capital at the time of the issue of the ESOP Options;
- (10) It will be a condition of the ESOP that no participant is entitled to more than 5% of the Company's securities as a result of the issue of any ESOP Options under the ESOP;
- (11) The holder will be permitted to participate in any new pro-rata issue of securities of the Company on prior exercise of the ESOP Options in which case the holder will be afforded the period of at least 9 Business Days prior to and inclusive of the record date to determine entitlements to the issue to exercise the ESOP Options;
- (12) The ESOP Options do not confer on the holder any right to participate in dividends until Shares are allotted pursuant to the exercise of the ESOP Options;
- (13) In the event of a reorganisation of the issued capital of the Company, the ESOP Options will be reorganised in accordance with the Listing Rules (if applicable) and in any case in a manner which will not result in any benefits being conferred on holders which are not conferred on Shareholders;
- (14) The number of Shares to be issued pursuant to the exercise of ESOP Options will be adjusted for bonus issues made prior to exercise of the ESOP Options so that, upon exercise of the ESOP Options the number of Shares received by the option holder will include the number of bonus Shares that would have been issued if the ESOP Options had been exercised prior to the record date for the bonus issues. The exercise price of the ESOP Options shall not change as a result of any such bonus issues;

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 25 SHARE BASED PAYMENTS PLANS (CONTINUED)

#### (b) Types of share-based payment plans (continued)

- (15) Quotation of ESOP options on the ASX will not be sought;
- (16) Subject to paragraph (13) above the Options do not confer on the holder any right to a change in the exercise price of the Options or a change to the number of underlying securities over which the Options can be exercised.
- (17) In the case of an employee who ceases to be an employee of the Company the ESOP Options will automatically expire 3 months after the cessation of such employment provided that nothing in this paragraph will prevent the holder of any such ESOP Options exercising any of those Options during that 3 month period. The directors resolved during the year ended 30 June 2013 to extend the exercise period to 6 months for those employees who were made redundant.

#### (c) Summaries of options granted under the Employee Share Option Plan

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, the share options granted during the year:

	2014		2013	
	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	<b>31,125,000</b>	<b>0.13</b>	46,500,000	0.12
Granted during the year	-	-	7,625,000	0.11
Forfeited during the year	<b>(15,500,000)</b>	<b>(0.10)</b>	(23,000,000)	0.11
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	<b>15,625,000</b>	<b>0.15</b>	31,125,000	0.13
Exercisable at the end of the year	<b>15,625,000</b>	<b>0.15</b>	28,125,000	0.14

The outstanding balance of options that are exercisable as at 30 June 2014 is represented by:

- 10,750,000 options exercisable on or before 05 July 2015 at an exercise price of \$0.10 each
- 1,875,000 options exercisable on or before 4 March 2016 at an exercise price of \$0.16 each
- 3,000,000 options exercisable on or before 1 November 2016 at an exercise price of \$0.23 each

#### (d) Weighted average remaining contractual life

The weighted average contractual life for the share options outstanding as at 30 June 2014 is 1.5 years (2013: 2.5 years).

#### (e) Range of exercise price

The exercise price for options outstanding at the end of the year ranged from \$0.10 - \$0.23 (2013: \$0.10 - \$0.23).

#### (f) Weighted average fair value

The weighted average fair value for options granted and issued during the year was \$nil (2013: \$0.10).

#### (g) Other share based payments

There were no other share based payments during the year.

## **Notes to the Financial Statements (continued)**

**FOR THE YEAR ENDED 30 JUNE 2014**

---

### **25 SHARE BASED PAYMENTS PLANS (CONTINUED)**

#### **(h) Option pricing model**

The fair value of the ESOP options is estimated as at the grant date using the 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 year ended 30 June 2014:

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%
Risk-free interest rate	2.58%
Expected life	3.5 years
Weighted average fair value	3 cents
Model used	Black-Scholes
Total amount	\$52,910
Expensed to 30 June 2014	\$nil

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

## **Notes to the Financial Statements (continued)**

**FOR THE YEAR ENDED 30 JUNE 2014**

---

### **26 FINANCIAL RISK MANAGEMENT**

#### **(a) Financial risk management policies and objectives**

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 has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk, credit risk and commodity price risk. The Board regularly reviews and agrees policies for managing each of these risks as summarised below.

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 notes 2 and 3 to the financial statements.

#### **(b) Fair values**

The carrying amount of financial assets and trade and other payables recorded in the financial statements approximate their fair values. As at 30 June 2014 the fair value of the current portion of interest-bearing loans and borrowings was \$63,388,796 (2013: \$57,249,269) and the fair value of the non-current portion was \$46,671 (2013: \$190,254).

For financial instruments carried at fair value, the Group uses various methods in estimating fair value. The methods comprise:

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.

For financial instruments not quoted in active markets, the Group uses valuations techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants (Level 3). These valuation techniques use both observable and unobservable market inputs. The fair value of the royalty agreement is based on these valuation techniques.

#### **(c) Cash flow interest rate risk**

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 tables contained in the following section entitled sensitivity analysis sets out the Group exposure to interest rate risk for each class of these financial instruments.

Included is the effect on loss and equity, after tax, if interest rates on the balance date had been 50 basis points higher or 50 basis points lower with all other variables held constant as a sensitivity analysis.

A sensitivity of 50 basis points has been selected as this is considered reasonable in the current environment and would represent a movement of approximately 0.5%.

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 its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternate investments and the mix of fixed and variable rates.

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 26 FINANCIAL RISK MANAGEMENT (CONTINUED)

At balance date, the Group had the following financial assets exposed to interest rate risk:

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
<b>Financial Assets</b>		
Cash and cash equivalents	159	1,539
Other financial assets	921	946
	<b>1,080</b>	<b>2,485</b>
<b>Financial Liabilities</b>		
Interest bearing loans and borrowings	(63,436)	(57,439)
	<b>(62,356)</b>	<b>(54,954)</b>

**(d) Foreign exchange risk**

As a result of significant investment operations in the United States, the Group's balance sheet can be affected significantly by movements in the USD/AUD exchange rates. The Group seeks to mitigate the effect of its foreign currency exposure by borrowing in USD.

The financial assets and liabilities of Oregon Resources Corporation Inc. are held in USD being the functional currency therefore there is minimal foreign exchange risk.

**(e) Credit risk**

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of financial institutions.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group minimises credit risk by undertaking a detailed review of its potential customers' financial position and the viability of the underlying project prior to entering into material contracts.

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash deposits and other financial assets. The Group places its cash deposits with high credit-quality financial institutions with credit ratings greater than a Standard and Poors AA- rating. Cash holdings in other countries are generally not significant. The Group's cash deposits all mature within three months and attract a rate of interest at normal short-term money market rates.

The maximum amount of credit risk the Group considers it would be exposed to would be \$1,080,000 (2013: \$2,485,000), being the total of its carrying values of cash and cash equivalents and other financial assets.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 26 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (f) Commodity price risk

At present the Group's exposure to commodity price risk is minimal.

#### (g) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through use of bank overdrafts, bank loans, finance leases and hire purchase contracts.

The contractual maturities of the Group's financial liabilities are shown in the table below. Undiscounted cash flows for the respective years are presented.

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Within one year	63,389	57,249
After one year but not more than five years	47	190
More than five years	-	-
	<b>63,436</b>	<b>57,439</b>

Management and the Board monitor the Group's liquidity on the basis of expected cash flow. The information that is prepared by senior management and reviewed by the Board includes annual cash flow budgets.

#### (h) Sensitivity analysis

The following tables summarise the sensitivity of the Group's financial assets and liabilities to interest rate risk. Had the relevant variables, as illustrated in the tables, moved, with all other variables held constant, post tax loss and equity would have been affected as shown. There would be no impact on other comprehensive income. The analysis has been performed on the same basis for 2014 and 2013.

#### CONSOLIDATED 30 June 2014

##### Financial Assets

Cash and cash equivalents

Other financial assets

##### Financial Liabilities

Loans and borrowings

**Total (decrease) / increase**

Carrying Amount \$'000	Interest Rate Risk	
	-50 Basis Points	+50 Basis Points
	Profit /(Loss) \$'000	Profit /(Loss) \$'000
159	(1)	1
921	(5)	5
63,436	317	(317)
	311	(311)

#### CONSOLIDATED 30 June 2013

##### Financial Assets

Cash and cash equivalents

Other financial assets

##### Financial Liabilities

Loans and borrowings

**Total (decrease) / increase**

Carrying Amount \$'000	Interest Rate Risk	
	-50 Basis Points	+50 Basis Points
	Profit /(Loss) \$'000	Profit /(Loss) \$'000
1,539	(8)	8
946	(5)	5
57,439	287	(287)
	274	(274)

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 27 COMMITMENTS AND CONTINGENCIES

#### (a) Commitments

##### (i) Property, plant and equipment commitments

Future commitments for property and equipment as at 30 June 2014 are as follows:

	CONSOLIDATED	
	2014	2013
	\$'000	\$'000
Within one year	-	1,270
After one year but not more than five years	-	-
More than five years	-	-
Total	-	1,270

##### (ii) Other expenditure commitments – Mineral leases

The Group has minimum expenditure commitments relating to mineral leases for the Oregon Heavy Minerals Project. Expenditure commitments at 30 June 2014 but not recognised as liabilities are as follows:

	CONSOLIDATED	
	2014	2013
	\$'000	\$'000
Within one year	77	80
After one year but not more than five years	82	153
More than five years	32	22
Total	191	255

The expenditure commitments above relate to minimum lease payments applicable to leases held in Weyerhaeuser, Yoder and Kimberley. Under the terms of the lease agreements, the Company will further be required to meet minimum royalty advances based on future production and sales derived from production.

The royalty terms are as follows:

Weyerhaeuser:

3.5% of gross receipts – mineral sands and 5% of gross receipts of any precious minerals.

Yoder:

US\$0.875 per ton mined – Mineral Sands and 10% of net smelter returns of any precious minerals.

#### (b) Contingencies

The Group has no contingent assets and liabilities, other than the royalties referred to above.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

## Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2014

### 28 EVENTS AFTER THE BALANCE SHEET DATE

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.

There have been no other significant events that have occurred since Balance Date.

### 29 AUDITOR'S REMUNERATION

The auditor of IDM International Limited is Ernst & Young.

	CONSOLIDATED	
	2014	2013
	\$'000	\$'000
<i>Amounts received or due and receivable by Ernst &amp; Young for:</i>		
- an audit or review of the financial report of the entity and any other entity in the consolidated group (Australia)	20	31
- other services in relation to the entity and any other entity in the consolidated group (Australia)		
✓ tax compliance	-	-
	20	31

### 30 FINANCIAL LIABILITIES

#### 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 27<sup>th</sup> 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.

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

**DIRECTORS' DECLARATION**

---

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

- 1 In the opinion of the directors:
  - (a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the Company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
    - (i) Section 296 (compliance with accounting standards and Corporations Act 2001); and
    - (ii) Section 297 (gives a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Company and consolidated group); and
  - (b) subject to the matters set out in note 2 "Going Concern", there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- 2 The financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements.
- 3 The Directors have been given a declaration as required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.

On behalf of the Board



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

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

### Report on the financial report

We have audited the accompanying financial report of IDM International Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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.

### 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### 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 about 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 judgment, 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 controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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.

### Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Group a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

## Basis for Qualified Opinion

### Carrying value of Property, Plant and Equipment

The company's property, plant and equipment is carried in the statement of financial position at an impaired cost of \$14,034,128. The Group obtained a valuation dated 22 September 2014 to support the carrying value. As disclosed in Note 14 to the accounts, 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 30 June 2014.

### 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 year ended 30 June 2013, due to lack of sufficient appropriate audit evidence. Our audit opinion on the financial report for the period ended 30 June 2013 was modified accordingly. 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 Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial report of IDM International Limited is in accordance with the *Corporations Act 2001*, including:

- i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014; and of its performance for the year ended on that date; and
- ii complying with applicable Australian Accounting Standards and the Corporations Regulations 2001.

## Emphasis of Matter

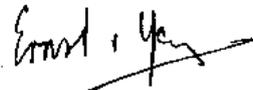
Without further qualification to our Qualified Opinion, we draw attention to Note 2 in the financial report which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern. These conditions, along with other matters as set forth in Note 2 indicate the 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.

## Report on the remuneration report

We have audited the Remuneration Report included in pages 7 to 16 of the directors' report for the year ended 30 June 2014. 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 IDM International Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



R A Kirkby  
Partner  
Perth  
17 April 2015

**IDM INTERNATIONAL LIMITED**  
**2014 ANNUAL REPORT**

## ASX Additional Information

---

Additional information required by the Australian Stock Exchange Ltd Listing Rules and not shown elsewhere in this report is as follows. The information is current as at 13 April 2015.

**(a) Distribution of equity securities**

*(i) Ordinary share capital*

- 650,750,257 fully paid ordinary shares are held by 866 individual shareholders.  
All issues ordinary shares carry one vote per share and carry rights to dividends.

The number of holders of securities, by size of holding in each class are:

	<b>No. of holders</b>	<b>Fully paid ordinary shares</b>
1 – 1,000	42	3,095
1,001 – 5,000	49	180,404
5,001 – 10,000	71	573,681
10,001 – 100,000	388	16,147,632
100,000 and over	316	633,845,445
<b>Total Holders</b>	<b>866</b>	<b>650,750,257</b>

There were 42 shareholders holding less than a marketable parcel of shares.

**(b) Substantial shareholders**

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

<b>Ordinary shareholders</b>	<b>Fully paid</b>	
	<b>Number</b>	<b>Percentage</b>
Macquarie Group Limited	141,512,991	21.75%
Sentient Executive GP III Limited	106,550,800	16.37%
UBS Wealth Management Australia Nominees Pty Ltd	66,479,551	10.22%
Resource Finance & Investment Limited	55,000,000	8.45%

**IDM INTERNATIONAL LIMITED  
2014 ANNUAL REPORT**

## ASX Additional Information (continued)

(c) Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully paid	
	Number	Percentage
MACQUARIE BANK LIMITED <METALS & ENERGY CAP DIV A/C>	141,512,991	21.75
SENTIENT EXECUTIVE GP III LTD	106,550,800	16.37
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	66,479,551	10.22
RESOURCE FINANCE & INVESTMENT LIMITED	55,000,000	8.45
NATIONAL NOMINEES LIMITED	31,669,865	4.87
SENTIENT EXECUTIVE GP IV LIMITED	31,106,801	4.78
SENTIENT EXECUTIVE GP II LTD	22,648,450	3.48
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,563,092	2.39
VISON PTY LTD	9,956,520	1.53
EPSOM ASSET MANAGEMENT LIMITED	9,732,264	1.50
PACIFIC DEVELOPMENT CORPORATION PTY LTD	8,594,343	1.32
J P MORGAN NOMINEES AUSTRALIA LIMITED	4,903,173	0.75
BERNE NO 132 NOMINEES PTY LTD <76334 A/C>	4,512,089	0.69
ACP INVESTMENTS PTY LTD <THE ACP INVESTMENT A/C>	4,000,000	0.61
ASHVILLE INVESTMENTS PTY LTD <PAUL SHEPHERD FAMILY A/C>	2,662,500	0.41
MISS KAREN ANN PETERS + MR DAVID JOHN MEIERS <KAREN PETERS SUPER FUND A/C>	2,583,394	0.40
MR WILLIAM ANDREW LAISTER + MRS LYN SUSAN LAISTER <THE HYLEROD SUPER FUND A/C>	2,514,287	0.39
CITYSTYLE HOLDINGS PTY LTD <GERDA TWO A/C>	2,495,748	0.38
PANGA PTY LTD	2,475,000	0.38
ZERO NOMINEES PTY LTD	2,259,941	0.35
Total	<b>527,220,809</b>	<b>81.02%</b>
Shares on issue at 13 April 2015	<b>650,750,257</b>	

(d) Unlisted options on issue

Options issued by the Company which are not listed on the Australian Stock Exchange are as follows:

Options exercisable at 25 cents expiring 4 August 2015	25,000,000
Options exercisable at 10 cents expiring 5 July 2015	10,750,000
Options exercisable at 16 cents expiring 4 March 2016	1,875,000
Options exercisable at 23 cents expiring 1 November 2016	3,000,000