# IDM INTERNATIONAL LIMITED ACN 108 029 198

## NOTICE OF ANNUAL GENERAL MEETING

AND

## **EXPLANATORY MEMORANDUM**

## IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.

An independent expert's report is attached to this Notice of Meeting, in Schedule A as required by Listing Rule 10.10. The report concludes that the transaction the subject of Resolution 7 in this Notice of Meeting is FAIR AND REASONABLE to the Company's non-associated Shareholders for the reasons set out in the report.

If you wish to discuss any aspect of this document with the Company please contact Mr Scott Mison on telephone (+61 8) 9325 7080.

The 2013 and 2014 Annual Reports are available online at www.idminternational.net

# IDM INTERNATIONAL LIMITED ACN 108 029 198

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of IDM International Limited will be held at 10 Outram Street, West Perth, Western Australia at 2.00 pm (WST) on 13 July 2015 to conduct the following business and to consider, and if thought fit, to pass the following Resolutions.

#### **AGENDA**

#### **ORDINARY BUSINESS**

#### FINANCIAL & OTHER REPORTS

To receive and consider the financial report for the year ended 30 June 2013 and 30 June 2014 and the accompanying Directors' Report, Directors' Declaration, and Auditor's Report.

## RESOLUTION 1 - ADOPTION OF THE REMUNERATION REPORT - 2013

To consider, and if thought fit, to pass the following resolution as an advisory resolution:

"That the Remuneration Report that forms part of the Directors' Report for the financial period ended 30 June 2013, be adopted."

The Remuneration Report is set out in the Directors' Report in the 2013 Annual Report. Please note that the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion: A voting exclusion statement for Resolution 1 is set out below Resolution 2.

## RESOLUTION 2 - ADOPTION OF THE REMUNERATION REPORT - 2014

To consider, and if thought fit, to pass the following resolution as an advisory resolution:

"That the Remuneration Report that forms part of the Directors' Report for the financial period ended 30 June 2014, be adopted."

The Remuneration Report is set out in the Directors' Report in the 2014 Annual Report. Please note that the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion – Resolutions 1 & 2: In accordance with sections 250R and 250BD of the Corporations Act 2001, the Company will disregard any votes cast on Resolutions 1 and 2 by any Key Management Personnel ("KMP") and a closely related party of a KMP. However, the Company need not disregard a vote if it is cast by a KMP or a closely related party of a KMP as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a chairperson of the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

The Company's KMP are set out in the relevant Remuneration Report. Generally speaking, they are people having authority and responsibility for planning, controlling and directing the Company's activities in a direct or indirect manner. KMP include the Directors, and senior executives of the Company.

A closely related party of a KMP generally speaking means a spouse, child, or dependant of the key management personnel, or a child or dependant of the spouse of the KMP. It includes anyone else who is a member of the key management personnel's family who would influence or may be expected to influence the KMP in relation to his or her dealings with the Company. It also includes any company

which is controlled by the KMP, and includes any other people prescribed as closely related parties by ASIC in the regulations to the Corporations Act.

KMPs and their closely related parties will commit an offence under the Corporations Act if they vote in relation to Resolutions 1 and/or 2 in breach of the voting restrictions.

## RESOLUTION 3 - RE-ELECTION OF MR BARRY BOLITHO AS A DIRECTOR

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That Mr Barry Bolitho, having retired in accordance with the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company with immediate effect."

#### RESOLUTION 4 - RE-ELECTION OF MR ANTHONY JULIEN AS A DIRECTOR

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That Mr Anthony Julien, having retired in accordance with the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company with immediate effect."

## RESOLUTION 5 - RE-ELECTION OF MR MICHAEL BRICKELL AS A DIRECTOR

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That Mr Michael Brickell, having retired in accordance with the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company with immediate effect."

### RESOLUTION 6 - RE-ELECTION OF MS CHERYL WILSON AS A DIRECTOR

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That Ms Cheryl Wilson, having retired in accordance with the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company with immediate effect."

## **SPECIAL BUSINESS**

# RESOLUTION 7 – DISPOSAL OF THE COMPANY'S INTEREST IN OREGON RESOURCES CORPORATION TO THE SENTIENT GROUP

To consider, and if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, for the purposes of Listing Rules 10.1 and 11.2 and for all other purposes, Shareholders approve the disposal by the Company of 100% of the issued share capital in Oregon Resources Corporation to the Sentient Group, in consideration of the Debt Reduction, and on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and a party to the transaction to acquire 100% of the issued share capital in Oregon Resources Corporation. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides

## **CONDITIONAL BUSINESS**

#### **RESOLUTION 8 - BOARD SPILL MEETING**

If required, to consider, and if thought fit, to pass with or without amendment, the following resolution as an **ordinary** resolution:

"That, subject to and conditional on at least 25% of the votes cast on both Resolutions 1 & 2 being cast against the adoption of the Remuneration Report the subject of that Resolution:

- (a) an extraordinary general meeting of the Company (the "Spill Meeting") be held within 90 days of the passing of this resolution;
- (b) all of the Directors in office when the Board resolution to make the Directors' Report for the financial year ended 30 June 2014 was passed and who remain in office at the time of the Spill Meeting, cease to hold office immediately before the end of the Spill Meeting; and
- (c) resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting be put to Shareholders at the Spill Meeting"

*Note:* This Resolution will only be put to the Meeting if 25% of more of the votes validly cast on both of Resolutions 1 and 2 are against those Resolutions.

Voting Exclusion: The Company will disregard any votes cast on Resolutions 8 by any Key Management Personnel ("KMP") and a closely related party of a KMP. However, the Company need not disregard a vote if it is cast by a KMP or a closely related party of a KMP as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a chairperson of the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides

DATED THIS 18th DAY OF MAY 2015

BY ORDER OF THE BOARD

SCOTT MISON COMPANY SECRETARY

Notes:

**Definitions** 

Terms which are used in this Notice and which are defined in Section 5 of the Explanatory Memorandum have the meanings ascribed to them therein.

Note

If you have recently changed your address or if there is any error in the name and address used for this notice please notify the Company Secretary. In the case of a corporation, notification is to be signed by a director or company secretary.

#### **Proxies**

A Shareholder who is entitled to vote at this Meeting has a right to appoint a proxy and should use the proxy form enclosed with this notice. The proxy need not be a Shareholder of the Company and can be an individual or a body corporate.

A body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the Meeting. The representative should bring to the Meeting evidence of this appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

A Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, section 249X of the Corporations Act will take effect so that each proxy may exercise half of the votes (ignoring fractions).

A proxy's authority to speak and vote for a Shareholder at the meeting is suspended if the Shareholder is present at the meeting.

The proxy form must be signed and dated by the Shareholder or the Shareholder's attorney. Joint Shareholders must each sign.

Proxy forms and the original or a certified copy of the power of attorney (if the proxy form is signed by an attorney) must be received:

- at Ground Floor, 10 Outram Street, West Perth WA 6005 or
- at PO Box 285, West Perth WA 6872 or

on facsimile number +61 8 9325 7120.

not later than 2.00pm (WST) on 11 July 2015.

Pursuant to regulation 7.11.37 of the Corporations Regulations, the Board has determined that the shareholding of each Shareholder for the purposes of ascertaining the voting entitlements for the Meeting will be as it appears in the share register at 4.00 pm (WST) on 11 July 2015.

#### **Bodies Corporate**

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of a company's shareholders. The appointment may be a standing one.

Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution.

The representative should bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

# IDM INTERNATIONAL LIMITED ACN 108 029 198

#### **EXPLANATORY MEMORANDUM**

This Explanatory Memorandum forms part of a Notice convening the Annual General Meeting of Shareholders of IDM International Limited to be held at 10 Outram Street, West Perth, Western Australia at 2.00 pm (WST) on 13 July 2015. This Explanatory Memorandum is to assist Shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the Resolutions proposed. Certain terms used in this Explanatory Memorandum are defined in Section 5.

#### 1. FINANCIAL AND OTHER REPORTS

As required by section 317 of the Corporations Act, the financial report for the years ended 30 June 2013 and 30 June 2014 and the accompanying Directors' Report, Directors' Declaration and Auditor's Report will be laid before the Meeting.

Neither the Corporations Act nor the Company's Constitution requires a vote on the reports. However, Shareholders will have an opportunity to ask questions about the report at the Annual General Meeting. Shareholders will also be given a reasonable opportunity to ask the Auditor questions about the auditor's report and audit conduct. Written questions may be submitted 5 business days prior to the Meeting addressed to the Chairman and sent to the Company's registered office, about the management of the Company, or addressed to the Company's auditor and sent to the Company's registered office about audit conduct, accounting policies used by the Company and auditor independence. General questions about the management of the Company will also be taken.

# 2. RESOLUTIONS 1, 2 AND 8 – ADOPTION OF REMUNERATION REPORT AND BOARD SPILL MEETING

As required by the Corporations Act, the Board is presenting the 2013 and 2014 Remuneration Reports to Shareholders for consideration and adoption by a non-binding vote. The Remuneration Report contains:

- information about Board Policy for determining the nature and amount of remuneration of the Company's Directors and senior executives;
- a description of the relationship between remuneration policy and the Company's performance;
- a summary of performance conditions, including a summary of why they were chosen and how performance is measured against them; and
- remuneration details for each executive and non-executive Director, and Key Management Personnel.

The 2013 and 2014 Remuneration Reports, which are part of the 2013 and 2014 Annual Reports respectively, have been sent to Shareholders (except those who have made an election not to receive the Annual Report). Copies of the 2013 and 2014 Annual Reports are available by contacting the Company's Share Registry or visiting the Company's web site (<a href="https://www.idminternational.net">www.idminternational.net</a>).

The Meeting presents an opportunity to discuss the Remuneration Reports for Shareholders who are interested in doing so. The vote on these Resolutions is advisory only and does not bind the Directors or the Company.

Shareholders need to be aware that as a result of the legislation which became effective on 1 July 2011 a "two strikes" process will apply to the results of voting in relation to Resolutions 1 and 2. This means that if the resolution proposing adoption of the Remuneration Report receives a "no" vote of over 25% of votes cast by those attending in person or by proxy and permitted to vote, at two successive annual

general meetings (in this case, Resolutions 1 and 2 at this Meeting), then at the Company's 2014 annual general meeting (i.e. this Meeting), an extra resolution must be put to the meeting proposing that another general meeting should be held within 90 days of the second annual general meeting.

Given that this Meeting constitutes the annual general meetings for the years ended 30 June 2013 and 30 June 2014, and resolutions in relation to the adoption of the 2013 and 2014 Remuneration Reports are to be considered at the Meeting, it is possible that a "no" vote of over 25% may be received in respect of two consecutive Remuneration Reports thereby resulting in "two strikes" at this Meeting. As such, the Spill Resolution is included in this Notice as Resolution 8.

The Spill Resolution will only be put to the Meeting if at least 25% of the votes cast on Resolutions 1 and 2 are cast against. If less than 25% of the votes cast are against either or both of Resolutions 1 and 2, then there will be no second strike and Resolution 8 will not be put to the Meeting.

A simple majority of over 50% of the votes cast is required to pass this Spill Resolution. If the Spill Resolution is passed, within 90 days another general meeting must be held at which all the Directors, except the Managing Director and any new Directors appointed since the date of this Meeting, will be required to resign and offer themselves for re-election.

If at the Spill Meeting, the resolutions are all passed against re-electing the relevant Directors, the legislation includes a mechanism to ensure the Board continues with the statutory required minimum of 3 Directors. After the Managing Director, the remaining two positions will be filled by the Directors whose re-election resolutions at the Spill Meeting received the highest percentage of votes in favour of re-election. If the number of votes is the same for two Directors, the Managing Director and any other Director whose re-election has been confirmed at this Spill Meeting, can choose who is to become the third Director, with such appointment to be confirmed by shareholders at the next annual general meeting. The ramifications of this mechanism being invoked include that the Company would not be in compliance with its corporate governance policies as a result of not having three independent directors on the Company's audit committee or any other committees requiring independent directors.

Even if they are elected at this Meeting, Mr Barry Bolitho, Mr Anthony Julien, Mr Michael Brickell and Ms Cheryl Wilson will need to be re-elected at the Spill Meeting to remain in office.

The Chairman intends to vote all available proxies in favour of adopting the 2013 and 2014 Remuneration Reports. If the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1 and/or 2, by signing and returning the proxy form the Shareholder is considered to have provided the Chairman with express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intentions.

If Resolution 8 is put to Shareholders, the Chairman intends to vote all available proxies against Resolution 8.

## 3. RESOLUTIONS 3 TO 6 – RE-ELECTION OF DIRECTORS

Resolution 3 deals with the re-election of Mr Barry Bolitho who retires by rotation as required by the Company's Constitution and the Listing Rules and being eligible, has offered himself for re-election.

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.

The Directors, except for Mr Bolitho, recommend the re-election of Mr Bolitho as a Director.

Resolution 4 deals with the re-election of Mr Anthony Julien who retires by rotation as required by the Company's Constitution and the Listing Rules and being eligible, has offered himself for re-election.

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.

The Directors, except for Mr Julien, recommend the re-election of Mr Julien as a Director.

Resolution 5 deals with the re-election of Mr Michael Brickell who retires by rotation as required by the Company's Constitution and the Listing Rules and being eligible, has offered himself for re-election.

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.

The Directors, except for Mr Brickell, recommend the re-election of Mr Brickell as a Director.

Resolution 6 deals with the re-election of Ms Cheryl Wilson who retires by rotation as required by the Company's Constitution and the Listing Rules and being eligible, has offered himself for re-election.

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 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.

The Directors, except for Ms Wilson, recommend the re-election of Ms Wilson as a Director.

# 4. RESOLUTION 7 – DISPOSAL OF THE COMPANY'S INTEREST IN OREGON RESOURCES CORPORATION TO THE SENTIENT GROUP

## 4.1 Background

IDM was placed into voluntary suspension on ASX on 4 December 2012 as a result of suspending the operations of the Company's wholly owned subsidiary, Oregon Resources Corporation ("ORC").

The decision to suspend the ORC operations was principally made as a result of the market price for chromite falling significantly due to worldwide downturn in the steel industry and the resultant oversupply of chromite. The chromite price fall and the resultant decrease in the demand for the premium quality SpheriChrome being produced by the ORC operations, caused the ORC operations to become cash flow negative and the Company was not in a position to source additional funding for the operations to return to the position of commercial viability.

During the period that the Company has remained in suspension, the market for chromite has not improved to a state whereby the ORC operations could return to the position of being commercially viable. Furthermore, the demand for chromite remains depressed, and as a result the price of chromite is low.

During the period of ORC's operations being suspended, the Board of the Company have been assessing various alternatives in relation to the ORC operations, the financial position of ORC and the financial position of the Company. As part of the Board's consideration of the various alternatives, the Company's principal debt financier and largest Shareholder, the Sentient Group, has been consulted and has continued to provide financial assistance to the Company.

At the date of this Notice, the Company has over US\$45 million in principal debt, all of which is held by the Sentient Group, and is secured by ORC pursuant to the Project Debt and Facility Agreement dated 16 July 2010 ("Principal Debt"). Pursuant to the Project Debt and Facility Agreement, the Company has guaranteed the repayment of the debts of ORC to the Sentient Group.

Also, during the period of suspension of the ORC operations, the Sentient Group has continued to provide financial assistance to the Company by way of loaning funds for expenditure associated with care and maintenance of the ORC operations, ASX listing fees, audit fees and other corporate overheads ("Corporate Debt"). The amount of the loans constituting the Corporate Debt is approximately US\$1.074 million at the date of this Notice.

As a result of recent discussions, the Company and the Sentient Group have entered into the Implementation Agreement whereby it has been agreed (subject to the Shareholder approval sought hereby) to take the following action (summarised):

- (a) Extinguish the Principal Debt ("Debt Reduction");
- (b) The Company will transfer 100% of the issued share capital in ORC (and thereby the ORC operations) to the Sentient Group; and
- (c) Upon a Recapitalisation of the Company, convert the Corporate Debt held by the Sentient Group into Shares.

Further details in respect of the Implementation Agreement are set out in Section 4.4

Resolution 7 seeks Shareholder approval for the Company to undertake the actions agreed to (subject to Shareholder approval) in the Implementation Agreement

## 4.2 Summary of ORC and its operations

Details in respect of ORC and its operations are contained in the Independent Expert's Report, in particular, in Appendixes 3 and 4 thereof.

## 4.3 The Sentient Group & the Company

As noted in Section 4.1, at the date of the Notice, the Sentient Group is the holder of the Principal Debt and the Corporate Debt.

The Sentient Group also has a relevant interest in 160,306,051 Shares which equates to approximately 24.6% of the total number of Shares on issue in the Company.

## 4.4 Key Terms

A summary of the key terms of the Disposal is set out below:

#### **Conditions**

The Disposal is subject to and conditional upon Shareholder approval in the form of Resolution 7 being obtained.

## Amendment of Guarantee

From Completion, the extent of all guarantees made by the Company under the Project Debt and Facility Agreement (whether in respect of interest, principal, costs and expenses or other amounts otherwise comprising secured moneys under the Project Debt and Facility Agreement) is limited to US\$1,074,028 and any demand made by the Sentient Group for payment by the Company must not exceed US\$1,074,028 minus the aggregate of all payments made by the Company in or towards satisfaction of their obligations in respect of its guarantee.

#### **Transfer of ORC Shares**

At Completion, the Company will transfer to Sentient IV (or its nominee/s) all right, title and legal and beneficial interest to all of the issued share capital of ORC.

On and from Completion, the Company releases and discharges ORC and ORC Properties from all liabilities and obligations which ORC or ORC Properties owes to the Company.

## Corporate Debt

After Completion, if the Company completes a Recapitalisation at any time on or before 30 November 2015, the Company may, by notice in writing request the Sentient Group to release the Released Obligations. Any such request must:

- (a) be made no more than 60 days after the completion of the Recapitalisation;
- (b) specify the date on which such release is to take effect, which must not be more than 10 Business Days after the date on which the request is given; and
- (c) be accompanied by evidence to the Sentient Group that all required approvals and consents in respect of the Recapitalisation and the issue of Shares to the Sentient Group referred to below have been duly obtained.

If the Company makes the request contemplated above, and issues to the Sentient Group such number of Shares as is equal to US\$1,074,028 divided by the issue price of the Shares issued to investors under the Recapitalisation (converted into United States dollars), then the Sentient Group, without any further act or thing being required will be deemed to have released and discharged the Company from the Released Obligations immediately on and with effect from the issue to the Sentient Group of such Shares.

#### 4.5 Financial Effect of Transaction

A pro forma balance sheet demonstrating the effect of the Disposal on the financial position of the Company is included as Schedule B. Additional information in relation to the financial effect of the Disposal on the Company is set out in the Independent Expert's Report.

#### 4.6 Indicative Timetable

The Company expects that the indicative timetable for implementation of the Disposal will be as set out in the table below:

Event	Date
Shareholder Approval for Disposal	13 July 2015
Completion of Disposal	17 July 2015

## 4.7 Listing Rule 11.2

In summary, Listing Rule 11.2 provides that where a company proposes to make a significant change in the nature or scale of its activities which involves the disposal of its main undertaking, it must first obtain the approval of its shareholders. Accordingly, Shareholder approval for the purpose of Listing Rule 11.2 is sought via Resolution 7.

Shareholders should be aware that as a result of the proposed Disposal, ASX may require the Company to seek Shareholder approval pursuant to Listing Rule 11.1.2 and/or re-comply with Chapters 1 and 2 of the Listing Rules pursuant to Listing Rule 11.1.3 with respect to any future transaction that the Company may enter into.

## 4.8 Listing Rule 10.1

Listing Rule 10.1 provides that an entity must not acquire a "substantial asset" from, or dispose of a "substantial asset" to, a "substantial holder" in the entity, if the holder and the holder's associates have a relevant interest in at least 10% of the total votes attached to the voting securities in the entity.

For the purposes of Listing Rule 10.1, an asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the listing rules. For present purposes, the interest in ORC of which is the subject of the Disposal constitutes a "substantial asset".

As noted in Section 4.3, the Sentient Group has a relevant interest in 160,306,051 Shares entitling them to 24.6% of the total votes attached to the voting securities in the Company. As such, the Sentient Group is a "substantial holder" for the purposes of Listing Rule 10.1.

Accordingly, the Company seeks Shareholder approval pursuant to Resolution 7 for the purposes of (amongst other things) Listing Rule 10.1 to undertake the Disposal.

Listing Rule 10.10 requires that the notice of meeting for a resolution under Listing Rule 10.1 includes a report from an independent expert in which the expert states their opinion as to whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded. The Company engaged BDO Corporate Finance (WA) Pty Ltd to provide their opinion, and the report from BDO is attached as Schedule A.

IN THE INDEPENDENT EXPERT'S REPORT ATTACHED AS SCHEDULE A BDO CONFIRMS THAT IN THEIR OPINION, THE DISPOSAL IS **FAIR AND REASONABLE** TO THE COMPANY'S SHAREHOLDERS WHOSE VOTES IN RELATION TO RESOLUTION 7 ARE NOT TO BE DISREGARDED.

## 4.9 Advantages and Disadvantages of the Disposal

Set out below is a non-exhaustive list of the advantages and disadvantages of the Disposal.

## Advantages

- (a) The proposed Disposal is fair and reasonable in the opinion of the Independent Expert: The Independent Expert's Report included as Schedule A concludes that the proposed Disposal is fair and reasonable to Shareholders not associated to the Sentient Group.
- (b) Possible re-compliance with the ASX Listing Rules: If the Disposal is completed, the Directors will have the ability to seek a recapitalisation proposal and transactions that enable the Listing Rules to be complied with in the future. The Company will be better placed to seek new opportunities after the Disposal is completed and the quantum of the guarantees made under the Project Debt and Facility Agreement are reduced.
- (c) Extinguishment of debts guaranteed by the Company: The Disposal will; result in debts guaranteed by the Company being extinguished, and currently the Company is exposed to the debt due to the viability of ORC's operations being in doubt. There is no certainty that ORC will be able to discharge the debt, and as such, if the Disposal does not occur, the Company remains exposed to those debts via the guarantee in place pursuant to the Project Debt and Facility Agreement.
- (d) Removal of obligation to undertake care and maintenance and overheads associated with ORC: Currently ORC's operations are on care and maintenance. If the Disposal occurs, the Company will not be exposed to these costs, corporate overheads associated with ORC or working capital amounts associated with ORC. Furthermore, the Company's operations will remain in a single jurisdiction (being Australia) which is likely to also reduce compliance costs and overheads.

## Disadvantages

- (a) Disposal of main undertaking: The main undertaking of the Company will be disposed of if the Disposal is completed. This means that the Company will no longer have a project and will need to seek a suitable project to re-comply with the listing rules of ASX. There is no certainty that this will occur in a timely manner, or at all.
- (b) Retention of Corporate Debt subject to conversion on Recapitalisation: If the Disposal is completed, the Company with retain the Corporate Debt (i.e. US\$1,074,028) which may be converted to Shares upon a Recapitalisation occurring. This may require Shareholder approval and any recapitalisation proposal would be subject to the proposed financiers being satisfied with the arrangements in relation to the Corporate Debt.
- (c) The Company may be removed from the ASX Official: As the Company has been suspended since 4 December 2012, in accordance with the guidance in ASX Listing Rule Guidance Note 33, the Company may be removed from the Official List of ASX if the suspension is not lifted prior to 1 January 2016.

## 4.10 Future Activities and Direction on Completion of the Disposal of ORC

If the Disposal completes, the Company will have no material principal asset. As such, the Company will likely be treated as having no material operating activities.

The Directors and management of the Company will be (from now, and if the Disposal completes, will continue) to investigate and identify opportunities for the Company.

If the Disposal completes, the Company expects that any significant new investment by the Company will, in all probability, be subject to Shareholder approval and the ASX will exercise its discretion to require the Company to re-comply with the requirements of Chapters 1 and 2 of the Listing Rules. There would be costs associated with re-complying with Chapters 1 and 2 of the Listing Rules, however, the Company may be required to incur these costs in any event, if it were to proceed to acquire a new project which is considered to result in a significant change to the nature and/or scale of its activities.

Given that the Company has been suspended since 4 December 2012, the policies enunciated in ASX Listing Rule Guidance Note 33 entitled "Removal of Entities from the ASX Official List" may apply to the Company.

Guidance Note 33 states that if an entity's securities have been continuously suspended as at 1 January 2014 for 12 months or more, the entity will be automatically removed from the official list if it remains in a continuous state of suspension up to 1 January 2016, with the removal being effective from the open of trading on the first business day after 1 January 2016.

This essentially gives the Company up to 1 January 2016 to implement a transaction that will result in the resumption of trading in its securities on ASX, otherwise the Company will be automatically removed from the official list of ASX.

## 4.11 Directors' Recommendations

Mr Barry Bolitho: Mr Bolitho recommends that Shareholders vote *in favour* of Resolution 7 (in the absence of any superior proposal emerging) for the following reasons:

The Company currently has debts on ORC which it has guaranteed that are highly unlikely to be able to be dealt with via the reinvigoration of the operations of ORC. As such, the Company needs to place itself in the best position to identify new opportunities, and to raise capital to support the pursuit and development of such opportunities. By reducing the amount of the guaranteed debts from in excess of US\$45 million to US\$1.074 million, the Company is better placed to identify and pursue new opportunities, plus the improvement in the balance sheet of the Company by reducing the debts owed places the Company in a better position to transact in the future in the best interest of Shareholders.

Furthermore, Mr Bolitho acknowledges that the Independent Expert has opined that the transaction the subject of Resolution 7 is fair and reasonable to Shareholders not associated with the Sentient Group. This reinforces Mr Bolitho's recommendation that Shareholders vote *in favour* of Resolution 7 (in the absence of any superior proposal emerging).

Mr Anthony Julien, Mr Michael Brickell and Ms Cheryl Wilson: Each of Messrs Julien and Brickell and Ms Wilson recommend that Shareholders vote *in favour* of Resolution 7 (in the absence of any superior proposal emerging) for the same reasons as Mr Bolitho.

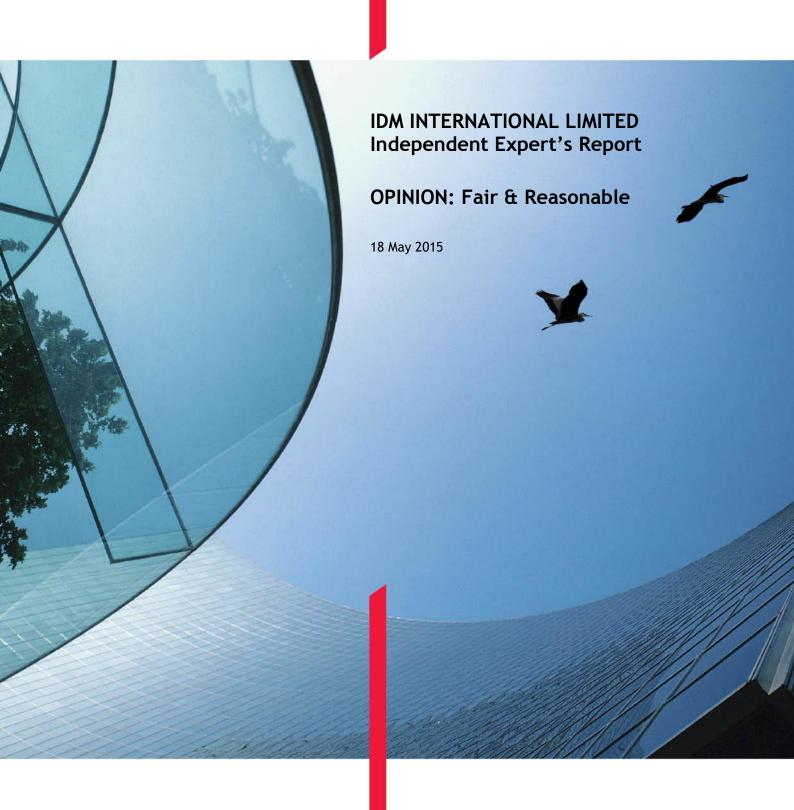
## 5. **DEFINITIONS**

In this Explanatory Memorandum:

- "ASIC" means the Australian Securities and Investments Commission.
- "ASX" means ASX Limited ACN 008 624 691.
- "Board" means the board of Directors.
- "Business Day" has the meaning given to it in the Listing Rules.
- "Chairman" means the chairman of the Board.
- "Company" means IDM International Limited ACN 108 029 198.
- "Completion" means completion of the Disposal in accordance with the Implementation Agreement.
- "Corporate Debt" has the meaning ascribed to that term in Section 4.1.
- "Debt Reduction" has the meaning ascribed to that term in Section 4.1, namely the extinguishment of the Principal Debt.
- "Director" means a director of the Company
- "Disposal" means the disposal by the Company of 100% of the issued share capital in ORC the subject of Resolution 7.
- "Explanatory Memorandum" means this Explanatory Memorandum.
- "Guarantee" means the guarantee and indemnity obligations of the Company under or in respect of the Project Debt Facility Agreement.
- "Implementation Agreement" means the agreement between the Sentient Group and the Company in respect of the Disposal dated 26 March 2015 and summarised in Section 4.4.
- "Independent Expert's Report"
- "Key Management Personnel" has the meaning given to it in the Accounting Standards. "KMP" has the same meaning.
- "Listing Rules" means the official listing rules of the ASX.
- "Notice" means the notice of meeting to which this Explanatory Memorandum is attached;
- "Oregon Resources Corporation" and "ORC" means Oregon Resources Corporation of 920 SW 6th Avenue Suite 250, Portland Oregon 97204.
- "ORC Properties" means ORC Properties LLC of 920 SW 6th Avenue Suite 250, Portland Oregon 97204.
- "Principal Debt" has the meaning ascribed to that term in Section 4.1.
- "Project Debt and Facility Agreement" means the agreement between ORC, ORC Properties, the Company and the Sentient Group dated 16 July 2010.
- "Recapitalisation" means the raising by the Company of an aggregate net cash amount of not less than \$2,000,000 by an issue of Shares.
- "Released Obligations" means:
- (a) all payment and other obligations and liabilities of the Company under or in respect of the Guarantee; and

- (b) all other obligations of the Company under or in respect of the Project Debt and Facility Agreement to which it is a party.
- "Remuneration Report" means the remuneration report relating to the financial period ended 30 June 2013 or 30 June 2014 (as the context requires) and provided to Shareholders.
- "Resolution" means a resolution set out in this Notice;
- "Section" means a section of this Explanatory Memorandum
- "Share" means an ordinary fully paid ordinary share in the capital of the Company and "Shareholder" has a corresponding meaning
- "Sentient Group" means, collectively Sentient II, Sentient III and Sentient IV,
- "Sentient II" means Sentient Executive GP II, Limited
- "Sentient III" means Sentient Executive GP III, Limited
- "Sentient IV" means Sentient Executive GP IV, Limited.
- "Spill Meeting" has the meaning contemplated by Resolution 8.
- "Spill Resolution" means Resolution 8.

## SCHEDULE A







## Financial Services Guide

#### 18 May 2015

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by IDM International Limited ('IDM') to provide an independent expert's report on the proposal to transfer IDM's 100% owned subsidiary Oregon Resources Corporation to a substantial shareholder in exchange for the extinguishment of a debt owed to the substantial shareholder . You will be provided with a copy of our report as a retail client because you are a shareholder of IDM.

#### Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

#### Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

#### Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

## General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.



## Financial Services Guide

Page 2

#### Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$24,000, excluding expenses.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

#### Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from IDM for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

#### Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

#### Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45** days after receiving the written complaint, we will advise the complainant in writing of our determination.

## Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website <a href="www.fos.org.au">www.fos.org.au</a> or by contacting them directly via the details set out below.

Financial Ombudsman Service GPO Box 3 Melbourne VIC 3001 Toll free: 1300 78 08 08

Facsimile: (03) 9613 6399

Email: info@fos.org.au

#### Contact details

You may contact us using the details set out on page 1 of the accompanying report.



## **TABLE OF CONTENTS**

1.	Introduction	1
2.	Summary and Opinion	1
3.	Scope of the Report	3
4.	Outline of the Proposal	5
5.	Profile of IDM	6
6.	Economic analysis	13
7.	Industry analysis	13
8.	Valuation approach adopted	14
9.	Valuation of IDM prior to the Proposal	16
10.	Valuation of IDM following the transaction	18
11.	Is the Proposal Fair?	19
12.	Is the Proposal reasonable?	19
13.	Conclusion	21
14.	Sources of information	21
15.	Independence	21
16.	Qualifications	22
17.	Disclaimers and consents	22

Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

Appendix 3 - Independent Valuation Report prepared by Agricola Mineral Consultants Pty Ltd

Appendix 4 -Independent Valuation Report prepared by Appraisal & Consulting LLC



www.bdo.com.au

38 Station Street Subiaco, WA 6008 PO Box 700 West Perth WA 6872 Australia

18 May 2015

The Directors **IDM International Limited** Level 2, 23 Barrack Street PERTH WA 6000

Dear Directors.

## INDEPENDENT EXPERT'S REPORT

## 1. Introduction

On 30 March 2015, IDM International Limited ('IDM' or 'the Company') announced the proposal to transfer the Company's 100% owned subsidiary Oregon Resources Corporation ('Oregon Resources') to a substantial shareholder Sentient Executive GP II, Limited Sentient Executive GP III Limited and Sentient Executive GP IV Limited (together "Sentient"), in exchange for the release of guaranteed obligations in respect of borrowings of Oregon Resources ('the Proposal').

## 2. Summary and Opinion

## Purpose of the report

The directors of IDM have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Proposal is fair and reasonable to non associated shareholders of IDM ('Shareholders').

Our Report is prepared pursuant to Australian Securities Exchange ('ASX') Listing Rule 10.1 and is to be included in the Notice of Meeting for IDM in order to assist the Shareholders in their decision whether to approve the Proposal.

#### 2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Proposal as outlined in the body of this report. We have considered:

- How the value of a IDM share prior to the Proposal compares to the value of a IDM share following the
- Whether the value of a IDM share is higher or lower following the implementation of the Proposal;
- The likelihood of a superior alternative offer being available to IDM;



- Other factors which we consider to be relevant to the Shareholders in their assessment of the Proposal; and
- The position of Shareholders should the Proposal not proceed.

## 2.3 Opinion

We have considered the terms of the Proposal as outlined in the body of this report and have concluded that, in the absence of a superior offer, the Proposal is fair and reasonable to Shareholders.

#### 2.4 Fairness

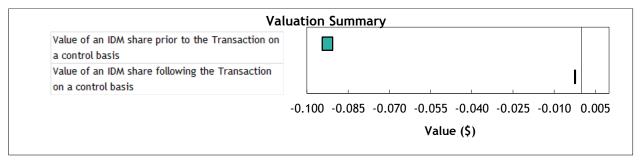
In section 11 the value of IDM shares prior to and following the Proposal is compared below:

	Ref	Low \$	Preferred \$	High \$
Value of an IDM share prior to the Transaction on a controlling basis	9.1	(0.0906)	(0.0896)	(0.0868)
Value of an IDM share following the Transaction on a controlling basis	10.	(0.0021)	(0.0021)	(0.0021)

Source: BDO analysis

We note from the table above that that the value of an IDM share prior to the Transaction on a controlling basis is lower than the value of an IDM share following the Transaction on a minority basis. Therefore, we consider that the Proposal is fair.

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, and a superior offer, the Proposal is fair for Shareholders.

## 2.5 Reasonableness

We have considered the analysis in section 12 of this report, in terms of both

· advantages and disadvantages of the Proposal; and



• other considerations, including the position of Shareholders if the Proposal does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Proposal is approved is more advantageous than the position if the Proposal is not approved. Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that the Proposal is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES					
Section	Advantages	Section	Disadvantages		
12.3	The Proposal is Fair	12.4	Disposal of main undertaking		
12.3	Possible re-compliance with ASX listing rules	12.4	Retention of corporate debt - subject to conversion on recapitalisation		
12.3	The extinguishment of the debt guaranteed by IDM	12.4	IDM may be removed from the ASX Official list		
12.3	Removal of obligation to undertake care and maintenance and overheads associated with ORC				

Other key matters we have considered include:

Section	Description
12.1	Alternative proposals
12.2	Consequences of not approving the transaction

# 3. Scope of the Report

## 3.1 Purpose of the Report

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires or disposes of a substantial asset, when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity at the date of the last audited accounts. Based on the audited accounts as at 30 June 2014, we consider the value of Oregon Resources to be greater than this.

Listing Rule 10.1 applies where the vendor or acquirer of the relevant assets is a substantial shareholder of the listed entity. Prior to the Proposal, Sentient and associates hold 160,306,051 shares in IDM. This means Sentient is considered a substantial shareholder.

Listing Rule 10.10.2 requires the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and



reasonable to the shareholders whose votes are not to be disregarded in respect of the transaction non-associated shareholders.

Accordingly, an independent experts' report is required for the Proposal. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to non-associated shareholders of IDM.

## 3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Proposal is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that, where an expert assesses whether a related party transaction is 'fair and reasonable' for the purposes of ASX Listing Rule 10.1, this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal.

We do not consider the Proposal to be a control transaction. As such, we have used RG 111 as a guide for our analysis but have considered the Proposal as if it were not a control transaction.

## 3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. RG 111 states that when considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. However, as stated in Section 3.2 we do not consider that the Proposal is a control transaction. As such, we have not included a premium for control when considering the value of IDM shares.

Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between value of a IDM share prior to the Proposal and the value of a IDM share following the Proposal (fairness see Section 11 'Is the Proposal Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 12 'Is the Proposal Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a



reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

## 4. Outline of the Proposal

The Company has over US\$45 million in Principal Debt, all of which is held by the Sentient Group, and is secured by Oregon Resources Corporation ("ORC") pursuant to the Project Debt and Facility Agreement dated 16 July 2010 ("Principal Debt"). Pursuant to the Project Debt and Facility Agreement, the Company has guaranteed the repayment of the debts of ORC to the Sentient Group.

Also, during the period of suspension of the ORC operations, the Sentient Group has continued to provide financial assistance to the Company by way of loaning funds for expenditure associated with care and maintenance of the ORC operations, ASX listing fees, audit fees and other corporate overheads ("Corporate Debt"). The amount of the loans constituting the Corporate Debt is approximately US\$1.074 million at the date of this report.

As a result of recent discussions, the Company and the Sentient Group have entered into the Implementation Agreement whereby it has been agreed (subject to the Shareholder approval sought hereby) to take the following action (summarised):

- a) Extinguish the Principal Debt ("Debt Reduction");
- b) Transfer the Company's interest in ORC (and the ORC operations) to the Sentient Group; and
- c) Upon a Recapitalisation of the Company, convert the Corporate Debt held by the Sentient Group into Shares in the Company.

A summary of the key terms of the Disposal is set out below:

## **Amendment of Guarantee**

From completion, the extent of all guarantees made by the Company under the Project Debt and Facility Agreement (whether in respect of interest, principal, costs and expenses or other amounts otherwise comprising secured moneys under the Project Debt and Facility Agreement) is limited to US\$1,074,028 and any demand made by the Sentient Group for payment by the Company must not exceed US\$1,074,028 minus the aggregate of all payments made by the Company in or towards satisfaction of their obligations in respect of its guarantee.

## Transfer of ORC Shares

At completion, the Company will transfer to Sentient IV (or its nominee/s) all right, title and legal and beneficial interest to all of the issued share capital of ORC. On and from Completion, the Company releases and discharges ORC and ORC Properties from all liabilities and obligations which ORC or ORC Properties owes to the Company.

## Corporate Debt

After completion, if the Company completes a recapitalisation at any time on or before 30 November 2015, the Company may, by notice in writing request the Sentient Group to release the Released Obligations. Any such request must:



- (a) be made no more than 60 days after the completion of the Recapitalisation;
- (b) specify the date on which such release is to take effect, which must not be more than 10 Business Days after the date on which the request is given; and
- (c) be accompanied by evidence to the Sentient Group that all required approvals and consents in respect of the Recapitalisation and the issue of Shares to the Sentient Group referred to below have been duly obtained.

If the Company makes the request contemplated above, and issues to the Sentient Group such number of Shares as is equal to US\$1,074,028 divided by the issue price of the Shares issued to investors under the Recapitalisation (converted into United States dollars), then the Sentient Group, without any further act or thing being required will be deemed to have released and discharged the Company from the Released Obligations immediately on and with effect from the issue to the Sentient Group of such Shares.

## 5. Profile of IDM

## 5.1 History

The Company was incorporated in Western Australia on 17 February 2004 as Rubirosa Limited, the Company undertook capital raisings from 2004 to 2006 and then in 2006 issued an IPO prospectus in 2006, and was admitted to the official list of the Australian Securities Exchange on 8 November 2006 and changed its name to Industrial Minerals Corporation Limited, which was subsequently changed to IDM International Limited.

As part of the IPO Oregon Resource Corporation, an USA unlisted company which holds interests in the Southern Oregon Mineral Sands Project covering 2,598 acres of mineral sands properties near Coos Bay in southwest Oregon was acquired.

The Company is focused on the exploration and production of chromite in the United States of America. The current directors and senior management of IDM are:

- Mr Barry Bolitho, Non executive Chairman and Chief Executive Officer
- Mr Michael Brickell, Deputy Chairman;
- Ms Cheryl Wilson, Non-Executive Director;
- Mr Anthony Julien, Chief Operating Officer; and
- Mr Scott Mison; Company Secretary.

On 5 October 2012, the Company announced the suspension of the IDM's shares from official quotation in relation to the future funding and production options.

On 4 December 2012, IDM announced the suspension of operations at its 100% owned subsidiary, Oregon Resources, as a result of falling prices in chromite.

On 30 April 2013, the Company outlined in its Quarterly Activities Report for the period ended 31 March 2013 that IDM had over \$47 million in debt all of which is held by the Sentient Group and is secured by ORC.



IDM shares currently remain suspended from official quotation.

Set out below is a brief description of the Company's 100% owned subsidiary, ORC.

## 5.1 Oregon Resources Corporation

Oregon Resources is a 100% owned subsidiary of IDM and is focused on developing the Southern Oregon Mineral project which is located near Coos Bay in southwest Oregon producing chromite and Spherichrome.

For further details on the project please refer to Appendix 3



## 5.2 Historical Balance Sheet

Statement of Financial Position	As at	Audited as at	Audited as at
	31-Mar-15	30-Jun-14	30-Jun-13
	\$'000	\$'000	\$'000
CURRENT ASSETS			
Cash and cash equivalents	2,860	159	1,539
Trade and other receivables	111	47	79
Prepayments	14	17	58
Inventory	-	72	344
TOTAL CURRENT ASSETS	2,985	295	2,021
NON-CURRENT ASSETS			
Other financial assets	1,139	930	1,065
Property plant and equipment	15,001	14,034	17,003
Mine properties and development	1,462	1,066	677
TOTAL NON-CURRENT ASSETS	17,602	16,030	18,745
TOTAL ASSETS	20,587	16,326	20,766
CURRENT LIABILITIES			
Trade and other payables	1,590	1,483	2,897
Provisions	267	209	431
Loans and borrowings	89,124	63,389	57,249
TOTAL CURRENT LIABILITIES	90,981	65,080	60,578
NON-CURRENT LIABILITIES			
Loans and borrowings	41	47	190
TOTAL NON-CURRENT LIABILITIES	41	47	190
TOTAL LIABILITIES	91,022	65,128	60,767
NET ASSETS	(70,435)	(48,802)	(40,001)
EQUITY			
Contributed equity	86,549	86,549	86,549
Reserves	(20,413)	(6,430)	(7,718)
Accumulated losses	(136,571)	(128,922)	(118,833)
TOTAL EQUITY	(70,435)	(48,802)	(40,001)

Source: IDM Audited accounts for 30 June 2014 and management accounts as at 31 March 2015

- The audited accounts as at 30 June 2014 were qualified by the auditor setting out;
  - "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."; and
  - "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."

Financial statements for the half year ended 31 December 2014 have not yet been released to the market.

We have not undertaken a review of IDM's unaudited management accounts in accordance with Australian Auditing and Assurance Standard 2405 'Review of Historical Financial Information' and do not express an opinion on this financial information. However nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

We note the following in respect of the balance sheet

- Other financial assets represent restricted cash;
- Loans and borrowings represent amounts lent by Sentient, predominantly to Oregon Resources, these amounts have been guaranteed by IDM. These balances are subject to interest and as such should the Proposal not proceed the balance owed in the future may be significantly higher;
- Property plant and equipment represents the site on which the processing plant is located and the equipment, we have obtained an independent valuation in respect of this; and
- Mine properties and development represent the mining right for the tenements held by Oregon resources, we have obtained an independent valuation in respect of this.



# 5.3 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Year ended 30 June 2014	Year ended 30 June 2013	
	\$'000	\$	
Revenue from sale of goods	246	9,876	
Other income	1,482	5,673	
	1,728	15,549	
Expenses			
Changes in inventories	(246)	(6,780)	
Raw materials and consumables used	(274)	(6,769)	
Other administration expenses	(752)	(1,065)	
Depreciation and amortisation	(2,526)	(2,460)	
Board expenses	-	(189)	
Compliance expenses	(167)	(183)	
Employment expenses	(658)	(4,030)	
Other expenses	(129)	(54)	
Interest expenses	(7,064)	(6,117)	
Impairment - inventory	-	(1,099)	
Loss before income tax expense	(10,088)	(13,224)	
Income tax expense	-	-	
Net loss	(10,888)	(13,224)	
Other comprehensive income			
Foreign currency translation	1,352	(4,155)	
Total comprehensive loss	8,736	(17,379)	

Source: IDM Audited accounts for 30 June 2014

• The audited accounts as at 30 June 2014 were qualified by the auditor setting out;



- "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."; and
- "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."

## 5.4 Capital Structure

The share structure of IDM as at 13 April 2015 is outlined below:

	Number
Total Ordinary Shares on Issue	650,750,257
Top 20 Shareholders	527,220,809
Top 20 Shareholders - % of shares on issue	81.02%

Source: Annual report

The range of shares held in IDM as at 13 April 2015 is as follows:

Range of Shares Held	No. of Ordinary Shareholders	No. of Ordinary Shares %Issued Capital
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
100,001 - and over	316	633,845,445
TOTAL	866	650,750,257

Source: Annual report

The ordinary shares held by the most significant shareholders as at 13 April 2015 are detailed below:



	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Name		
Macquarie Bank Limited	141,512,991	21.75%
Sentinent 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%
Sentinent Executive GP IV Limited	31,106,801	4.78%
Sentinent Executive GP II Ltd	22,648,450	3.48%
Total ordinary shares on Issue	650,750,257	70%

Source: Annual report

The options on issue as at 13 April 2015 are outlined below:

Number of Options	Exercise Price (\$)	Expiry Date
25,000,000	\$0.25	4 August 2015
10,750,000	\$0.10	5 July 2015
1,875,000	\$0.16	4 March 2016
3,000,000	\$0.23	1 November 2016

Source: Annual report



## 6. Economic analysis

## The global economy

Growth in the global economy continued at a moderate pace in 2014. A similar performance is expected by most observers in 2015, with the US economy continuing to strengthen, even as China's growth slows a little from last year's outcome.

Financial conditions are very accommodative globally, with long-term borrowing rates for several major sovereigns at all-time lows over recent months. Some risk spreads have widened a little but overall financing costs for creditworthy borrowers remain remarkably low.

#### Commodity prices

Commodity prices have declined over the past year, in some cases sharply. The price of oil in particular has fallen significantly. These trends appear to reflect a combination of lower growth in demand and, more importantly, significant increases in supply. The much lower levels of energy prices will act to strengthen global output and temporarily to lower CPI inflation rates.

#### **US Economy**

The United States economy has seen expansion in economic activity of the last 12 months, whilst recent activity has been moderated due to temporary factors such as weather and industrial action at parts. Low energy prices and very low interest rates have assisted in the recovery over the longer term whilst the appreciating dollar may have hampered this recently. The US Federal Reserve has indicated that they will look to increase the target rates when the labour market has improved and there is a degree of confidence that inflation will be in a 2 precent range. This is considered to be possible to take place in the second half of this year. Commentators are expecting moderate growth going forward but caution that some sectors such as manufacturing may be impacted by the strong dollar.

# 7. Industry analysis

#### 7.1 Chromite & Zircon

Chromite is an iron chromium oxide with a composition of FeCr<sub>2</sub>O<sub>4</sub>. ORC produces two foundry chromite products, SpheriChrome™ and Chromite RG (Round Grain). Both products are found naturally in the ground as sand from ancient beach deposits; therefore, no crushing is required to produce ORC's chromite. SpheriChrome™ and Chromite RG exhibit characteristics due to rounded grain structure, narrow particle size distribution, and the elimination of fines. This combination results in a higher heat transfer rate, improved core and mold strengths, and the potential for lower binder addition, which in turn produces less binder emissions and smoke. SpheriChrome™ is also a replacement for zircon that is used in foundry sand applications. Oregon Resources Corporation is the only producer of chromite in the United States. Zircon is used in the ceramics industry in the production of opacifiers used in surface glazes and pigments. Zircon is also used in the production of zirconia, zirconium metal and zirconium chemicals.



## 7.2 Current market conditions

Ferro Chrome prices have declined from high's in 2008 until a low point was reached in November 2012, a modest recovery occurred during early 2013 with a more prolonged general upward trend in late 2013 until September 2015, with current prices at the levels of the low's in 2008. These levels are significantly lower than those in October 2012 when IDM suspended from trading due to future funding and production options.

After a recovery in demand for zircon in the first half of 2013, especially China, the remainder of the year saw more subdued market conditions reflecting continuing fragility in business confidence. Demand in the United States, which mainly related to manufacturing, remained robust. The long term growth for both titanium and zircon is forecast to be weaker than expected as customers continue to use mineral sands more efficiently.

## 7.3 Prices

The graph below shows the historical spot prices for zircon for the past five and the forecast prices for the next few years. No readily available forecast prices are available for Ferro Chrome and as Zircon can be used as a substitute for Chromite we have shown details of the Zircon price below.

#### **Zircon**

After historic highs during 2011 and 2012 of just over US\$2,500 per tonne, zircon prices have since fallen to a low of approximately US\$1,162 per tonne in August 2014. Prices are expected to increase to US\$1,250 in the next five years.



Source: Bloomberg and Consensus Forecasts

## 8. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:



- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of IDM shares we have chosen to employ the following methodologies:

- Net asset value
- QMP (was considered but unable to be adopted)

We have chosen these methodologies for the following reasons:

- The shares of IDM have been suspended since 2012 as such there is no liquid market for the shares on which to undertake a QMP analysis which bears relevance to the Company at the date of our Report;
- The FME approach is not appropriate where there is a history of losses or for entities which are exposed to projects with a defined life which are typical of the mining industry;
- As the Project has been on care and maintenance for some time a cashflow model for which we would have reasonable grounds to rely on is not available. As such it is not possible to adopt the DCF approach.
- A NAV approach reflects an appropriate valuation approach for the key assets and liabilities for the Company, as there are no operations there is minimal risk that IDM's value would exceed the realisable value of intangibles as a market based valuation will be obtained for the mineral assets and goodwill would not be expected.
- The NAV approach above incorporates market valuations of Property plant and equipment and Mineral assets which are suitable for assets subject to a finite life.
- Due to the inability to undertake a QMP or DCF assessment we have been unable to utilise a secondary valuation methodology.



# 9. Valuation of IDM prior to the Proposal

## 9.1 Net Asset Valuation of IDM

The value of IDM assets on a going concern basis is reflected in our valuation below:

Statement of Financial Position		As at 31-Mar-15	Valuation Low	Valuation Preferred	Valuation High
	Note	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS		, , , , ,	****	****	
Cash and cash equivalents		2,860	2,860	2,860	2,860
Trade and other receivables		111	111	111	111
Prepayments		14	14	14	14
Inventory		-	-	-	-
TOTAL CURRENT ASSETS	-	2,985	2,985	2,985	2,985
NON-CURRENT ASSETS					
Other financial assets		1,139	1,139	1,139	1,139
Property plant and equipment	1	15,001	25,641	25,641	25,641
Mine properties and development	2	1,462	2,308	2,949	4,744
TOTAL NON-CURRENT ASSETS	-	17,602	29,087	29,728	31,523
TOTAL ASSETS	-	20,587	32,072	32,713	34,508
CURRENT LIABILITIES					
Trade and other payables		1,590	1,590	1,590	1,590
Provisions		267	267	267	267
Loans and borrowings		89,124	89,124	89,124	89,124
TOTAL CURRENT LIABILITIES	-	90,981	90,981	90,981	90,981
NON-CURRENT LIABILITIES					
Loans and borrowings		41	41	41	41
TOTAL NON-CURRENT LIABILITIES	-	41	41	41	41
TOTAL LIABILITIES	-	91,022	91,023	91,021	91,021
NET ASSETS	_	(70,435)	(58,951)	(58,308)	(56,513)
Shares on issue		650,750,257	650,750,257	650,750,257	650,750,257
Value Per share			\$ (0.0906)	\$ (0.0896)	\$ (0.0868)

Source: BDO analysis

We have been advised that there has not been a significant change in the net assets of IDM since 31 March 2015. The table above indicates the net asset value of an IDM share is between (\$0.0906) and (\$0.0868).

The following adjustments were made to the net assets of IDM as at 31 March 2015 in arriving at our valuation.

## Note 1 Valuation of Plant and equipment

We instructed Appraisal & Consulting Group, LLC to provide an independent market valuation of the property plant and equipment held by IDM. Appraisal & Consulting Group LLC considered a number of different valuation methods when valuing the assets of IDM and adopted a replacement cost approach.



We consider this methods to be appropriate given the specific purpose of IDM's assets. This concluded a valuation of US\$ 20 million. The full report is included in Appendix 4.

## Note 2 Valuation of Plant and equipment

We instructed Agricola Mining Consultants Pty Ltd ("Agricola") to provide an independent market valuation of the exploration assets held by IDM. Agricola considered a number of different valuation methods when valuing the exploration assets of IDM. Agricola applied the comparable transaction methodology A discussion of the methodology is attached as Appendix 3. The comparable transaction method involves calculating a value per common attribute in a comparable transaction and applying that value to the subject asset. A common attribute could be the amount of resource or the size of a tenement. We consider these methods to be appropriate given the nature of IDM's exploration assets.

The range of values for IDM's exploration assets as calculated by Agricola is set out below:

Mineral Asset	Low Value	Preferred Value	High Value
	US\$m	US\$m	US\$m
	1.8	2.3	3.7

Source: Appendix 2

The table above indicates a range of values between US\$1.8 million and US\$3.7 million, with a preferred value of US\$2.3 million. We have used an exchange rate of AUD:US\$ of 0.78 to give a valuation range of \$2.3 million to \$4.7 million with a preferred value of \$2.9 million.

## 9.2 Quoted Market Prices for IDM Securities

To provide a comparison to the valuation of IDM in Section 9.1, we have also considered the quoted market price for an IDM share. As the shares have been suspended since 5 October 2012 this approach does not provide a relevant approach to utilise as a primary or secondary method.

#### 9.3 Assessment of IDM Value

The results of the valuations performed are summarised in the table below:

	Low \$	Preferred \$	High \$	
Net assets value per share (Section 9.1)	(0.0906)	(0.0896)	(0.0868)	
Source: BDO analysis				

17



Based on the above pricing our assessed value of an IDM Share prior to the Transaction is a low of (0.0906) to a high of (0.0868) with a preferred value of (0.0896). It is common where there is a negative net asset position to conclude that the valuation is nil, however as any Transaction that is contemplated would be required to be dealt with we have showed the negative values to provide a more meaningful representation to shareholders.

# 10. Valuation of IDM following the transaction

Statement of Financial Position		Valuation	Valuation	Valuation
	Note	Low	Preferred	High
		\$'000	\$'000	\$'000
CURRENT ASSETS				
Cash and cash equivalents	1	57	57	57
Trade and other receivables	1	10	10	10
Prepayments	1	14	14	14
Inventory	1	-	-	-
TOTAL CURRENT ASSETS	•	81	81	81
NON-CURRENT ASSETS				
Other financial assets	1	-	-	-
Property plant and equipment	1	-	-	-
Mine properties and development	1	-	-	-
TOTAL NON-CURRENT ASSETS	•	-	-	-
TOTAL ASSETS	•	81	81	81
	·			
CURRENT LIABILITIES				
Trade and other payables	1	35	35	35
Provisions	1	-	-	-
Loans and borrowings	2	1,396	1,396	1,396
TOTAL CURRENT LIABILITIES	·	1,431	1,431	1,431
NON-CURRENT LIABILITIES				
Loans and borrowings	1	-	-	-
TOTAL NON-CURRENT LIABILITIES		-	-	-
TOTAL LIABILITIES	•	1,431	1,431	1,431
NET ASSETS		(1,350)	(1,350)	(1,350)
Shares on issue		650,750,257	650,750,257	650,750,257
Value Per share		\$ (0.0021)	\$ (0.0021)	\$ (0.0021)

### Note 1) Disposal of Oregon Resources

The NAV of IDM has been obtained from our valuation performed in section 9.1, adjusted for the disposal of Oregon Resources, as such the valuation represents the balances relating to IDM as parent entity.



### Note 2) Loans and borrowings

As part of the Proposal, IDM is released from the guarantees provided in respect of Oregon Resources. The balance sheet of IDM at 31 March 2015 contains a payable of approximately \$1,396,000 to Sentient, this represents the low of our valuation range. The Proposal sets out that IDM as guarantor will have a maximum amount payable of US\$1,074,028, (approximately \$1,396,000) we have added this to the amount currently payable as the high end of our valuation range. In the event of a recapitalisation IDM may issue shares at the recapitalisation price to the financier to have the guarantee released. The terms include that the recapitalisation must occur by 30 November 2015 and the request must be made within 60 days of the recapitalisation.

# 11. Is the Proposal Fair?

The value of IDM shares prior to and following the Proposal is compared below:

	Ref	Low \$	Preferred \$	High \$
Value of an IDM share prior to the Transaction on a controlling basis	9.1	(0.0906)	(0.0896)	(0.0868)
Value of an IDM share following the Transaction on a controlling basis	10.	(0.0021)	(0.0021)	(0.0021)

We note from the table above that that the value of an IDM share prior to the Transaction on a controlling basis is lower than the value of an IDM share following the Transaction on a minority basis. Therefore, we consider that the Proposal is fair.

# 12. Is the Proposal reasonable?

# 12.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of IDM a premium over the value ascribed to, resulting from the Proposal.

#### 12.2 Consequences of not approving the Transaction

## Consequences

If the Proposal is not approved the Directors of IDM would likely place the Company in administration if the support of Sentient was no longer in place. This is likely to result in a situation where assets of the Company are disposed of and it is possible that the entity may be liquidated, the prospects of a return to shareholders is unlikely.

# 12.3 Advantages of Approving the Proposal

We have considered the following advantages when assessing whether the Proposal is reasonable.



Advantage	Description
The Proposal is fair	As set out in Section 11 the Transaction is fair. RG 111 states that an offer is reasonable if it is fair.
Possible re-compliance with ASX listing rules	If the Proposal is approved the Directors will have the ability to seek a recapitalisation proposal and transactions that enable the ASX listing rules to be complied with in the future. IDM will be better placed to seek new opportunities after the guarantee is extinguished.
The extinguishment of the debt guaranteed by IDM	The Proposal results in the debt guaranteed by IDM being extinguished, currently IDM is exposed to the debt due to the viability of ORC's operations being in doubt. There is no certainty that ORC will be able to discharge the debt and as such IDM is exposed to the debt via the guarantee
Removal of obligation to undertake care and maintenance and overheads associated with ORC	Currently ORC's operations are on care and maintenance, if the Proposal is approved IDM will not be exposed to these costs, corporate overheads or to support working capital required. Furthermore IDM's operations will be in relation to a single jurisdiction being Australia which is likely to also reduce compliance costs and overheads.

# 12.4 Disadvantages of Approving the Proposal

If the Proposal is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Disposal of main undertaking	The main undertaking of the Company will be disposed of, this means that IDM will no longer have a project and will need to seek a suitable project to re-comply with the listing rules of the ASX, there is no certainty that this may occur.
Retention of corporate debt - subject to conversion on recapitalisation	As discussed in our analysis of fairness IDM will retain US\$1,074,028 in Corporate Debt which may be converted to shares, however this may require shareholder approval and any recapitalisation proposal would be subject to proposed financiers being satisfied with the arrangements in relation to the Corporate Debt
IDM may be removed from the ASX Official list	As IDM has been suspended since 4 December 2012, in accordance with the guidance in ASX Listing Rule Guidance Note 33 IDM may be removed from the Official list if they have not had suspension removed by 1 January 2016.



## 13. Conclusion

We have considered the terms of the Proposal as outlined in the body of this report and have concluded that the Proposal is fair and reasonable to the Shareholders of IDM.

## 14. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of IDM for the years ended 30 June 2014 and 30 June 2013
- Unaudited management accounts of IDM for the period ended 31 March 2015;
- Independent Valuation Report of IDM mineral assets dated 13 April 2015 performed by Agricola Mining Consultants Pty Ltd
- Independent Valuation Report of IDM property plant and equipment dated 23 November 2014 performed by Appraisal & Consulting LLC;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of IDM.

# 15. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$24,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by IDM in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by IDM, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to IDM and Sentient and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of IDM and Sentient and their respective associates.

A draft of this report was provided to IDM and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).



# 16. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Adam Myers and Sherif Andrawes of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 17 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

## 17. Disclaimers and consents

This report has been prepared at the request of IDM for inclusion in the Explanatory Memorandum which will be sent to all IDM Shareholders. IDM engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the Proposal to release IDM as guarantor in exchange for the transfer of the issued capital of Oregon Resources.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.



With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Proposal, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of IDM, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets and plant and equipment held by Oregon Resources.

The valuer engaged for the mineral asset valuation, Agricola Mining Consultants, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The valuer engaged for the property plant and equipment valuation, Appraisal & Condulting Group, LLC, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

**BDO CORPORATE FINANCE (WA) PTY LTD** 

**Sherif Andrawes** 

Al D

Director

**Adam Myers** 

Director



# Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
The Company	IDM International Limited
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
NAV	Net Asset Value
Our Report	This Independent Expert's Report prepared by BDO
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
The Proposal	The proposal to transfer the Company's 100% owned subsidiary Oregon Resources Corporation to a related party Sentient Executive GP II, Limited Sentient Executive GP III Limited and Sentient Executive GP IV Limited, in exchange for the release of guaranteed obligations in respect of borrowings of Oregon Resources
Shareholders	Shareholders of IDM not associated with Sentient
Sentient	Sentient Executive GP II, Limited Sentient Executive GP III Limited and Sentient Executive GP IV Limited
Valmin Code	The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports



Valuation Engagement

An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.

**VWAP** 

Volume Weighted Average Price

Copyright © 2015 BDO Corporate Finance (WA) Pty Ltd

All rights reserved. No part of this publication may be reproduced, published, distributed, displayed, copied or stored for public or private use in any information retrieval system, or transmitted in any form by any mechanical, photographic or electronic process, including electronically or digitally on the Internet or World Wide Web, or over any network, or local area network, without written permission of the author. No part of this publication may be modified, changed or exploited in any way used for derivative work or offered for sale without the express written permission of the author.

For permission requests, write to BDO Corporate Finance (WA) Pty Ltd, at the address below:



# Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

#### 1 Net asset value ('NAV')

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

#### 2 Quoted Market Price Basis ('QMP')

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

### 3 Capitalisation of future maintainable earnings ('FME')

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.



The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

### 4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

### 5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

The resource multiple is a market based approach which seeks to arrive at a value for a company by reference to its total reported resources and to the enterprise value per tonne/lb of the reported resources of comparable listed companies. The resource multiple represents the value placed on the resources of comparable companies by a liquid market.



# Appendix 3 - Independent Valuation Report prepared by Agricola Mineral Consultants Pty Ltd



# Appendix 4 - Independent Valuation Report prepared by Appraisal & Consulting LLC

# SCHEDULE B

	DOLL D		
Statement of Financial Position	As at	Disposal of	Pro forma
	31-Mar-15	ORC	balance
	\$'000	\$'000	\$'000
CURRENT ASSETS			
Cash and cash equivalents	2,860	(2,803)	57
Trade and other receivables	111	(101)	10
Prepayments	14	-	14
Inventory	-	-	-
TOTAL CURRENT ASSETS	2,985	(2,904)	81
NON-CURRENT ASSETS			
Other financial assets	1,139	(1,139)	-
Property plant and equipment	15,001	(15,001)	-
Mine properties and development	1,462	(1,462)	-
TOTAL NON-CURRENT ASSETS	17,602	(17,602)	-
TOTAL ASSETS	20,587	(20,506)	81
CURRENT LIABILITIES			
Trade and other payables	1,590	(1,555)	35
Provisions	267	(267)	-
Loans and borrowings	89,124	(87,728)	1,396
TOTAL CURRENT LIABILITIES	90,981	(89,550)	1,431
NON-CURRENT LIABILITIES			
Loans and borrowings	41	(41)	-
TOTAL NON-CURRENT LIABILITIES	41	(41)	-
TOTAL LIABILITIES	91,022	(89,591)	1,431
NET ASSETS	(70,435)	69,085	(1,350)
Contributed Equity	86,549	_	86,549
Reserves	(20,413)	27,108	6,695
Accumulated losses	(136,571)	41,977	(94,594)
TOTAL EQUITY	(70,435)	69,085	(1,350)
	-		

# IDM INTERNATIONAL LIMITED

# ACN 108 029 198 PROXY FORM

The Secretary IDM International Limited Ground Floor, 10 Outram Street West Perth WA 6005

Fax Number: +6	31 89325 7120			
I/We				
of				
being a shareho	older/(s) of IDM International Limited hereby appoint	t		
of				
or failing him/he	r			
of				
Meeting of the (WST) on 13 J failing any number the proportion of will be supplied.  If you wish to it	r the Chairman as my/our proxy to vote for me/us a Company to be held at 10 Outram Street, West uly 2015, and at any adjournment thereof in respoer being specified, ALL of my/our shares in the Conf voting rights this proxy is authorised to exercise is by the Company on request.)  Indicate how your proxy is to vote, please tick then on a Resolution, the proxy may abstain or vote at	Perth, Western ect of [ ]% mpany. If two ps [ ]%. (An e appropriate	Australia a of my/our roxies are additional p	at 2.00pm shares or, appointed, proxy form
I/we direct my/o	ur proxy to vote as indicated below:			
Resolution 1	Adoption of the Remuneration Report - 2013	For	Against $\Box$	Abstain
Resolution 2	Adoption of the Remuneration Report - 2014			
Resolution 3	Re-Election of Mr Barry Bolitho as a Director			
Resolution 4	Re-Election of Mr Anthony Julien as a Director			
Resolution 5	Re-Election of Mr Michael Brickell as a Director			
Resolution 6	Re-Election of Ms Cheryl Wilson as a Director			
Resolution 7	Disposal of the Company's interest In Oregon Resources Corporation to the Sentient Group			

**Board Spill Meeting** 

Resolution 8

Proxies given by a natural person must be signed by each appointing shareholder or the shareholder's attorney duly authorised in writing. Proxies given by companies must be executed in accordance with section 127 of the Corporations Act or signed by the appointor's attorney duly authorised in writing. The Chairman intends to vote all undirected proxies in favour of each Resolution.

THE CHAIRMAN INTENDS TO VOTE ALL UNDIRECTED PROXIES IN FAVOUR OF EACH RESOLUTION EVEN IF THAT RESOLUTION IS CONNECTED DIRECTLY OR INDIRECTLY WITH THE REMUNERATION OF A MEMBER OF KEY MANAGEMENT PERSONNEL.

As witness my/our hand/s this	day of		2015
If a natural person:			
SIGNED by:			
Signature		Signature (if joint holder)	
If a company: Executed in accordance with sectio Corporations Act	n 127 of the		
Signature of Director		Signature of Director / Secre	tary