



## **VDM GROUP LIMITED**

ABN 95 109 829 334

# Prospectus

For a non-renounceable entitlement offer of 1 New Share for every 1 Share held by Shareholders registered on the Record Date at an issue price of \$0.01 per Share to raise \$17.9 million (**Offer**).

**This Offer is partly underwritten by H&H Holdings Australia Pty Ltd. Refer to section 7 of this Prospectus for details regarding the terms of the underwriting arrangements.**

### **IMPORTANT NOTICE**

**This Prospectus has also been prepared for the purpose of Section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company.**

This document is important and should be read in its entirety before deciding whether to apply for New Shares under this Prospectus. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, solicitor, banker, financial advisor, accountant or other professional advisor.

You should have regard to all publically available information concerning the Company.

An investment in the Shares of the Company, including the New Shares offered by this Prospectus, should be considered speculative.

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## Corporate Directory

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### Board of Directors

Dr Dongyi Hua  
Executive Chairman and Interim Chief  
Executive Officer

Mr Michael Perrott AM  
Non-Executive Deputy Chairman

Mr Michael Fry  
Non-Executive Director

Mr Xiang Yang Ru  
Non-Executive Director

### Company Secretary

Ms Samantha Drury

### Registered Office

Level 1  
Fortescue Centre  
30 Terrace Road  
East Perth WA 6004  
Telephone: + 61 8 9265 1100  
Facsimile: + 61 8 9265 1399

### Share Registry

Computershare Investor Services Pty Limited  
Level 2  
45 St Georges Terrace  
Perth WA 6000  
Telephone:  
1300 850 505 (within Australia)  
+61 3 9415 4000 (outside Australia)  
Facsimile: +61 3 9473 2500

### Solicitors to the Offer

Clayton Utz  
Level 27  
QV.1 Building  
250 St Georges Terrace  
Perth WA 6000  
Telephone: +61 8 9426 8000  
Facsimile: + 61 8 9481 3095

## **Important notes**

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You should read this entire Prospectus carefully before deciding whether to invest in New Shares. In particular, you should consider the key risks that could affect the performance of the Company or the value of an investment in the Company, details of which are outlined in section 5 of this Prospectus.

The information provided in this Prospectus is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading this Prospectus, you have any questions about the Offer, you should contact your stockbroker, solicitor, banker, financial advisor, accountant or other professional advisor.

## **Regulatory information**

This Prospectus is dated 10 December 2013 and was lodged with ASIC on that date. ASIC and ASX take no responsibility for the content of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

Applications for New Shares offered pursuant to this Prospectus can only be submitted on an original Application Form or Shortfall Application Form which accompany this Prospectus.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisors whom potential investors may consult.

## **Disclaimer**

Except as required by law, and only then to the extent so required, neither the Company nor any other person warrants the future performance of the Company, or any return on any investment made under this Prospectus. An investment in the New Shares offered by this Prospectus should be considered speculative.

No person is authorised to give any information or make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company in connection with the Offer.

The Company has prepared this document based on information available to it at the time of preparation.

## **Forward-looking statements**

This Prospectus contains forward looking statements that have been based on current expectations about future acts, events and circumstances. These forward looking statements are, however, subject to risks, uncertainties and assumptions many of which are outside the control of the Company and that

could cause those acts, events and circumstances to differ materially from the expectations described in such forward looking statements.

In particular, this Prospectus details some important factors and risks that could cause the Company's actual results to differ from the forward-looking statements in this Prospectus (details of which are outlined in section 5 of this Prospectus).

The pro-forma financial information provided in this Prospectus is for illustrative purposes only and is not represented as being indicative of the Company's view on its future financial condition and/or performance.

Neither the Company nor any other person guarantees the repayment of capital or the payment of income. Investors should note that the past performance of the Company provides no guidance to its future performance.

### Key risks

Subscribing for Shares the subject of this Prospectus involves a number of risks. The risk factors set out in section 5 of the Prospectus and other general risks applicable to all investments in listed securities not specifically referred to may in the future affect the value of the Shares. Some of these factors can be mitigated by appropriate commercial action. However, many are outside the control of the Company, dependent on the policies adopted and approaches taken by regulatory authorities, or cannot otherwise be mitigated. If any Shareholder is unsure about subscribing for Shares, the Shareholder should first seek advice from its stockbroker, solicitor, banker, financial advisor, accountant or other professional advisor.

The following sets out a summary of some of the key risks relevant to the Company and its operations:

| Risk   | Details   |
|--|---|
| Key personnel  | The Company's future success depends on its continuing ability to retain and attract highly qualified technical and managerial personnel.   |
| Commercial risk  | The Company's ability to achieve profitability is dependent on a number of factors.   |
| Influence of cornerstone shareholder                           | The Company's major shareholder, H&H, holds a relevant interest of 38.21% in the Company. To the extent H&H's intentions for the Company change, this could have a material effect on the Company and its operations. |
| Lower liquidity  | There is a risk that the trading of Shares will be negatively affected by the size of H&H's relevant interest in the Company.   |
| Business partner risk  | The success of the Company's new strategy is reliant on its ability to obtain business partners.  |
| New business risk  | The Company is considering other potential areas of business outside of its core business segments.   |
| Restructure risk   | There is a risk that no new projects will be forthcoming and the current projects will be completed leaving no work for the project staff.  |
| Negative cash operating position                               | If the Company is unable to enter into new contracts and meet the requisite deliverables under such contracts, it is possible that the Company's cash flow position will remain negative and may thus worsen.         |
| Reliance on key contracts and ability to replace key contracts | Companies in the construction and contracting industries are often reliant on a small number of key contracts which form the basis of a company's forecast financial figures.   |
| Contract disputes  | There is a risk that the outcome of disputes or claims may differ materially from provisions raised in the Company's accounts which could expose the Company to incurring further losses.                             |
| Time delay risk  | Numerous matters may give rise to delays in completion, loss of revenue and cost over-runs of projects.   |
| Foreign jurisdiction risk                                      | If the Company enters into foreign markets, it may be subject to the risks associated in operating in a foreign country.  |

| <b>Risk</b>                             | <b>Details</b>  |
|---|---|
| Share market conditions                 | The value of the Shares quoted on ASX will be subject to varied and often unpredictable influences on the market for equities and particularly for speculative stocks such as the Company's.  |
| General economic conditions             | Factors such as inflation, currency fluctuations, interest rates, supply and demand, industrial disruption, government policy and legislation have an impact on operating costs, commodity prices, and the parameters in which the Company operates.  |
| Changes in government policies and laws | Changes in government laws, regulations, policies and administrative regimes, particularly those affecting ownership of mineral interests, taxation, royalties, land access, labour relations, environmental pollution and mining and exploration activities, may adversely affect the financial performance or the current and proposed operations generally of the Company. |
| Industrial risk                         | Industrial disruptions, work stoppages and accidents in the course of the Company's operations could result in losses and delays, which may adversely affect profitability.   |
| Management actions                      | The Directors will, to the best of their knowledge, experience and ability (in conjunction with management) endeavour to anticipate, identify and manage the risks inherent in the activities of the Company.   |
| Environmental risks                     | There is a risk that significant damages or penalties might be imposed on the Company, including for certain discharges into the environment, effects on employees, subcontractors or customers, or as clean-up costs.  |
| Occupational health and safety          | There are certain risks associated with the occupational health and safety of the Company's employees.  |
| Industrial disputes                     | Industrial disputes may disrupt operations and impact on earnings.  |
| No currency hedging                     | The Company has not put in place any hedging arrangements to mitigate its negative exposure to foreign exchange risk.   |
| Regulatory risks                        | The Company is exposed to any changes in the regulatory conditions under which it operates in Australia.  |

In addition, there are a number of general risks that are common to all investments in shares and are not specific to the business model and operations of the Company. Further details regarding risks that may affect the Company in the future are set out in section 5.

The Shares offered under this Prospectus carry no guarantee of profitability, dividends, return of capital or the price at which they may trade on ASX. The past performance of the Company should not necessarily be considered a guide to its future performance.

### **Prospectus availability**

Eligible Shareholders can obtain a copy of this Prospectus during the Offer Period on the Company's website at [www.vdmgroup.com.au](http://www.vdmgroup.com.au) or by contacting the Share Registry by telephone on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) during the Offer Period. If you access the electronic version of this Prospectus, you should ensure that you download and read the entire Prospectus.

The electronic version of this Prospectus on the Company's website will not include a personalised Application Form. You will only be entitled to accept the Offer by completing and returning your personalised Application Form, which accompanies this Prospectus, or by making a payment via BPAY® using the information provided on your personalised Application Form (refer to section 3 of this Prospectus for further information).

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of this Prospectus or a complete and unaltered electronic version of this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those

laws. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

### **Foreign jurisdictions**

This Prospectus has been prepared to comply with the requirements of the laws of Australia. No action has been taken to register the New Shares in any jurisdiction outside of Australia.

See section 1.10 of this Prospectus for further details in relation to persons in other jurisdictions.

### **Glossary**

Terms and abbreviations used in this Prospectus are explained in the Glossary in section 9 of this Prospectus.

A reference in this Prospectus to time is a reference to the local time in Perth, Western Australia, unless otherwise stated.

All financial amounts in this Prospectus are expressed in Australian dollars, unless otherwise stated.

### **Governing law**

This Prospectus and the contracts that arise from acceptance of the Applications are governed by the laws applicable in Western Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of Western Australia.

### **Enquiries**

If you have any questions in relation to the Offer, please contact your stockbroker, solicitor, banker, financial advisor, accountant or other professional advisor.

If you have any enquiries in relation to the Application Form, please contact the Share Registry by telephone on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

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## Chairman's Letter

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Dear Shareholders

On behalf of the Directors and management, I am pleased to offer you the opportunity to invest in VDM Group Limited through this partly underwritten, non-renounceable pro rata Offer of New Shares. The Offer represents the final stage of the recapitalisation plan announced at the end of October 2013 to stabilise the Company and secure its immediate future.

The Offer will provide Shareholders with the right to subscribe for 1 New Share for every 1 Share held on the Record Date each at an issue price of \$0.01. If fully subscribed, the Offer will raise approximately \$17.9 million before costs and expenses, which are expected to be approximately \$377,856 (including the Underwriting Fee).

H&H Holdings Australia Pty Ltd (H&H) has committed to contribute \$9 million under the Offer, through subscribing for \$4 million of its Entitlement, and by underwriting \$5 million of the Shortfall. Any New Shares allocated to H&H pursuant to its underwriting commitment will be fully sub-underwritten by Australia Kengkong Investments Co Pty Ltd. Hunter Hall has also committed to take up \$1 million of its Entitlement as an existing Shareholder under the Offer, subject to H&H subscribing for \$4 million of its Entitlement. Accordingly, in total the Company has received commitments to subscribe for \$10 million of the Offer. Further Eligible Shareholders will also be able to apply to subscribe for New Shares in addition to their Entitlement pursuant to the Shortfall Offer.

If New Shares remain unsubscribed after the allocation of Shortfall Shares to Eligible Shareholders applying for New Shares in addition to their Entitlement and H&H as underwriter as described further in the Prospectus, the Board reserves the right, in its absolute discretion, to place the remaining unsubscribed New Shares to other parties on the same terms in the three months following the Offer.

The Company is undertaking the Offer to complete the recapitalisation plan and allow it to continue to implement the strategy of developing a company focused on three key industry segments: construction, services and mining.

The Company has largely restructured its existing activities to focus on a core construction offering which continues to deliver on the Company's existing contracts and is working hard to secure new contracts to deliver revenue and profits to the Company in the future. Alongside this, the Company is also developing its services offering and is looking to establish an in-house mining capability to consider investment and development opportunities in mining projects.

In section 2 you will find an overview of the Company and an update on the Company's activities. I would like to highlight several of the key advances the Company has made over the past few months to stabilise the Company and position it for future growth. In particular the Company has:

- completed the sale of its eastern construction business;
- exited its consulting activities through a series of management buy-outs and business-unit closures;
- had success in pursuing some of its outstanding contractual claims, resulting in material recoveries of approximately \$4 million in aggregate in November 2013;
- continued to restructure and reposition its continuing construction business; and
- formalised business relationships that will underpin its services offering.

This Offer will raise funds to enable the Company to, amongst other things, enhance its existing construction capability and position itself to win new contracts, build out its services offering in its

chosen niches and develop an in-house mining capability to assess and exploit opportunities to become more directly involved in mining projects.

For additional information on the use of funds raised from the capital raising, please refer to section 1.7.

To apply for New Shares under the Offer, you must complete the personalised Application Form accompanying this Prospectus before the Closing Date.

I encourage you to read the Prospectus in its entirety before making your investment decision. Risk factors associated with the investment in the Company that you may wish to consider are set out in section 5.

On behalf of the Board, I recommend this Offer to you and look forward to your continuing investment in the Company. I thank you for your ongoing support as a Shareholder.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Dongyi Hua', with a long horizontal stroke extending to the right.

**Dr Dongyi Hua**  
Executive Chairman

**VDM Group Limited**

## Key Offer Information

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|  |  |
|--|--|
| Eligible Shareholders Entitlement                            | 1 New Share for every 1 Share held by those Shareholders registered on the Record Date |
| Offer price per Share  | \$0.01   |
| Maximum amount to be raised under the Offer before costs     | \$17,929,753   |
| Maximum number of New Shares to be issued                    | 1,792,975,335  |
| Maximum Number of Shares on issue on completion of the Offer | 3,585,950,670  |

## Key Dates

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|   |                  |
|---|------------------|
| Lodgement of Prospectus with ASIC and ASX | 10 December 2013 |
| 'Ex' date                                 | 13 December 2013 |
| Record Date                               | 19 December 2013 |
| Opening Date                              | 20 December 2013 |
| Closing Date                              | 8 January 2014   |
| Deferred settlement trading commences     | 9 January 2014   |
| Issue and allotment of New Shares         | 16 January 2014  |

**Note:** These dates (other than the date of the Prospectus and date of lodgement of the Prospectus with ASX and ASIC) are indicative only. The Company reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws, to vary the dates of the Offer, including extending the Closing Date or accepting late applications, either generally or in particular cases, without notice.

## Frequently asked questions (FAQs)

|  |   |                                  |
|--|---|----------------------------------|
| <b>What is the Offer?</b>  | The Offer is a pro-rata non-renounceable offer made to Eligible Shareholders to subscribe for New Shares.   | Section 1.1                      |
| <b>What is my Entitlement?</b>   | Each Eligible Shareholder is entitled to subscribe for 1 New Share for every 1 Share held on the Record Date.   | Application Form and section 1.2 |
| <b>What is the Offer price?</b>  | The Offer price is \$0.01 per New Share.  | Section 1.1                      |
| <b>Am I an Eligible Shareholder?</b>   | Eligible Shareholders are those persons who are registered as a holder of Shares as at 7.00pm (Sydney time) on the Record Date.   | Sections 1.2 and 1.10            |
| <b>How much will be raised from the Offer?</b>                                 | If the Offer is fully subscribed, the Offer will raise \$17.9 million (before costs).   | Section 1.7                      |
| <b>What is the purpose of the Offer and how will the funds raised be used?</b> | <p>The funds raised under the Offer, net of expenses of the Offer, together with existing cash reserves will be used to:</p> <ul style="list-style-type: none"> <li>strengthen the Company's balance sheet;</li> <li>improve market confidence in VDM;</li> <li>provide an enhanced financial platform on which to accelerate growth and pursue new opportunities; and</li> <li>repay the short term secured loan facility provided by H&amp;H.</li> </ul>  | Sections 1.7 and 4               |
| <b>Is the Offer underwritten?</b>  | <p>Yes, the Offer is underwritten by H&amp;H to the extent of the Underwritten Amount, being \$5 million (equivalent to 500,000,000 Shares).</p> <p>Australia Kengkong Investments Co Pty Ltd has entered into a sub-underwriting agreement with H&amp;H whereby Australia Kengkong Investments Co Pty Ltd has agreed to sub-underwrite the full Underwritten Amount, being 500,000,000 Shares.</p> <p>The Company has also received commitments from H&amp;H to take up \$4 million of its Entitlement (equivalent to 400,000,000 New Shares), and from Hunter Hall to take up \$1 million of its Entitlement (equivalent to 100,000,000 New Shares). Hunter Hall's commitment is subject to H&amp;H subscribing for \$4 million of its Entitlement.</p> | Section 1.5 and 7                |
| <b>What are the tax implications of participating in the Offer?</b>            | Taxation implications will vary depending upon the specific circumstances of individual Shareholders. Investors should obtain their own professional advice as to the particular taxation treatment which will apply to them.   | Section 7.13                     |
| <b>Are there any risks?</b>  | There are risks associated with an investment in the Company. These include risks relating to the Company's business, risks relating to the Offer and risks associated  | Section 5                        |

|   |  |                          |
|---|--|--------------------------|
|   | with financial investment generally. These risks are set out in more detail in section 5 of this Prospectus.   |                          |
| <b>What effect will the issue of New Shares under the Offer have on the control of the Company?</b> | <p>The potential effect that the issue of the New Shares under the Offer will have on the control of the Company, and the consequences of that effect, will depend on a number of factors, including investor demand.</p> <p>Section 1.15 outlines the effect on H&amp;H's total relevant interest in the Company under different take up scenarios, following the issue of New Shares under the Offer.</p> <p>It is not expected that any change in the total relevant interest of H&amp;H will have any material consequences on the control of the Company.</p> <p>Further details of the effect on control are set out in section 4. Details of the intentions of substantial holders is set out in section 7.7.</p> | Sections 1.15, 4 and 7.7 |
| <b>Where can I find more information about the Company?</b>   | For more information on the Company and its projects please see the Company's website ( <a href="http://www.vdmgroup.com.au">www.vdmgroup.com.au</a> ) and the Company's ASX announcements (also available on the Company's website and the ASX's website <a href="http://www.asx.com.au">www.asx.com.au</a> ).  |                          |

### **Actions for Eligible Shareholders**

|   |  |                  |
|---|--|------------------|
| <b>How do Eligible Shareholders find out what their Entitlement is?</b> | Your Entitlement is set out on the personalised Application Form accompanying this Prospectus.   | Application Form |
| <b>What can I do with my Entitlement?</b>                               | <p>You can do the following:</p> <ul style="list-style-type: none"> <li>• take up all or part of your Entitlement; or</li> <li>• do nothing, in which case your Entitlement will lapse.</li> </ul>   | Section 3.1      |
| <b>How do I accept the Offer?</b>                                       | <p>If you wish to take up all or part of your Entitlement, you must either:</p> <ul style="list-style-type: none"> <li>• complete and return the personalised Application Form to the Share Registry together with a cheque, bank draft or money order for the full Application Monies so that it is received by the Share Registry by no later than 5.00pm (Perth time) on the Closing Date; or</li> <li>• pay the full Application Monies via BPAY® by no later than 2.00pm (Perth time) on the Closing Date.</li> </ul> | Section 3.2      |
| <b>Can I sell or transfer my Entitlement?</b>                           | No, the Offer is non-renounceable, meaning you cannot sell or transfer your Entitlement.   | Section 1.4      |
| <b>What happens if I do not take up my Entitlement, or take</b>         | If you do not take up all of your Entitlement by the Closing Date, then New Shares not taken up under your Entitlement   | Section 1.6      |

|   |  |             |
|---|--|-------------|
| <b>up only part of my Entitlement?</b>              | will form part of the Shortfall. This will likely result in your interest in the Company being diluted.  |             |
| <b>Can I take up more than my Entitlement?</b>      | Shareholders may apply for Shares above their Entitlement by applying to participate in the Shortfall Offer.   |             |
| <b>How do I participate in the Shortfall Offer?</b> | <p>Shareholders who wish to apply for Shares above their Entitlement and participate in the Shortfall Offer can complete the relevant section of the Application Form (titled “Additional New Shares”) and return it, together with a cheque for the value of those Shortfall Shares (at \$0.01 per Shortfall Share) to the Company.</p> <p>Persons who wish to participate in the Shortfall who are not Shareholders must complete a Shortfall Application Form provided by or available on request from the Company and return it, together with the Application Monies for the value of those Shortfall Shares (at \$0.01 per Shortfall Share) to the Company.</p>  | Section 1.6 |
| <b>How will the Shortfall Offer be allocated?</b>   | <p>The Directors reserve the right to place the Shortfall at their absolute discretion.</p> <p>The intention of the Directors is to allocate any Shortfall Shares as follows:</p> <ul style="list-style-type: none"> <li>• first to the Underwriter; and</li> <li>• then, if the Shortfall exceeds the Underwritten Amount, pro-rata to Shareholders that have applied for Shortfall Shares (other than the Underwriter, and Related Parties or associates of the Underwriter).</li> </ul> <p>If any Shortfall remaining after allocation to the Underwriter is oversubscribed by Shareholders, the Company intends to scale back, pro-rata, Shareholder Applications for Shortfall Shares.</p> <p>If the Shortfall does not exceed the Underwritten Amount, no Shortfall Shares will be allocated to Shareholders. To the extent that any Shortfall Shares remain after the above allocations, the Directors reserve the right to place Shortfall Shares to third parties who are not Shareholders and who are not Related Parties or associates of the Underwriter. Any Shortfall Shares the subject of the Shortfall Offer will be placed no later than 3 months after the Closing Date.</p> <p>In any event, the placement of any Shortfall remains at the absolute discretion of the Directors.</p> <p>If, for any reason, Australia Kengkong Investments Co Pty Ltd does not subscribe for the Underwritten Amount pursuant to</p> | Section 1.6 |

|                  |   |  |
|------------------|---|--|
|                  | the sub-underwriting arrangements, the Directors intend to allocate Shortfall first to Shareholders .   |  |
| <b>Enquiries</b> | If you have any enquiries in relation to the Application Form or your Entitlement, please contact the Share Registry by telephone on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) or consult your professional advisor. |  |

## **1. Details of the Offer**

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The information set out in this section is not intended to be comprehensive and should be read in conjunction with the full text of this Prospectus.

### **1.1 Description of the Offer**

The Offer is being made as a non-renounceable entitlement offer of 1 New Share for every 1 Share held by Shareholders registered as at 7.00pm (Sydney time) on the Record Date at an issue price of \$0.01 per Share.

Based on the capital structure of the Company as at the date of this Prospectus and assuming all Entitlements are accepted, a maximum of 1,792,975,335 New Shares will be issued pursuant to this Offer to raise \$17.9 million.

The New Shares offered under this Prospectus will be issued on a fully paid basis and will rank equally in all respects with the Shares on issue at the date of this Prospectus. Please refer to section 6 for further information regarding the rights and liabilities attaching to the New Shares.

The purpose of the Offer and the intended use of funds raised are set out in section 1.7 of this Prospectus.

### **1.2 Entitlements**

Each Shareholder who is registered as the holder of Shares at 7.00pm (Sydney time) on the Record Date is entitled to participate in the Offer. The number of New Shares to which you are entitled is shown on your Application Form accompanying this Prospectus.

Shareholders who do not take up all of their Entitlement will have their percentage shareholding in the Company diluted as a result of the Offer (assuming that all New Shares are issued).

If you have more than one holding of Shares, you will be sent more than one personalised Application Form and you will have separate Entitlements for each separate holding. It is the responsibility of Applicants to determine their allocation prior to trading in the New Shares. The sale by Applicants of New Shares prior to the receipt of a holding statement is at the Applicant's own risk.

### **1.3 Opening Date and Closing Date**

The Offer will be open for receipt of Applications on the Opening Date, 20 December 2013.

The Company will accept Applications, including Application Money, until 5:00pm (Perth time) on the Closing Date, 8 January 2014, subject to the Company varying the Closing Date in accordance with the Corporations Act and ASX Listing Rules.

### **1.4 Non-renounceable**

The Offer is non-renounceable. This means that Eligible Shareholders are unable to sell or transfer their Entitlements to subscribe for New Shares.

Any New Shares not subscribed for by Eligible Shareholders will form part of the Shortfall.

## 1.5 Underwriting

The New Shares to be issued under the Offer are underwritten by the Underwriter to the extent of the Underwritten Amount.

A summary of the Underwriting Agreement, including the events whereby the Underwriters may be released from their obligations under the Underwriting Agreement, is set out in section 7 of this Prospectus.

## 1.6 Shortfall

Any Entitlement not taken up pursuant to the Offer (or underwritten) will form part of the Shortfall Offer and may be placed at the complete discretion of the Directors.

Shareholders who wish to apply for Shares above their Entitlement (and participate in the Shortfall Offer) can complete the relevant section of the Application Form (titled "Additional New Shares") and return it, together with a cheque for the value of those Shortfall Shares (at \$0.01 per Shortfall Share) to the Company.

Persons who wish to participate in the Shortfall who are not Shareholders must complete a Shortfall Application Form provided by or available on request from the Company and return it, together with the Application Monies for the value of those Shortfall Shares (at \$0.01 per Shortfall Share) to the Company.

Any Shortfall Shares which remain following satisfaction of Shareholder oversubscriptions pursuant to the Shortfall Offer may be placed no later than 3 months after the Closing Date and will be issued on the same terms as are offered to Eligible Shareholders under the Offer.

The offer of any Shortfall Shares is a separate offer made pursuant to this Prospectus and will remain open for up to 3 months following the Closing Date. The purpose of offering the Shortfall pursuant to this Prospectus is to comply with section 708A(11) of the Corporations Act so that investors issued with Shortfall Shares pursuant to the placement of the Shortfall can sell their Shortfall Shares within the next 12 months without the issue of a prospectus.

The Directors reserve the right to place the Shortfall at their discretion. The intention of the Directors is to allocate any Shortfall Shares as follows:

- first to the Underwriter; and
- then, if the Shortfall exceeds the Underwritten Amount, pro-rata to Shareholders that have applied for Shortfall Shares (other than the Underwriter, and Related Parties or associates of the Underwriter).

If any Shortfall remaining after allocation to the Underwriter is oversubscribed by Shareholders, the Company intends to scale back, pro-rata, Shareholder Applications for Shortfall Shares.

If the Shortfall does not exceed the Underwritten Amount, no Shortfall Shares will be allocated to Shareholders.

To the extent that any Shortfall Shares remain after the above allocations, the Directors reserve the right to place Shortfall Shares to third parties who are not Shareholders and who are not Related Parties or associates of the Underwriter. Any Shortfall Shares the subject of the Shortfall Offer will be placed no later than 3 months after the Closing Date.

The Directors, whilst retaining the discretion to place the Shortfall as they consider fit, intend to satisfy applications by Shareholders for Shortfall Shares, subject to the limitation that Shortfall

Shares will not be allocated so as to increase a Shareholder's relevant interest in the Company above 20%. If the Shortfall is oversubscribed by Shareholders, the Company intends to pro-rata scale back Shareholder applications for Shortfall.

If, for any reason, Australia Kengkong Investments Co Pty Ltd does not subscribe for the Underwritten Amount pursuant to the sub-underwriting arrangements, it is the Directors' intention that the Shortfall Shares would be allocated as follows:

- first, to Shareholders that have applied for Shortfall Shares (other than the Underwriter, and Related Parties or associates of the Underwriter);
- then to third parties who are not Shareholders and who are not Related Parties or associates of the Underwriter; and
- finally, and to the extent that Shortfall Shares remain, to the Underwriter.

In any event, the Directors reserve the right to place the Shortfall at their absolute discretion.

### 1.7 Purpose of the Offer and intended use of funds

If the Offer is fully subscribed, the Offer will raise \$17.9 million.

The funds raised under the Offer, net of expenses of the Offer, together with existing cash reserves will be used to:

- strengthen the balance sheet to support ongoing work;
- improve market confidence in VDM which will have flow on benefits to clients, Shareholders, employees, and suppliers;
- provide increased working capital support allowing the business to bid for a greater range of projects, enabling the Company to target new markets and increase revenues;
- repay the \$4 million secured loan facility provided by H&H to VDM pursuant to the Convertible Loan, Debt Loan and Facility Agreement;
- Improve the ability of the Company to renegotiate banking and security facilities; and
- allows the Company to pursue new opportunities, leveraging off the global experience of H&H in the mining and construction sectors.

However, in the event that circumstances change, business opportunities vary from expected, or other beneficial opportunities arise, the Directors reserve the right to vary the proposed use of funds to maximise the benefit to Shareholders. Please refer to section 2.1 for further information regarding the Company's strategy.

### 1.8 Minimum Subscription

The Offer is conditional on the Company receiving a minimum subscription amount of \$5 million (representing 500,000,000 New Shares) through Applications and pursuant to the Underwriting Agreement (**Minimum Subscription**), and no New Shares will be issued pursuant to the Offer until the Minimum Subscription is reached.

If the Company does not receive Applications for at least the Minimum Subscription, the Company will not proceed with the Offer and all Application Money will be refunded to each Applicant without interest.

## 1.9 **Application Money**

Application Money will be held in trust in a subscription account established and held by the Company on behalf of each Eligible Shareholder until the New Shares are issued. If necessary, Application Money will be refunded as soon as reasonably practicable, without interest. Interest earned on any Application Money will be for the benefit of the Company and will be retained by the Company regardless of whether New Shares are issued under the Offer.

## 1.10 **Treatment of foreign Shareholders**

This Prospectus and the accompanying Application Form does not constitute an offer of New Shares in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer.

Return of a duly completed Application Form or BPAY® payment will be taken by the Company to constitute a representation by the Applicant that there has been no breach of applicable securities laws.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and anyone who receives this Prospectus should seek advice on and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the New Shares or the Offer, or otherwise permit a public offering of New Shares, in any jurisdiction outside Australia. New Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

It is the responsibility of any Applicant to ensure compliance with any laws of the country relevant to their Application. Return of a duly completed Application Form and/or payment of Application Money will be taken by the Company to constitute a representation that there has been no breach of such laws.

This document does not constitute an offer of New Shares of the Company in any jurisdiction in which it would be unlawful. New Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

### **Argentina**

The Argentine Securities Exchange Commission ("Comisión Nacional de Valores de la República Argentina") has not approved this document or the offer of New Shares as no such authorization is required. This document does not constitute a public offering in Argentina and may only be distributed in Argentina to existing shareholders of the Company.

### **Canada (Ontario province)**

This document constitutes an offering of New Shares only in the Province of Ontario (the "Province") and to those persons to whom they may be lawfully distributed in the Province, and only by persons permitted to sell such New Shares. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Province. This document may only be distributed in the Province to persons that are "accredited investors" within the meaning of NI 45-106 – Prospectus and Registration Exemptions, of the Canadian Securities Administrators.

No securities commission or similar authority in the Province has reviewed or in any way passed upon this document, the merits of the New Shares or the offering of New Shares and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Province with respect to the offering of New Shares or the resale of such securities. Any person in the Province lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the New Shares in the Province must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the New Shares outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the New Shares.

The Company, and the directors and officers of the Company, may be located outside Canada, and as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada, and as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

#### **Statutory rights of action for damages and rescission**

Securities legislation in the Province may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defences contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the New Shares purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against the Company if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the New Shares during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against the Company, provided that:

- (a) the Company will not be liable if it proves that the purchaser purchased the New Shares with knowledge of the misrepresentation;

- (b) in an action for damages, the Company is not liable for all or any portion of the damages that the Company proves does not represent the depreciation in value of the New Shares as a result of the misrepresentation relied upon; and
- (c) in no case shall the amount recoverable exceed the price at which the New Shares were offered.

Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights more than:

- (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action.

These rights are in addition to and not in derogation from any other right the purchaser may have.

Certain Canadian income tax considerations. Prospective purchasers of the New Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding, or disposition of the New Shares as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors.

## **China**

The information in this document does not constitute a public offer of the New Shares, whether by way of sale or subscription, in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The New Shares may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to "qualified domestic institutional investors".

## **European Economic Area - Belgium and Germany**

The information in this document has been prepared on the basis that all offers of New Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to produce a prospectus for offers of securities.

An offer to the public of New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- (a) to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- (b) to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);

- (c) to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID");
- (d) to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID;
- (e) to fewer than 150 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior consent of the Issuer or any underwriter for any such offer; or
- (f) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Shares shall result in a requirement for the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

### **Hong Kong**

WARNING: The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

### **Indonesia**

A registration statement with respect to the New Shares has not been, and will not be, filed with the Capital Market and Financial Institutions Supervisory Agency (Bapepam-LK) of the Republic of Indonesia. Therefore, the New Shares may not be offered or sold or be the subject of an invitation for subscription or purchase. Neither this document nor any other document relating to the offer or sale, or invitation for subscription or purchase, of the New Shares may be circulated or distributed, whether directly or indirectly, in the Republic of Indonesia or to Indonesian citizens, corporations or residents, except in a manner that will not be considered as a "public offer" under the law and regulations in the Republic of Indonesia.

### **Malaysia**

No approval from the Securities Commission of Malaysia has been or will be obtained in relation to any offer of New Shares. The New Shares may not be offered or sold in Malaysia except pursuant to an exemption from the prospectus requirements under the Malaysian Capital Markets and Services Act.

### **New Zealand**

The New Shares are not being offered or sold to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Securities Act 1978 (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

### **Papua New Guinea**

This document is being distributed only to shareholders of the Company. This document has not been registered as a prospectus in PNG and no notice of the proposed offer will be submitted to the Registrar of Companies. No other documents are being lodged with the Registrar of Companies or the PNG Securities Commission in respect of the proposed offer. The proposed offer is not and should not be construed as an offer of securities to the public in PNG.

### **Singapore**

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares may not be issued, circulated or distributed, nor may these securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an existing holder of the Company's shares. In the event that you are not such a shareholder, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

### **United Kingdom**

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares. This document is issued on a confidential basis to fewer than 150 persons (other than "qualified investors" (within the meaning of section 86(7) of FSMA)) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to the Company.

### **United States**

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in

transactions exempt from, or not subject to, the registration requirements under the US Securities Act and applicable US state securities laws.

### **Vietnam**

The New Shares may not be offered in the territory of the Socialist Republic of Vietnam or to any Vietnamese citizen (whether residing in Vietnam or outside Vietnam) or any foreign exchange resident of Vietnam unless such person has obtained the necessary approval/permit as required by relevant local laws from the Vietnamese authorities (the State Bank of Vietnam and any other relevant authority according to the requirements of Vietnamese law as applicable from time to time) to purchase and/or hold such securities, and by the purchase or acceptance of an instrument, the relevant holder shall be deemed to represent and warrant that it has obtained all necessary approvals and permits.

#### **1.11 ASX waivers and ASIC relief**

The Company has confirmed that no waivers from the ASX Listing Rules are required in relation to the Offer. The Company is not relying on any specific ASIC relief in order to conduct the Offer.

#### **1.12 Expenses of the Offer**

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$377,856 (excluding GST) (if the full subscription is raised) and are expected to be applied towards the items set out in the table below:

| <b>Expenses</b>       | <b>Maximum Subscription (\$)</b> |
|-----------------------|----------------------------------|
| ASIC fees             | 2,225                            |
| ASX fees              | 24,131                           |
| Legal fees            | 150,000                          |
| Underwriting Fee      | 150,000                          |
| Printing and despatch | 19,000                           |
| Miscellaneous         | 32,500                           |
| <b>Total</b>          | <b>377,856</b>                   |

#### **1.13 Allotment of Shares**

New Shares issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. Where the number of New Shares issued is less than the number applied for, surplus Application Money will be refunded without any interest to Applicants as soon as practicable after the Closing Date.

New Shares issued after the Closing Date pursuant to the Shortfall Offer will be allotted on a progressive basis. Where the number of New Shares issued is less than the number applied for, surplus Application Money will be refunded without any interest to Applicants as soon as practicable after the closing date of the Shortfall Offer.

Holding statements for New Shares issued under the Offer will be despatched to Shareholders in accordance with the requirements of the ASX Listing Rules and the timetable set out at the

commencement of this Prospectus and for Shortfall Shares issued after the Closing Date under the Shortfall Offer as soon as practicable after their issue.

#### 1.14 ASX listing

Application for Official Quotation by ASX of the New Shares offered pursuant to this Prospectus will be made as soon as possible and in any event within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by ASIC), the Company will not issue any New Shares and will repay all Application Money for the New Shares within the time prescribed under the Corporations Act, without interest.

The anticipated date of commencement of Official Quotation of the New Shares issued in accordance with this Prospectus, subject to ASX's discretion and compliance with the ASX Listing Rules. The fact that ASX may grant Official Quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares now offered for subscription.

#### 1.15 Effect on control

The potential effect that the issue of the New Shares under the Offer will have on the control of the Company, and the consequences of that effect, will depend on a number of factors, including investor demand.

The maximum number of New Shares to be issued pursuant to the Offer is 1,792,975,335.

If each Eligible Shareholder elects to subscribe for all of the New Shares offered to them the issued capital of the Company will comprise 3,585,950,670 Shares.

H&H currently has a relevant interest in 685,110,976 Shares (approximately 38.21% of the Company's current issued Shares). The Offer is underwritten by H&H to the extent of the Underwritten Amount. However, Australia Kengkong Investments Co Pty Ltd has committed to priority sub-underwrite the whole of the Underwritten Amount. As such, H&H's underwriting commitment should not have any effect on the control of the Company. Further information regarding the underwriting arrangements is set out in section 7.

Below is a summary of the effect on the total number of Shares in the Company each of H&H, Hunter Hall and Australia Kengkong Investments Co Pty Ltd will have a relevant interest in (and voting power) under different take up scenarios, following the issue of New Shares under the Offer.

|                                       | Before the Offer |       | Post Offer<br>(Committed Amount) <sup>1</sup> |       | Post Offer<br>(Full take up by all Shareholders) |       |
|---------------------------------------|------------------|-------|---|-------|--|-------|
|                                       | # of Shares      | %     | # of Shares                                   | %     | # of Shares                                      | %     |
| H&H Holdings Australia Pty Ltd        | 685,110,976      | 38.21 | 1,085,110,976                                 | 38.85 | 1,370,221,952                                    | 38.21 |
| Hunter Hall Investment Management Ltd | 127,665,260      | 7.12  | 227,665,260                                   | 8.15  | 255,330,520                                      | 7.12  |

<sup>1</sup> The "Committed Amount" column of the following table assumes that H&H subscribes for \$4 million of its Entitlement, Hunter Hall subscribes for \$1 million of its Entitlement, Australia Kengkong Investments Co Pty Ltd sub-underwrites the full Underwritten Amount and no other Eligible Shareholders subscribe for their Entitlement.

|   |               |       |               |       |               |       |
|---|---------------|-------|---------------|-------|---------------|-------|
| Australia Kengkong Investments Co Pty Ltd | Nil           | Nil   | 500,000,000   | 17.90 | Nil           | Nil   |
| Other Shareholders                        | 980,199,099   | 54.67 | 980,199,099   | 35.09 | 1,960,398,198 | 54.67 |
| Total                                     | 1,792,975,335 | 100   | 2,792,975,335 | 100   | 3,585,950,670 | 100   |

The level of control of all Eligible Shareholders that do not subscribe for their full Entitlement will decrease.

It is not expected that any change in the total relevant interest of H&H will have any material consequences on the control of the Company. However, if, for any reason, Australia Kengkong Investments Co Pty Ltd does not subscribe for the Underwritten Amount and H&H is required to subscribe for the Underwritten Amount itself pursuant to the terms of the Underwriting Agreement, if no other Shareholder (apart from Hunter Hall) subscribes for New Shares, H&H could have a relevant interest in up to 1,585,110,976 Shares, or 56.75% of the Company. Please see section 1.6 which sets out the Directors' intentions to minimise the possible effect on control.

Further details regarding the intentions of substantial holders is set out in section 7.7.

#### 1.16 **Withdrawal of the Offer**

The Company reserves the right to withdraw the Offer at any time, in which case the Company will refund Application Monies in accordance with the Corporations Act and will do so without interest.

#### 1.17 **CHESS**

The Company participates in the Clearing House Electronic Subregister System (**CHESS**). ASX Settlement Pty Ltd (**ASX Settlement**), a wholly-owned subsidiary of ASX, operates CHESS in accordance with the ASX Listing Rules and ASX Settlement Operating Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of New Shares.

If your shareholding is held on a broker sponsored sub-register, ASX Settlement will send you a CHESS statement. The CHESS statement will set out the number of New Shares issued to you under this Prospectus, and provide details of your holder identification number and the participant identification number of the sponsor.

If your shareholding is held on the CHESS Company-sponsored sub-register, your statement will be despatched by the Share Registry and will contain the number of New Shares issued to you under this Prospectus and your security holder reference number.

A CHESS statement or Company statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time. However, a charge may be incurred for additional statements.

#### 1.18 **Enquiries**

If you have any enquiries in relation to the Application Form or your Entitlement, please contact the Share Registry by telephone on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) or consult your professional advisor.

## 2. Company information

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### 2.1 Company update

As set out in the Company's most recent Notice of Annual General Meeting, as a result of the downturn in activity levels experienced by the Company and the impact of a dispute with a major client, the Company has had to undertake a significant restructure of its existing activities including the sale or closure of its eastern construction operations and (as announced to ASX on 28 November) its consulting businesses. With the exception of some remaining non-core property assets, this activity is largely complete and the Company is now focused on growing an "engineer, procure and construct" (**EPC**) business model with an emphasis on mining, transport and civil infrastructure projects and developing its in-house mining capabilities to capture a larger portion of the resource value chain. To achieve this, the Company has been structured across three segments, all at various stages of development, as follows:

- (a) (Construction division) The restructured construction division will look to leverage the Company's core engineer and construct capabilities in the EPC market, both in Australia and overseas where the Company will seek to build relationships to access markets that have demand for its capability and expertise.
- (b) (Services division) The newly established services division is building relationships with Chinese suppliers of selected construction equipment and components to allow it to develop competitive procurement and service offerings for the mining and general construction industries. Specific areas where the Company expects to build its products and services include:
  - hire of construction and other heavy equipment;
  - provision of after-sales support and equipment maintenance services for mining equipment and infrastructure;
  - electrical and lighting system design, procurement and installation; and
  - structural steel and modular construction design, procurement and installation.
- (c) (Mining division) The Company will look to establish an in-house mining team to identify and assess opportunities to participate directly in projects which are considered complementary to its EPC capability, thereby increasing the Company's exposure to the value generated through mine development. Whilst the Company is still only in the early stages of developing this segment of its business, it does expect that the majority of opportunities to grow in this area will be from emerging markets such as Africa, Asia and Latin America.

With this structure, the Company expects to be able to better leverage its core capabilities and relationships to win EPC contracts in its chosen markets, identify and exploit new related product markets to improve its overall offering and diversify its earnings base and expand into adjacent mining activities where it can bring these capabilities to bear.

As part of this overall strategy, the Company will also be considering other potential markets outside of Australia where it can successfully leverage its capabilities and relationships to grow these core business segments.

The Company is also actively pursuing various contractual claims which it believes are legitimately owing to it for work previously performed. If successful, the recovery of some or all of these sums will further bolster the Company's financial position and allow it to more aggressively pursue its growth opportunities.

## 2.2 Board of Directors

The Directors of the Company bring to the Board relevant expertise and skills, including industry and business knowledge, financial management and corporate governance experience.

The following persons are Directors of the Company as at the date of this Prospectus:

### **Dr Dongyi Hua - Executive Chairman and Interim Chief Executive Officer**

Dr Dongyi Hua, PhD was appointed Managing Director of VDM Group Limited and took up the position on 9 September 2013. Dr Hua became Executive Chairman and Interim Chief Executive Officer following the Company's annual general meeting on 29 November 2013.

During the past 20 years Dr Hua has held executive management positions on international projects in the People's Republic of China, Asia, Middle East and Africa. He has experience in project management (FIDIC), contract management, cost and risk management.

Dr Hua holds a Doctorate of Engineering from the China University of Geosciences.

### **Mr Michael Perrott AM - Non-Executive Deputy Chairman**

Michael has been involved in industries associated with construction, contracting, mining and land development since 1969. He is currently the Chairman of GME Resources Limited and a Non-Executive Director of Schaffer Corporation Limited. He has previously held the role of Managing Director of Gardner Perrott Group Limited, Chairman of Port Bouvard Limited and was a Non-Executive Director of Portman Limited. He is also a member of the Board of Notre Dame University and SANE Australia. Michael holds a Bachelor of Commerce from the University of Western Australia and is a Fellow of the Australian Institute of Management and the Australian Institute of Company Directors.

### **Mr Michael Fry - Non-Executive Director**

Mr Fry is an experienced company manager across a broad range of industry sectors. Mr Fry has a strong background in accounting and corporate advice having worked with KPMG (Perth), Deloitte Touche Tohmatsu (Melbourne) and boutique corporate advisory practice Troika Securities Ltd (Perth). For much of the past decade, Mr Fry was the Chief Financial Officer and Finance Director at Swick Mining Services Limited, a publicly listed drilling services provider contracting to the mining industry in Australia and North America.

Currently Mr Fry is Chief Financial Officer and Company Secretary of Cougar Metals NL, a publicly listed gold exploration and drilling services company operating in Brazil.

### **Mr Xiang Yang Ru - Non-Executive Director**

Mr Xiang Yang Ru was appointed as a Non-Executive Board Member in August 2013.

Mr Ru has held various senior positions at Shaihai Jiakai Printing Ltd, Henan Xuchuangli Science & Technology Development Ltd & Beijing Hengdehunyi Investment Consulting Ltd.

He has a Bachelor degree from the University of Science & Technology of China and a Master from the Institute of Applied Mathematics, AMSS, CAS.

As shareholders approved the Conversion of the Convertible Loan at the Company's annual general meeting, H&H is entitled to appoint an additional nominee director to the Company's board. As set out in the notice of annual general meeting dated 31 October 2013, the

Company had previously understood that the director would be Mr Ming Guo. The Company now understands that H&H is yet to finalise its intended third nominee to be appointed to the Board.

#### 1.19 Directors' interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer.

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

|                       | # of Shares | %     | # of Options and Rights | Entitlement | \$        |
|-----------------------|-------------|-------|-------------------------|-------------|-----------|
| Mr Michael Perrott AM | 6,200,000   | 0.39  | Nil                     | 6,200,000   | 62,000    |
| Dr Dongyi Hua         | 685,110,976 | 38.85 | Nil                     | 685,110,976 | 6,851,110 |
| Mr Michael Fry        | 500,000     | 0.03  | Nil                     | 500,000     | 5,000     |
| Mr Xiang Yang Ru      | Nil         | Nil   | Nil                     | Nil         | Nil       |

As at the date of this Prospectus:

- (a) Mr Perrott intends to subscribe for his Entitlement;
- (b) Dr Hua (via H&H) has committed to, and intends to, subscribe for \$4,000,000 under his Entitlement; and
- (c) Mr Fry intends to subscribe for his Entitlement.

#### 1.20 Directors' fees

No amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner or director, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or the Offer.

Directors are entitled to Directors' fees and other payments, which are disclosed in the Company's annual financial reports. The Directors' current annual remuneration is as follows:

|                       | <b>Salary / Directors' Fees 2011/2012</b><br>\$ | <b>Superannuation 2011/2012</b><br>\$ | <b>Salary / Directors' Fees 2012/2013</b><br>\$ | <b>Superannuation 2012/2013</b><br>\$ | <b>Salary / Directors' Fees 2013/2014</b><br>\$ |
|-----------------------|---|---------------------------------------|---|---------------------------------------|---|
| Mr Michael Perrott AM | 140,000   | 0                                     | 131,488   | 0                                     | 114,333.30                                      |
| Dr Dongyi Hua         | 0   | 0                                     | 0   | 0                                     | 625,000   |
| Mr Michael Fry        | 75,000  | 6,750                                 | 59,005  | 5,311                                 | 80,833.33                                       |
| Mr Xiang Yang Ru      | 0   | 0                                     | 0   | 0                                     | 75,000  |

The Constitution of the Company provides that the Non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting (the total pool for Non-Executive Directors remuneration currently being \$600,000).

Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

### 3. Action required by Shareholders

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All Applications for New Shares must be made by Eligible Shareholders in accordance with the instructions in this Prospectus and on the Application Form, or in the case of a third party who is not an Eligible Shareholder pursuant to the Shortfall Offer, in accordance with the instructions in this Prospectus and on the Shortfall Application Form. By returning the Application Form, Shortfall Application Form or paying any Application Money for New Shares by BPAY®, you offer to acquire the New Shares on the terms and conditions set out in this Prospectus.

The Company reserves the right to reject any Applications for New Shares that are not made in accordance with the terms of this Prospectus or the instructions on the Application Form (or Shortfall Application Form).

The Company also reserves the right (in its absolute discretion) to reduce the number of New Shares allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if their claims prove to be overstated or if they fail to provide information to substantiate their claims.

#### 3.1 Options for Eligible Shareholders

Eligible Shareholders may do one of the following:

- **Take up all or part of your Entitlement**

If you wish to take up all or part of your Entitlement, you will need to submit an Application in accordance with the instructions in this Prospectus and on the Application Form. Please refer to section 3.2 of this Prospectus.

- **Allow all or part of your Entitlement to lapse**

If you decide not to apply for all or part of your Entitlement to New Shares, or fail to apply by the Closing Date, your Entitlement will lapse. The New Shares not subscribed for will form part of the Shortfall.

- **Apply to take up more than your Entitlement**

If you wish to apply for more Shares than your Entitlement (and participate in the Shortfall Offer) you will need to complete the relevant section of the Application Form (titled "Additional New Shares") and return it, together with the necessary Application Money to the Company in accordance with the instructions in this Prospectus and on the Application Form.

#### 3.2 Applying for New Shares

If you wish to take up all or part of your Entitlement or Shortfall Shares, you have two options for payment of the relevant Application Money:

**Option 1 - Payment by BPAY®**

For payment by BPAY® please follow the instructions on the personalised Application Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

Please note that should you choose to pay by BPAY®:

- you do not need to submit the personalised Application Form but are taken to make the declarations on that Application Form; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Money.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 2.00pm (Perth time) on the Closing Date. **You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment, and you should therefore take this into consideration when making payment.**

Any Application Money received for more than your allocation of New Shares will be refunded as soon as practicable after the close of the Offer. No interest will be paid to Applicants on any Application Money received or refunded.

The Company reserves the right to extend the Closing Date for the Offer to accept late Applications either generally or in particular cases.

### **Option 2 - Payment by cheque, bank draft or money order**

For payment by cheque, bank draft or money order, you should complete your Application Form in accordance with the instructions on the Application Form and return it to the Share Registry (refer below for details) accompanied by a cheque, bank draft or money order in Australian currency for the amount of the Application Money, payable to “VDM Group Limited” and crossed “Not Negotiable”.

Your cheque, bank draft or money order must be:

- for an amount equal to \$0.01 multiplied by the number of New Shares that you are applying for; and
- in Australian currency drawn on an Australian branch of a financial institution.

Your completed Application Form and cheque, bank draft or money order must reach the Share Registry at the following address by no later than 5.00pm (Perth time) on the Closing Date:

#### **Postal address**

Computershare Investor Services Pty Ltd  
GPO Box 505  
Melbourne, Victoria 3001  
Australia

#### **Hand deliveries**

Computershare Investor Services Pty Ltd  
Yarra Falls, 452 Johnston Street,  
Abbotsford, Victoria 3067  
Australia

Application Forms (and Application Money) will not be accepted at the Company's registered office or corporate offices, or other offices of the Share Registry.

Cash payments will not be accepted. Receipts for payment will not be issued.

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Money as your cheques will be processed on the day of receipt. If the amount of your cheque for Application Money (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Application Form, you will be taken to have applied for such lower number of whole New Shares as your cleared Application Money will pay for (and to have specified that number of New Shares on your Application Form). Alternatively, your Application will not be accepted.

Any Application Money received for more than your final allocation of New Shares will be refunded as soon as practicable after the close of the Offer. No interest will be paid to Applicants on any Application Money received or refunded.

### 3.3 Implications of making an Application

Submitting an Application constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Prospectus and, once lodged, cannot be withdrawn. The Application Form does not need to be signed to be binding.

If an Application is not completed or submitted correctly it may still be treated as a valid Application for New Shares. The Company's decision whether to treat an Application as valid and how to construe, amend, complete or submit the Application Form (or Shortfall Application Form) is final.

By completing and returning your personalised Application Form (or a Shortfall Application Form) with the requisite Application Money or making a payment by BPAY®, you:

- agree to be bound by the terms of this Prospectus and the provisions of the Company's constitution;
- authorise the Company to register you as the holder(s) of the New Shares allotted to you;
- declare that all details and statements made in the Application Form (or Shortfall Application Form) are complete and accurate;
- declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Offer;
- acknowledge that once the Company receives the Application Form (or Shortfall Application Form) or your payment by BPAY®, you may not withdraw it except as allowed by law;
- agree to apply for, and be issued with up to, the number of New Shares that you apply for at the issue price of \$0.01 per New Share;
- authorise the Company and its officers or agents to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in the Application Form (or Shortfall Application Form);
- agree that the allotment of New Shares to you constitutes acceptance of your Application;
- declare that you are the current registered holder(s) of the Shares in your name at the Record Date;

- acknowledge that the information contained in this Prospectus is not investment advice or a recommendation that New Shares are suitable for you, given your investment objectives, financial situation or particular needs;
- represent and warrant that the laws of the country relevant to your Application do not prohibit you from being given this Prospectus or making an Application for New Shares; and
- in the case of an Eligible Shareholder, represent and warrant that you are an Eligible Shareholder and have read and understood this Prospectus and the Application Form and that you acknowledge the matters, and make the warranties and representations and agreements, contained in this Prospectus and the Application Form.

## 4. Purpose and effect of the Offer

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### 4.1 Purpose of the Offer

The purpose of the Offer is to raise up to \$17.9 million. The funds raised under the Offer are the final stage of the Company's recapitalisation plan announced at the end of October 2013.

Further, pursuant to section 708A(11) of the Corporations Act, the Prospectus will also have the effect of providing an exemption from the secondary sale provisions in section 707 of the Corporations Act with respect to Shares issued without disclosure to investors on or prior to the date of this Prospectus (provided the conditions of section 708A(11) of the Corporations Act can be met).

In particular, the Company notes that this Prospectus will assist the Jimblebar Creditors and H&H, who were issued Shares without disclosure to investors on or prior to the date of this Prospectus and who would otherwise be subject to the secondary sale trading restrictions attached to their Shares. Further details with respect to these matters are set out in section 7.4 of this Prospectus.

The Prospectus will also have the effect of providing an exemption from the secondary sale provisions in section 707 of the Corporations Act with respect to Shortfall Shares issued within 3 months of the Closing Date, so that investors issued with New Shares pursuant to the Shortfall Offer can sell their Shares within the next 12 months without the issue of a prospectus.

The intended use of funds raised from the Offer is detailed in section 1.7.

### 4.2 Effect of the Offer

The principal effect of the Offer assuming the Offer is fully subscribed will be to:

- (a) increase cash reserves by approximately \$13.9 million immediately after completion of the Offer, before deducting the estimated expenses of the Offer; and
- (b) increase the total number of Shares on issue from 1,792,975,335 as at the date of this Prospectus to 3,585,950,670 following completion of the Offer.

### 4.3 Effect on the Company's capital structure

#### *Shares*

A comparative table of changes in the capital structure of the Company as a consequence of the Offer is set out below, on the basis that the Offer is fully subscribed and also on the basis that only the Committed Amount is received.

| Shares  | Pro forma – full take up by all Shareholders | Pro forma – Committed Amount |
|---|--|------------------------------|
| Shares on issue at date of this Prospectus          | 1,792,975,335                                | 1,792,975,335                |
| Issue of New Shares under the Offer                 | 1,792,975,335                                | 1,000,000,000                |
| Total Shares on issue after completion of the Offer | 3,585,950,670                                | 2,792,975,335                |

### *Options and Performance Rights*

At the date of this Prospectus, there are no options or performance rights on issue.

#### **4.4 Effect on the Company's financial position**

This section provides relevant financial information for Shareholders to consider when assessing whether to participate in the Offer, including details of the potential financial impact of the Offer.

The pro forma financial information should be read in conjunction with the limitations explained in the Important Notices section of this Prospectus.

#### ***Pro forma Statement of Financial Position***

Set out below is the audited Statement of Financial Position for the Company as at 30 June 2013 and an unaudited pro-forma Statement of Financial Position showing the financial position of the Company following the Offer assuming that the Offer is fully subscribed and an unaudited pro forma Statement of Financial Position showing the financial position of the Company following the Offer assuming that only the existing commitments to take up Entitlements are taken up.

The pro-forma Statement of Financial Position illustrates the effect of the Offer on the Company. It has been prepared based on the audited Statement of Financial Position as at 30 June 2013, adjusted for certain events that have occurred after the balance date. It is not intended to represent the financial position of the Company upon completion of the Offer. It is provided as an illustration of the effect of the Offer. The actual impact on the Company is dependent on a range of factors, many of which are outside the control of the Company.

The pro-forma Statement of Financial Position has been prepared to provide Shareholders with information on the pro-forma assets and liabilities of the Company. It has been prepared on the basis of accounting policies normally adopted by the Company. The financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

|                             | <b>Audited as<br/>at 30 June<br/>2013</b> | <b>Pro-forma<br/>(pre Offer)<sup>1</sup></b> | <b>Impact of the Offer<sup>2</sup></b> |                         | <b>Pro-forma as<br/>at 30 June 2013</b> |                         |
|-----------------------------|---|--|--|-------------------------|---|-------------------------|
|                             | <b>\$'000</b>                             | <b>\$'000</b>                                | <b>Committed</b>                       | <b>Total<br/>Uptake</b> | <b>Committed</b>                        | <b>Total<br/>Uptake</b> |
|                             | <b>\$'000</b>                             | <b>\$'000</b>                                | <b>\$'000</b>                          | <b>\$'000</b>           | <b>\$'000</b>                           | <b>\$'000</b>           |
| <b>CURRENT ASSETS</b>       |   |  |  |                         |   |                         |
| Cash and cash equivalents   | 11,857                                    | 9,238  | 6,000                                  | 13,930                  | 15,238                                  | 23,168                  |
| Term deposits               | 5,238                                     | 5,238  |  |                         | 5,238                                   | 5,238                   |
| Trade and other receivables | 12,507                                    | 11,260                                       |  |                         | 11,260                                  | 11,260                  |
| Contracts in progress       | 7,849                                     | 877  |  |                         | 877                                     | 877                     |
| Inventory                   | 308                                       | 308  |  |                         | 308                                     | 308                     |
| Income tax receivable       | 0   | 0  |  |                         | 0                                       | 0                       |

|   |        |        |         |         |        |        |
|---|--------|--------|---------|---------|--------|--------|
|   | 5,411  | 4,736  |         |         | 4,736  | 4,736  |
| Development properties                            |        |        |         |         |        |        |
|   | 728    | 341    |         |         | 341    | 341    |
| Other assets                                      |        |        |         |         |        |        |
| Non-current assets<br>classified as held for sale | 900    | 900    |         |         | 900    | 900    |
|   | 44,798 | 32,899 | 6,000   | 13,930  | 38,899 | 46,829 |
| <b>TOTAL CURRENT ASSETS</b>                       |        |        |         |         |        |        |
| <b>NON-CURRENT ASSETS</b>                         |        |        |         |         |        |        |
|   | 257    | 257    |         |         | 257    | 257    |
| Trade and other receivables                       |        |        |         |         |        |        |
|   | 0      | 0      |         |         | 0      | 0      |
| Investments                                       |        |        |         |         |        |        |
|   | 0      | 0      |         |         | 0      | 0      |
| Investment in subs                                |        |        |         |         |        |        |
| Property, plant and<br>equipment                  | 6,359  | 4,119  |         |         | 4,119  | 4,119  |
|   | 0      | 0      |         |         | 0      | 0      |
| Deferred tax assets                               |        |        |         |         |        |        |
|   | 307    | 143    |         |         | 143    | 143    |
| Intangible assets                                 |        |        |         |         |        |        |
| <b>TOTAL NON-CURRENT<br/>ASSETS</b>               | 6,924  | 4,519  | 0       | 0       | 4,519  | 4,519  |
|   | 51,721 | 37,418 | 6,000   | 13,930  | 43,418 | 51,347 |
| <b>TOTAL ASSETS</b>                               |        |        |         |         |        |        |
| <b>CURRENT LIABILITIES</b>                        |        |        |         |         |        |        |
|   | 26,840 | 15,071 |         |         | 15,071 | 15,071 |
| Trade and other payables                          |        |        |         |         |        |        |
| Amounts due to customers<br>for contract work     | 7,200  | 1,946  |         |         | 1,946  | 1,946  |
|   | 3,152  | 3,152  |         |         | 3,152  | 3,152  |
| Current tax liabilities                           |        |        |         |         |        |        |
|   | (0)    | (0)    |         |         | (0)    | (0)    |
| Loans interco                                     |        |        |         |         |        |        |
| Interest-bearing loans and<br>borrowings          | 1,782  | 5,682  | (4,000) | (4,000) | 1,682  | 1,682  |
|   | 9,871  | 1,795  |         |         | 1,795  | 1,795  |
| Provisions  |        |        |         |         |        |        |
| <b>TOTAL CURRENT<br/>LIABILITIES</b>              | 48,846 | 27,646 | (4,000) | (4,000) | 23,646 | 23,646 |
| <b>NON-CURRENT<br/>LIABILITIES</b>                |        |        |         |         |        |        |
| Interest-bearing loans and<br>borrowings          | 299    | 240    |         |         | 240    | 240    |
|   | 0      | 0      |         |         | 0      | 0      |
| Deferred tax liabilities                          |        |        |         |         |        |        |
|   | 243    | 152    |         |         | 152    | 152    |
| Provisions  |        |        |         |         |        |        |
| <b>TOTAL NON-CURRENT<br/>LIABILITIES</b>          | 543    | 392    | 0       | 0       | 392    | 392    |
|   | 49,389 | 28,039 | (4,000) | (4,000) | 24,039 | 24,039 |
| <b>TOTAL LIABILITIES</b>                          |        |        |         |         |        |        |
|   | 2,332  | 9,379  | 10,000  | 17,930  | 19,379 | 27,309 |
| <b>NET ASSETS</b>                                 |        |        |         |         |        |        |

|   |         |           |           |           |
|---|---------|-----------|-----------|-----------|
| <b>Number of shares on issue ('000)</b> | 933,873 | 1,792,975 | 2,792,975 | 3,585,951 |
| <b>Net asset value (cps)</b>            |         | 0.52      | 0.69      | 0.76      |

## Notes

### 1. Pro-forma Adjustments

- (a) The Statement of Financial Position at 30 June 2013 has been extracted from the Annual Report to shareholders released to ASX on 29 October 2013. No account has been taken of any trading or transactions of the Company since 30 June 2013 except for the transactions noted below.
- (b) The Company raised a total of \$6.4 million under the placement and convertible note issue to H&H as set out in the Company's release to the ASX on 28 August 2013.
- (c) The conversion of the \$5 million H&H convertible note to 500,000,000 Shares was approved by Shareholders on 29 November 2013.
- (d) The drawdown of \$4 million under the H&H loan facility entered into on 11 November 2013.
- (e) The sale of the Company's eastern construction business as set out in the Company's release to the ASX on 7 October 2013.
- (f) The sale and/or closure of the Company's consulting businesses as set out in the Company's release to the ASX on 28 November 2013.
- (g) The impact of certain restructure costs and project related costs incurred since 30 June 2013.
- (h) The issue of 43,386 Shares at an issue price of \$0.05 per share pursuant to the exercise of listed options.
- (i) The issue of 143,977,917 Shares to creditors pursuant to the Creditor Proposal.
- (j) The placement of 75,000,000 Shares to a sophisticated investor on 10 December 2013 at an issue price of \$0.01 per Share to raise \$750,000.

### 2. Impact of the Offer

- (a) The impact of the Offer reflects the impact if the only Entitlements received are those existing commitments that the Company has been given to date and the impact of the Offer being fully subscribed. Both scenarios show the impact of the repayment of the H&H loan of \$4 million.
- (b) Existing commitments only would result in the issue of 1,000,000,000 Shares pursuant to the Offer, raising approximately \$5.9 million, net of H&H debt repayment and before Offer costs.
- (c) A fully subscribed offer would result in the issue of 1,792,975,335 Shares pursuant to the Offer, raising approximately \$13.9 million, net of H&H debt repayment and before Offer costs.

## **5. Risk Factors**

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### **5.1 Introduction**

The New Shares offered by this Prospectus should be considered speculative. The Directors strongly recommend that investors examine the contents of this Prospectus and consult their professional advisors before deciding whether to invest in the New Shares.

An investment in the Company will be exposed to a number of key risks related to its specific business operations. Key risks are risks that the Directors and senior management of the Company focus on when managing the business and which would have the potential, upon occurrence, to significantly affect the Company and the value of investments in the Company. An overview of these key risks is provided in section 5.2.

An investment in the Company is also subject to general risks that are common to all investments in shares and are not specific to the business model and operations of the Company. These include, for example, the volatility of the share prices as a result of economic conditions. An overview of these general risks is provided in section 5.3.

The following risk factors are not exhaustive but represent some of the major risk factors that may affect the future operating and financial performance of the Company and the value of an investment in it.

Prior to making a decision to invest in the Company, investors should carefully consider the risk factors set out below applicable to the Company. Careful consideration should be given to these risk factors, as well as the other information contained in the Prospectus and the investors' own knowledge and enquiries, before an investment decision is made.

Some of the risks may be mitigated by the Company using safeguards and appropriate systems and taking certain actions. Some of the risks may be outside the control of the Company and not capable of mitigation.

### **5.2 Key risks specific to an investment in the Company**

Investors should be aware of the key risks specific to an investment in the Company as described below.

#### **(a) Key personnel**

The Company's future success depends on its continuing ability to retain and attract highly qualified technical and managerial personnel. Competition for such personnel can be high and there is no assurance that the Company will be able to retain its key managerial and technical employees or that it will be able to attract and retain additional highly qualified people in the future. The inability to attract and retain the necessary personnel could have a material adverse effect upon the Company's business, results of operations and financial condition. If one or any number of key employees cease employment with the Company, the loss of any such key employees could have the potential to have a detrimental impact on the Company until the skills that are lost are adequately replaced.

#### **(b) Commercial risk**

The Company's ability to achieve profitability is dependent on a number of factors, including its ability to retain its existing clients and competitively compete for new construction contracts and deliver on them profitably, establishing a commercial market for its services offering and being able to access suitable mining projects for its Mining division. The construction market is a competitive one and while the Company is

optimistic that commercially attractive markets exist for its service offerings these are new business areas and there is no certainty that the Company can successfully exploit these markets.

(c) **Influence of cornerstone shareholder**

The Company's major shareholder, H&H, holds a relevant interest of 38.21% in the Company, and could potentially hold a relevant interest of up to 38.85%<sup>2</sup> depending on the number of New Shares subscribed under the Offer. Further, H&H has two nominee Directors on the Company's board and is entitled to appoint a third nominee director. Given the current board comprises only 4 Directors, the appointment of a third H&H nominee would mean that H&H nominees would represent a majority of the positions on the Company's Board.

As a result of H&H's shareholding and its representation on the Company's Board, it is able to exert substantial influence over the outcome of matters relating to the Company. Except as superseded by the specific disclosures in this Prospectus, H&H's intentions for the Company are set out in the Notice of Meeting released to ASX on 31 October 2013. A copy of the Notice can be obtained from the Company's website at [www.vdmgroup.com.au](http://www.vdmgroup.com.au). You may not agree with H&H's strategy for the Company. Further, to the extent H&H's intentions change, this could have a material effect on the Company and its operations.

(d) **Lower liquidity**

There is a risk that the trading of Shares will be negatively affected by H&H holding a relevant interest of up to 38.85%<sup>3</sup> in the Company. The stock may have a materially lower free float on a proportional basis, which may reduce liquidity and may potentially impair the market value of Shares.

(e) **Business partner risk**

The success of the Company's new strategy is reliant on its ability to obtain business partners. There is no guarantee that the Company will be able to identify suitable partners or that they will be able to implement the necessary arrangements.

(f) **New business risk**

The Company is considering other potential areas of business outside of its core business segments. Accordingly, there is a risk that the Company will not be awarded these new contracts and will be unsuccessful in implementing the Company's new strategy.

(g) **Restructure risk**

The Company has been undergoing a period of restructure whilst it concentrates on rebuilding for its future. Part of this rebuilding has involved changing its bidding strategy to only bid for high value projects. This has limited the number of projects the Company is currently working on and there is a risk that no new projects will be

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<sup>2</sup> If, for any reason, Australia Kengkong Investments Co Pty Ltd does not subscribe for the Underwritten Amount and H&H is required to subscribe for the Underwritten Amount itself pursuant to the terms of the Underwriting Agreement, if no other Shareholder (apart from Hunter Hall) subscribes for New Shares, H&H could have a relevant interest in up to 1,585,110,976 Shares, or 56.75% of the Company. In the event that this occurs, however, please see section 1.6 which sets out the Directors' intentions to minimise the possible effect on control.

<sup>3</sup> Please see note 2 above.

forthcoming and the current projects will be completed leaving no work for the project staff.

(h) **Negative cash operating position**

As at the date of this Prospectus, the Company is operating on a negative cash operating basis, that is, its operating expenses exceed its revenues. In order to improve its cash operating position the Company will need to be awarded new contracts and, in the event that such new contracts are awarded, perform and complete such contracts within established budgets and timeframes. If the Company is unable to enter into new contracts and meet the requisite deliverables under such contracts, it is possible that the Company's cash flow position will remain negative and may thus worsen. The Company intends to undertake measures to mitigate the risk of this occurring, however, there is a risk that such risk mitigating measures may not eventuate which may cause the Company's financial position to deteriorate and affect the Company's ability to operate as a going concern.

(i) **Reliance on key contracts and ability to replace key contracts**

Companies in the construction and contracting industries are often reliant on a small number of key contracts which form the basis of a company's forecast financial figures. On this basis, a risk that construction and contracting companies are often exposed to is the ability to replace individual key contracts in the event that the contract is completed or otherwise discontinued. In relation to VDM's key contracts, following completion of one key contract (estimated to occur in January 2014), the remainder of VDM's key contracts will concern projects which are already at practical completion, or otherwise in respect of which the projects are complete save discussions as to final claims.

(j) **Contract disputes**

The Company is engaged in the provision of engineering and construction services. The nature of these services is such that claims arise from time to time for and against the Company. There is a risk that the outcome of disputes or claims may differ materially from provisions raised in the Company's accounts which could expose the Company to incurring further losses. Please refer also to section 7.12 below in relation to litigation matters.

(k) **Time delay risk**

Approvals, slow decision-making by counterparties, complex specifications, changes to briefs, legal issues and other documentation changes may give rise to delays in completion, loss of revenue and cost over-runs of projects. Delays in completion may, in turn, result in liquidated damages and termination of contracts.

Other time delays that may arise in relation to projects include supply of appropriately skilled labour, scarcity of construction materials, lower than expected productivity levels, inclement weather conditions, land contamination, difficult site access or industrial relations issues. Objections raised by community interest groups, environmental groups and neighbours may also impact projects.

(l) **Foreign jurisdiction risk**

The Company is considering entering into markets outside of Australia where it can successfully leverage its capabilities and relationships to grow the Company's core business segments. Accordingly, the Company may be subject to the risks associated in operating in a foreign country. These risks may include economic, social or political

instability or change, changes in laws and regulations, changes affecting foreign ownership, government participation, taxation, working conditions, export duties, repatriation of income or return of capital, cancellation or modification of contractual rights, foreign exchange restrictions, currency exchange rate fluctuation, environmental protection and labour regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

(m) **Dilution of shareholding**

Future financing may be required by the Company to support its proposed strategic development. As such, the Company may seek to raise further capital by issuing equity in the Company. There is no guarantee that shareholders will be able to participate in any such raising. In those circumstances, the shareholding of existing shareholders will be diluted.

5.3 **General risks**

(a) **Share market conditions**

The value of the Shares quoted on ASX will be subject to varied and often unpredictable influences on the market for equities and particularly for speculative stocks such as the Company's. It is important to recognise that share prices may fall as well as rise, and the Shares may trade below or above the issue price. The price of the Shares, when quoted on ASX, will be influenced by international and domestic factors as well as general equity market fluctuations. Should these produce a negative effect on the Share price, this may also affect the Company's ability to raise development capital.

(b) **General economic conditions**

Factors such as inflation, currency fluctuations, interest rates, supply and demand, industrial disruption, government policy and legislation have an impact on operating costs, commodity prices, and the parameters in which the Company operates. Factors that may be beyond the control of the Company include:

- general economic conditions in Australia and its trading partners, including the People's Republic of China and the Asia-Pacific region generally and, in particular, inflation rates, interest rates, exchange rates, commodity supply and demand factors;
- financial failure or default by a participant in any of the joint ventures or other contractual relationship to which the Company is, or may become, a party;
- insolvency or other managerial failure by any of the contractors used by the Company in its activities; and
- industrial disputes.

These as well as other conditions can affect the Company's future revenues and profitability and the price of its securities.

(c) **Changes in government policies and laws**

Changes in government laws, regulations, policies and administrative regimes, particularly those affecting ownership of mineral interests, taxation, royalties, land access, labour relations, environmental pollution and mining and exploration activities, may adversely affect the financial performance or the current and proposed operations

generally of the Company. These changes may increase operating costs and may have a material adverse effect on the Company.

(d) **Industrial risk**

Industrial disruptions, work stoppages and accidents in the course of the Company's operations could result in losses and delays, which may adversely affect profitability.

(e) **Management actions**

The Directors will, to the best of their knowledge, experience and ability (in conjunction with management) endeavour to anticipate, identify and manage the risks inherent in the activities of the Company, but without assuming any personal liability for same, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of the Company and its securities.

(f) **Environmental risks**

Extensive national environmental laws and regulations in Australia affect the activities and ultimately operations of the Company. The laws and regulations set various standards which regulate certain aspects of health and environmental quality, provide penalties or other remedies for any violation of standards and, in certain circumstances, impose obligations to undertake remedial action in current locations where operations are conducted. There is a risk that significant damages or penalties might be imposed on the Company, including for certain discharges into the environment, effects on employees, subcontractors or customers, or as clean-up costs. The Company minimises these risks by having processes in place to manage compliance with environmental laws and regulations in Australia.

(g) **Occupational health and safety**

The Company manages certain risks associated with the occupational health and safety of its employees. The Company takes out insurance to cover these risks within certain parameters, however it is possible for injuries and/or incidents to occur which may result in expenses in excess of the amount insured or provided for with a resultant impact on the Company's earnings.

(h) **Industrial disputes**

Industrial disputes may arise from claims for higher wages and/or better working conditions in the industry in which the Company operates. This could disrupt operations and impact on earnings.

(i) **No currency hedging**

The Company has not put in place any hedging arrangements to mitigate its negative exposure to foreign exchange risk. Should foreign exchange movements have a material adverse effect on the Company, it may need to consider the possibility of further debt or equity funding to cover its share of any such shortfall.

(j) **Regulatory risks**

The Company is exposed to any changes in the regulatory conditions under which it operates in Australia. Such regulatory changes can include, for instance, changes in:

- taxation laws and policies;

- accounting laws, policies, standards and practises;
- environmental laws and regulations that may impact upon the operations and processes of the Company; and
- employment laws and regulations, including laws and regulations relating to occupational health and safety.

#### 5.4 **Speculative nature of investment**

The above list of risk factors is not to be taken as exhaustive of the risks faced by the Company or by Shareholders in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under this Prospectus.

## **6. Rights of the New Shares**

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The following is a summary of the more significant rights attaching to the New Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available from the Company's website at [www.vdmgroup.com.au](http://www.vdmgroup.com.au).

### **6.1 Voting Rights**

Subject to the Constitution and to any rights or restrictions attached to any class or classes of Shares, at a general meeting:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every Shareholder present has one vote; and
- (c) on a poll, every Shareholder present has one vote for each Share held by the Shareholder entitling the Shareholder to vote, except for partly paid Shares, each of which confers on a poll only the fraction of one vote which the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited) on the Share. An amount paid in advance of a call is disregarded for this purpose.

### **6.2 General Meetings**

Shareholders are entitled to receive written notice of and attend and vote at general meetings of the Company.

### **6.3 Dividend Rights**

The Directors may pay any interim and final dividends that, in their judgment, the financial position of the Company justifies. The Directors may rescind a decision to pay a dividend if they decide, before the payment date, that the Company's financial position no longer justifies the payment. The Directors may pay any dividend required to be paid under the terms of issue of a Share. Paying a dividend does not require confirmation at a general meeting.

Subject to any rights or restrictions attached to any Shares or class of shares:

- (a) all dividends must be paid equally on all Shares, except that a partly paid share confers an entitlement only to the proportion of the dividend which the amount paid (not credited) on the Share is of the total amounts paid and payable (excluding amounts credited);
- (b) for the purposes of (a) above, unless the Directors decide otherwise, an amount paid on a Share in advance of a call is to be taken as not having been paid until it becomes payable; and
- (c) interest is not payable by the Company on any dividend.

### **6.4 Winding-Up**

Subject to the Constitution and the rights or restrictions attached to any Shares or class of shares, if the Company is wound up, any surplus will be divided amongst Shareholders in

proportion to the number of Shares held by them, irrespective of the amount paid or credited as paid on the Shares.

If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the Shareholders the whole or any part of the property of the Company and may, for that purpose, determine how the division is to be carried out between the Shareholders.

#### **6.5 Transfer of Shares**

Generally, all Shares are freely transferable subject to the procedural requirements of the Constitution and to the provisions of the Corporations Act, ASX Listing Rules and ASX Settlement and Transfer Corporation Pty Limited (ASTC) Settlement Rules. If the Company refuses to register a transfer it must give notice of the refusal as required by the Corporations Act and the ASX Listing Rules.

#### **6.6 Variation of Rights**

The rights attached to any class of shares may, unless their terms of issue state otherwise, be varied with the written consent of the holders of 75% of the shares of the class or by a special resolution passed at a separate meeting of the holders of shares of the class.

## 7. Additional Information

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### 7.1 Underwriting

The Company and H&H, as Underwriter, have entered into the Underwriting Agreement pursuant to which the Underwriter has agreed to subscribe for \$4 million of its Entitlement and underwrite the Offer to the extent of \$5 million, being the Underwritten Amount, on the terms and conditions contained in that agreement.

The Underwriter is a Related Party of the Company by virtue of being owned and controlled by the Company's Executive Chairman and Interim Chief Executive Officer, Dr Dongyi Hua.

The Underwriting Agreement has been negotiated at arm's length, by representatives of the Company and of the Underwriter who are independent of each other. The terms of the Underwriting Agreement, which are summarised below, are customary for an agreement of this nature, and are considered reasonable by the Board.

Pursuant to the terms of the Underwriting Agreement, the Company has agreed to pay the Underwriter an underwriting commission of \$150,000 (representing 3% of the maximum funds that may have been raised in respect of the Underwritten Shares) (**Underwriting Fee**).

The Company will also reimburse the Underwriter, on request, for all outgoings, reasonable costs, expenses, fees, commissions, disbursements, charges, taxes or duties incurred by the Underwriter in connection with the Offer (including, but not limited to, reasonable legal fees, travel, postage and accommodation expenses and disbursements).

The Underwriter is responsible for paying all sub-underwriting fees, handling fees, brokerage and other charges incurred by it in procuring valid Applications.

Pursuant to the terms of the Underwriting Agreement, the Underwriter must:

- (a) subscribe for \$4 million of its Entitlement pursuant to the Offer; and
- (b) within 10 Business Days after the Closing Date, lodge with the Company applications to subscribe for that number of New Shares equal to the lesser of 500,000,000 New Shares and the Shortfall (including the Application Money).

The amount the Underwriter is required to pay the Company under the Underwriting Agreement will be set-off against the \$4 million secured loan facility provided by H&H to VDM pursuant to the Convertible Loan, Debt Loan and Facility Agreement.

As at the date of this Prospectus, \$4 million has been drawn down pursuant to the secured loan facility.

The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. These events of termination are considered customary for an agreement of this nature. The Underwriter may terminate its obligations under the Underwriting Agreement on the occurrence of specified events, including if:

- (a) (**ASX Indices fall**) The All Ordinaries Index is, for seven consecutive Business Days, at a level which is 85% or less than the level at the close of trading on the date of the Underwriting Agreement.
- (b) (**Change in law**) Any of the following occurs which does or is likely to prohibit, restrict or regulate the Issue, or materially reduces the level or likely level of valid Applications:

- (1) the introduction of legislation into the parliament of the Commonwealth of Australia or of any State or Territory of Australia;
  - (2) the public announcement of prospective legislation or policy or amendments or changes to existing legislation or policy by the Federal Government or the Government of any State or Territory; or
  - (3) the adoption by ASIC or its delegates or the Reserve Bank of Australia of any regulations or policy or amendments or changes to existing regulations or policy.
- (c) **(Breach of significant contracts)** A significant or material contract referred to in this Prospectus is, without the prior consent of the Underwriter:
- (1) breached by the Company or a Related Body Corporate;
  - (2) terminated (whether by breach or otherwise);
  - (3) altered or amended in any way; or
  - (4) found to be void or voidable.
- (d) **(Listing)** ASX makes any official statement to any person, or indicates to the Company or the Underwriter that an ASX Approval will not be given or an ASX Approval has not been given before the Closing Date.
- (e) **(Default\*)** The Company is in default of any of the terms and conditions of the Underwriting Agreement or breaches any warranty or covenant given or made by it under the Underwriting Agreement and that default or breach is either incapable of remedy or is not remedied within five Business Days after it occurs.
- (f) **(Failure to comply\*)** The Company or any Related Body Corporate fails to comply with any of the following:
- (1) a clause of its constitution;
  - (2) a statute;
  - (3) any policy or guideline of ASIC or any other requirement, order or request made by or on behalf of ASIC or any governmental agency; or
  - (4) any agreement entered into by it.
- (g) **(Capital structure\*)** The Company or a Related Body Corporate alters its capital structure without the prior written consent of the Underwriter.
- (h) **(Constitution altered\*)** The Constitution or any other constituent document of the Company or a Related Body Corporate is amended without the prior written consent of the Underwriter, which consent must not be unreasonably withheld.
- (i) **(Prescribed Occurrence\*)** A Prescribed Occurrence occurs in relation to the Company or any of the Company's subsidiaries.
- (j) **(Financial assistance\*)** The Company or a Related Body Corporate seeks the approval of Shareholders under section 260B of the Corporations Act, without the prior written consent of the Underwriter.

- (k) **(Business\*)** The Company or a Related Body Corporate:
- (1) disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property; or
  - (2) ceases or threatens to cease to carry on business,
- in either case without the prior written consent of the Underwriter.
- (l) **(Hostilities\*)** There is an outbreak of hostilities (whether or not war has been declared) not presently existing, or a major escalation in existing hostilities occurs, involving any one or more of the following:
- (1) Australia;
  - (2) the United Kingdom;
  - (3) the United States of America;
  - (4) the People's Republic of China; or
  - (5) Indonesia.
- (m) **(Financial position\*)** A materially adverse change, or development involving a prospective materially adverse change, occurs in the financial or trading position of the Company or a Related Body Corporate.
- (n) **(Prospectus\*)** There is a material omission from the Prospectus, the Prospectus contains a misleading or deceptive statement, a statement in the Prospectus becomes misleading or deceptive, a forecast in the Prospectus becomes incapable of being met or unlikely to be met in the projected time or the Prospectus does not comply with section 713 of the Corporations Act.
- (o) **(Materially adverse event)** The Company becomes aware of a misleading or deceptive statement, or an omission in the Prospectus, or a new circumstance arises after the date of the Prospectus which would have required disclosure had it arisen prior to the Prospectus being lodged, and this matter is materially adverse from the point of view of an investor.
- (p) **(Corporations Act\*)** Any of the following occur:
- (1) ASIC applies for an order under section 1324B of the Corporations Act in relation to the Prospectus and the application is not dismissed or withdrawn before the Closing Date;
  - (2) a person gives a notice under section 730 of the Corporations Act in relation to the Prospectus;
  - (3) ASIC gives notice of intention to hold a hearing in relation to the Prospectus under section 739(2) of the Corporations Act or makes an interim order under section 739(3) of the Corporations Act; or
  - (4) any person (other than the Underwriter) who consented to being named in the Prospectus withdraws that consent.
- (q) **(Supplementary prospectus\*)** The Underwriter reasonably forms the view that a supplementary or a replacement document must be lodged with ASIC under

section 719 of the Corporations Act and the Company does not lodge a supplementary or a replacement document in the form, with the content and within the time reasonably required by the Underwriter.

- (r) **(Indictable offence\*)** A Director (or, if he or she is not a Director, the Chief Financial Officer, or the Chief Operating Officer) of the Company or a Related Body Corporate is charged with an indictable offence relating to a financial or corporate matter in relation to the Company or a Related Body Corporate.
- (s) **(Insolvency Event\*)** An Insolvency Event occurs with respect to the Company or a Related Body Corporate.
- (t) **(Charge\*)** The Company or a Related Body Corporate charges or agrees to charge, the whole, or a substantial part of its business or property.
- (u) **(ASX Listing Rules)** The Company commits a material breach of the ASX Listing Rules.
- (v) **(Timetable)** Any event specified in the timetable being delayed by more than 1 month from the date specified in the timetable.

In relation to the termination events above which are marked with an asterisk ("\*"), the Underwriter may only exercise its right to terminate where the Underwriter determines reasonably and in good faith that the event:

- has or would have had a material adverse effect on the Offer; or
- could create a potential liability for the Underwriter under the Corporations Act.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriters that are considered customary for an agreement of this nature.

## 7.2 Sub-underwriting

Australia Kengkong Investments Co Pty Ltd has entered into a sub-underwriting agreement with the Underwriter whereby Australia Kengkong Investments Co Pty Ltd has agreed to priority sub-underwrite all of the 500,000,000 New Shares being underwritten by H&H (being a maximum total value of \$5 million).

Australia Kengkong Investments Co Pty Ltd is a private investment vehicle ultimately controlled by Mr Luk Hiu Ming, and is not an associate or a Related Body Corporate of H&H.

## 7.3 Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the securities in the Company.

This Prospectus is a "transaction specific prospectus". In general terms, a "transaction specific prospectus" is only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
  - (1) the annual financial report most recently lodged by the Company with ASIC;
  - (2) the half-year financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred to in (1) and before the lodgement of this Prospectus with ASIC; and
  - (3) any continuous disclosure documents given by the Company to ASX in accordance with ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (1) and before the lodgement of this Prospectus with ASIC.

Copies of all documents lodged with ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with ASIC are set out in the table below:

| <b>Date</b> | <b>Description of announcement</b>   |
|-------------|--------------------------------------|
| 05/12/2013  | Details of Company Address           |
| 03/12/2013  | Change of Director's Interest Notice |
| 03/12/2013  | Appendix 3B                          |
| 03/12/2013  | Change in substantial holding        |
| 02/12/2013  | Final Director's Interest Notice     |

|            |  |
|------------|--|
| 02/12/2013 | Final Director's Interest Notice                         |
| 02/12/2013 | Results of Annual General Meeting                        |
| 29/11/2013 | Chairman's Address to Shareholders                       |
| 28/11/2013 | Company Update - Sale of Consulting Businesses           |
| 12/11/2013 | Company Update   |
| 31/10/2013 | Notice of Annual General Meeting                         |
| 30/10/2013 | Reinstatement to Official Quotation - 31/10/13 - Amended |
| 30/10/2013 | VDM Company Update                                       |
| 29/10/2013 | Reinstatement to Official Quotation - 31/10/13           |

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website [www.vdmgroup.com.au](http://www.vdmgroup.com.au)

#### 7.4 Section 708A(11) Corporations Act

The Company has issued the following Shares (without a disclosure document) in the 12 months prior to the date of this Prospectus under section 708A of the Corporations Act:

| Date of issue    | Number of Shares   |
|------------------|--------------------|
| 29 November 2013 | 500,043,386        |
| 10 December 2013 | 143,977,917        |
| 10 December 2013 | 75,000,000         |
| <b>Total</b>     | <b>719,021,303</b> |

500,000,000 Shares were issued to H&H on Conversion of the Convertible Loan.

43,386 Shares were issued upon the exercise of options.

143,977,917 Shares were issued to the Jimblebar Creditors in accordance with the Creditor Proposal.

75,000,000 Shares were issued to a private investor by way of placement at \$0.01 per Share.

If Shares are issued to an investor without a disclosure document then the on-sale of those same Shares is generally restricted pursuant to the Corporations Act, unless an exemption applies (such as those under section 708A of the Corporations Act). These on-sale provisions are an anti-avoidance mechanism that is designed to minimise the opportunity for an issuer of securities to avoid giving disclosure to retail investors by first issuing the securities to an investor for whom disclosure is not required and then having that investor on sell the securities to a retail investor.

The on-sale provisions seek to ensure that regardless of whether the securities are issued directly or indirectly to retail clients, the retail clients received adequate disclosure for what is indirectly an issue of securities and the issuer remain liable to retail clients for the efficacy of that disclosure.

Section 708A operates as an exemption from the on-sale provisions. If the Company does not fall within one of these exemptions, any securities issued to an exempt investor (pursuant to section 708 of the Corporations Act) may be restricted from on-sale for the first 12 months from the date of issue unless the investor (to whom the securities may be on-sold) also falls within one of the exemptions.

However, section 708A(11) provides that a sale offer of securities would not need disclosure (and therefore would be exempt from the on-sale provisions) if the securities are in a class of securities that are quoted securities and a prospectus is lodged with ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made, or the Shares are issued after the lodgement of a Prospectus at a time when offers under the Prospectus are still open for acceptance.

The Company notes that none of the above listed Shares have been on-sold and as such, the holders of the Shares referred to in the table above may wish to rely on this Prospectus and section 708A(11) of the Corporations Act if they wish to on-sell their Shares. Please refer to section 4.1 for further details.

## 7.5 Corporate governance

The Board is responsible for the corporate governance of the Company and to ensure that VDM and its controlled entities (**VDM Group**) are properly managed and controlled. In this regard, the Board is committed to maintaining and promoting the principles of good corporate governance.

The Directors are of the view that VDM Group has complied in all substantial respects with corporate governance best practice in Australia, including the ASX Corporate Governance Council Corporate Governance Principles and Recommendations.

As a mitigant to any perceived risk in relation to the operation of the Board, VDM and H&H have agreed to the inclusion of additional corporate governance protocols as follows.

- (a) the structures and procedures which will be put in place by the Board to ensure that the consideration by the Board and management of VDM's business and the business of its subsidiaries is undertaken free from any actual or the appearance of any conflict of interest; and
- (b) the requirement for each Director of VDM to declare any interest he or she has in the matter being considered by the Board and appropriate measures to be taken upon that declaration.

These provisions apply in addition to the statutory and common law obligations applying to all Directors.

Further information about the Company's corporate governance protocols are set out in the Notice of Meeting released to ASX on 31 October 2013. A copy of the Notice of Meeting can be obtained from the Company's website at [www.vdmgroup.com.au](http://www.vdmgroup.com.au).

## 7.6 Related Party disclosure

From time to time the Company may be party to transactions with Related Parties including:

- (a) employment and service arrangements;
- (b) issue of securities to Directors or entities associated with Directors; and
- (c) payment of Directors' fees.

The Company believes that it has made appropriate disclosure of past Related Party transactions and other than any further disclosure made in this Prospectus does not intend to make any further disclosure of such transactions, which will have either proceeded on an "arm's length" basis, reasonable remuneration basis or been approved by Shareholders in general meeting.

## 7.7 Substantial Shareholders

The following are details of those Shareholders who have a relevant interest in more than 5% of the Shares prior to the date of this Prospectus:

|                                       | # of Shares | %      |
|---------------------------------------|-------------|--------|
| H&H Holdings Australia Pty Ltd        | 685,110,976 | 38.21% |
| Hunter Hall Investment Management Ltd | 127,665,260 | 7.12%  |

Hunter Hall has committed to subscribe for 100,000,000 New Shares pursuant to the Offer, and H&H has committed to subscribe for 400,000,000 New Shares pursuant to the Offer. Hunter Hall's commitment is subject to H&H subscribing for \$4 million of its Entitlement

Please refer to section 1.15 earlier in this Prospectus for an analysis of the possible effects on control in relation to the Offer.

## 7.8 Interests of experts and advisors

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered

by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer pursuant to this Prospectus.

Clayton Utz are acting as solicitors to the Offer and have performed work in relation to the Prospectus. In doing so, Clayton Utz have placed reasonable reliance upon information provided to them by the Company. Clayton Utz does not make any statement in this Prospectus. In respect of this work, the Company estimates that it will pay approximately \$150,000 (excluding disbursements and GST) to Clayton Utz. Further amounts may be paid to Clayton Utz in accordance with its normal time based charges.

The Underwriter is a Related Party of the Company by virtue of being owned and controlled by the Company's Executive Chairman and Interim Chief Executive Officer, Dr Dongyi Hua. The Company has not sought Shareholder approval for the entry into the Underwriting Agreement on the basis that it falls within the exception in section 210 of the Corporations Act. The independent directors of the Board are of the view that the Underwriting Agreement would be reasonable in the circumstances if the Related Party and the entity were dealing at arm's length and contains terms and conditions customary for an agreement of its nature.

## 7.9 Consents

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Computershare Investor Services Pty Limited has given and has not withdrawn its consent to be named in the Prospectus as the Share Registry for the Company in the form and context in which it is named. It takes no responsibility for any part of the Prospectus other than references to its name.

Clayton Utz has given and has not withdrawn its consent to be named in this Prospectus as solicitors to the Offer in the form and context in which it is named. It takes no responsibility for any part of the Prospectus other than references to its name.

H&H has given and has not withdrawn its consent to be named in this Prospectus as Underwriter to the Offer in the form and context in which it is named. It takes no responsibility for any part of the Prospectus other than references to its name.

Hunter Hall has given and has not withdrawn its consent to be named in this Prospectus in the form and context in which it is named. It takes no responsibility for any part of the Prospectus other than references to its name.

Australia Kengkong Investments Co Pty Ltd has given and has not withdrawn its consent to be named in this Prospectus as sub-underwriter to the Offer in the form and context in which it is named. It takes no responsibility for any part of the Prospectus other than references to its name.

Mr Luk Hiu Ming has given and has not withdrawn his consent to be named in this Prospectus in the form and context in which he is named. He takes no responsibility for any part of the Prospectus other than references to his name.

## 7.10 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX since 10 December 2012 and up to the date immediately prior to the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were:

|         | \$    | Date             |
|---------|-------|------------------|
| Highest | 0.021 | 19 July 2013     |
| Lowest  | 0.006 | 4 November 2013  |
| Last    | 0.012 | 10 December 2013 |

#### 7.11 Subsequent Events

There has not arisen, at the date of this Prospectus any item, transaction or event of a material or unusual nature not already disclosed in this Prospectus which is likely, in the opinion of the Directors of the Company, to affect substantially:

- (a) the operations of the Company;
- (b) the results of those operations; or
- (c) the state of affairs of the Company.

#### 7.12 Litigation

VDM announced on 27 August 2013 that the Company was in dispute with a major customer on a material contract regarding the status of the contract. The Company received a notice from the customer purporting to exercise its right to remove VDM from the site (**Customer Notice**).

On 12 November 2013, the Company advised that following several successful adjudication determinations, VDM was awarded and has received approximately \$4 million. The Company advised that the amounts recovered will have a positive earnings and cashflow impact for the Company and that the Company will continue to seek full resolution of all outstanding matters and pursue remaining unapproved claims and variations.

#### 7.13 Tax

You should be aware that there may be taxation implications associated with participating in the Offer and receiving New Shares.

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under the Offer, or the disposal of any New Shares allotted and issued. The Company does not accept any responsibility in this regard, and Shareholders should consult with their professional tax advisor.

#### 7.14 Privacy

By submitting an Application Form for New Shares you are providing to the Company personal information about yourself. If you do not provide complete and accurate personal information, your application may not be able to be processed.

The Company maintains the register of members of the Company through the Share Registry, an external service provider. The Company requires the Share Registry to comply with the National Privacy Principles in performing these services. The Company's register is required under the Corporations Act to contain certain personal information about you such as your name and address and number of shares and options held. In addition the Company collects personal information from members such as, but not limited to, contact details, bank accounts and membership details and tax file numbers.

This information is used to carry out registry functions such as payment of dividends, sending annual and half yearly reports, notices of meetings, newsletters and notifications to the Australian Taxation Office. In addition, contact information will be used from time to time to inform members of new initiatives concerning the Company.

The Company understands how important it is to keep your personal information private. The Company will only disclose personal information we have about you:

- (a) when you agree to the disclosure;
- (b) when used for the purposes for which it was collected;
- (c) when disclosure is required or authorised by law;
- (d) to other members in the group of companies;
- (e) to your broker; and
- (f) to external service suppliers who supply services in connection with the administration of the Company's register such as mailing houses and printers, Australia Post and financial institutions.

You have the right to access, update and correct your personal information held by the Company and the Share Registry, except in limited circumstances. If you wish to access, update or correct your personal information held by the Share Registry or by the Company please contact our respective offices.

If you have any questions concerning how the Company handles your personal information please contact the Company.

## **8. Directors' Authorisation**

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This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC.

**Dated** 10 December 2013



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**Dr Dongyi Hua**

**For and on behalf of  
VDM GROUP LIMITED**

## 9. Glossary

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**\$** means Australian dollars.

**Applicant** means a Shareholder who applies for New Shares pursuant to the Offer or other party who applies for Shortfall Shares pursuant to the Shortfall Offer.

**Application** means an application to subscribe for New Shares under this Prospectus.

**Application Form** means the application form attached to this Prospectus.

**Application Money** means the aggregate amount of money payable for New Shares applied for in a duly completed Application Form.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691 or, as the context required, the securities exchange operated by that entity.

**ASX Approval** means a decision by ASX to grant Quotation (as that expression is used in the ASX Listing Rules) of all of the New Shares, which is conditional only upon:

- (a) the issue of the New Shares;
- (b) dispatch of Uncertificated Holding Statements in respect of the New Shares; and
- (c) confirmation being given to ASX that the matters in paragraphs (a) and (b) above have occurred.

**ASX Listing Rules** means the listing rules of ASX.

**ASX Settlement Operating Rules** means the settlement rules of the securities clearing house which operates CHESS.

**Board** means the board of Directors unless the context indicates otherwise.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Closing Date** means the date specified in the timetable set out at the commencement of this Prospectus (unless extended or closed earlier).

**Company** or **VDM** means VDM Group Limited ACN 109 829 334.

**Constitution** means the constitution of the Company as at the date of this Prospectus.

**Conversion** means the conversion of the Convertible Loan to Shares.

**Convertible Loan** means the loan of \$5 million under the Convertible Loan and Facility Agreement.

**Convertible Loan and Facility Agreement** means the agreement entered into between VDM and H&H in respect of the Conversion dated 27 August 2013.

**Convertible Loan, Debt Loan and Facility Agreement** means the Convertible Loan and Facility Agreement as amended and restated on 11 November 2013.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Creditor Proposal** means the creditor proposal with the Jimblebar Creditors announced to ASX on 29 October 2013.

**Directors** mean the directors of the Company at the date of this Prospectus.

**Eligible Shareholder** means a Shareholder of the Company as at 7.00pm (Sydney time) on the Record Date.

**Entitlement** means the entitlement of a Shareholder who is eligible to participate in the Offer.

**H&H** means H&H Holdings Australia Pty Ltd ACN 162 108 143.

**Hunter Hall** means Hunter Hall Investment Management Limited ACN 063 081 612 as investment manager for Hunter Hall Global Value Limited & the Hunter Hall Value Growth Trust.

**Insolvency Event means in relation to any person:**

- (a) **(Receiver appointed)** A receiver, receiver and manager, administrator, trustee or similar official is appointed over any of the assets or undertaking of the person;
- (b) **(Payments suspended)** The person suspends payment of its debts generally;
- (c) **(Unable to pay)** The person is or becomes unable to pay its debts when they are due or is unable to pay its debts within the meaning of the Corporations Act or the person may be presumed to be insolvent under section 459C of the Corporations Act;
- (d) **(Arrangements with creditors)** The person enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;
- (e) **(Winding up)** An application or order is made for the winding up or dissolution of, or the appointment of a provisional liquidator to the person or a resolution is passed or steps are taken to pass a resolution for the winding up or dissolution of the person otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of the Underwriter; or
- (f) **(Administrator)** An administrator is appointed under Division 2 of Part 5.3A of the Corporations Act.

**Jimblebar Creditors** means those creditors of VDM who have entered into binding agreements or arrangements with VDM in relation to the Jimblebar Project.

**New Shares** means a new Share to be issued under the Offer.

**Offer** mean the offer of New Shares referred to in section 1.1 of this Prospectus.

**Offer Period** means the period from the Opening Date to the Closing Date (inclusive of those dates).

**Official Quotation** means official quotation on ASX.

**Opening Date** means the date specified in the timetable set out at the commencement of this Prospectus (unless extended or opened earlier).

**Prescribed Occurrence** in relation to the Company means any event listed in section 652C(1) or (2) of the Corporations Act.

**Prospectus** means this prospectus.

**Record Date** means the date specified in the timetable set out at the commencement of this Prospectus.

**Related Body Corporate** means a corporation that is related to the Company pursuant to sections 9 and 50 of the Corporations Act.

**Related Party** has the meaning given to it in the ASX Listing Rules.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a shareholder of the Company.

**Share Registry** means Computershare Investor Services Pty Limited.

**Shortfall or Shortfall Shares** means such New Shares offered under the Offer for which valid Applications have not been received from Eligible Shareholders before the Closing Date.

**Shortfall Application Form** means the shortfall application form to be provided by or available on request from the Company, in their discretion, to investors who have expressed an interest in subscribing for Shortfall Shares.

**Shortfall Offer** means the offer of the Shortfall on the terms and conditions set out in Section 1.6 of this Prospectus.

**Uncertificated Holding Statement** means a statement provided under ASX Listing Rule 8.5 in respect of an uncertificated holding of securities.

**Underwriter** means H&H.

**Underwriting Agreement** means the underwriting agreement dated 10 December 2013 between the Company and the Underwriter under which the Underwriter has agreed to manage and underwrite the Offer on the terms and conditions contained in those agreements.

**Underwritten Amount** means \$5 million.

**Underwriting Fee** has the meaning given to it in section 7.1.

**Underwritten Shares** means 500,000,000 of the New Shares.

## Application Form



VDM Group Limited  
ABN 95 109 829 334

### For all enquiries:

Phone:  
(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

Web:  
[www.investorcentre.com/contact](http://www.investorcentre.com/contact)



⑆ 000001 000 000  
MR SAM SAMPLE  
123 SAMPLE STREET  
SAMPLETOWN VIC 3000

### Make your payment:



See over for details of the Offer and  
how to make your payment

## Non-Renounceable Rights Issue — Entitlement and Acceptance Form

Your payment must be received by 5.00pm (WST) Wednesday, 8 January 2014

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

### Step 1: Registration Name

Please check the details provided and update your address via [www.investorcentre.com](http://www.investorcentre.com) if any of the details are incorrect.

If you have a CHESS sponsored holding, please contact your Controlling Participant to notify a change of address.

### Step 2: Make Your Payment

You can apply to accept either all or part of your Entitlement. You may also apply for Additional New Shares over and above your Entitlement by participating in the shortfall. Enter the number of Additional New Shares you wish to apply for and the amount of payment for those shares.

By making your payment you confirm that you agree to all of the terms and conditions as detailed in the Prospectus dated 10 December 2013.

Choose one of the payment methods shown below.

**BPAY<sup>®</sup>:** See overleaf. Do not return the slip with BPAY payment.  
**By Mail:** Complete the reverse side of this payment slip and detach and return with your payment. Make your cheque or bank draft payable in Australian dollars to "VDM Group Limited" and cross "Not Negotiable". The cheque must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the slip below as indicated. Receipts will not be forwarded. Funds cannot be debited directly from your account.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

**Turn over for details of the Offer →**

Payment must be received by  
5.00pm (WST) Wednesday, 8 January 2014

© Registered to BPAY Pty Limited ABN 69 079 137 518

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## Entitlement and Acceptance Form with Additional Shares

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I ND

### STEP 1 Registration Name & Offer Details

 For your security keep your SRN/  
HIN confidential.

Registration Name: MR SAM SAMPLE  
123 SAMPLE STREET  
SAMPLETOWN VIC 3000

Entitlement No: 12345678

Offer Details: Existing shares entitled to participate as at  
19 December 2013:

4,000

Entitlement to new shares  
on a 1 for 1 basis:

4,000

Amount payable on acceptance  
at \$0.01 per share:

\$0.01

### STEP 2 Make Your Payment



Billor Code: 999999  
Ref No: 1234 5678 9123 4567 89

#### Pay by Mail:



Make your cheque, bank draft or money order payable to "VDM Group Limited" and cross "Not Negotiable".

Return your cheque, bank draft or money order with the payment slip below to:  
Computershare Investor Services Pty Limited  
GPO Box 505  
Melbourne VIC 3001 AUSTRALIA

#### Lodgement of Acceptance

If you are applying for Additional New Shares and your payment is being made by BPAY, you do not need to return the payment slip below. Your payment must be received by no later than 2.00pm (WST) on 8 January 2014. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. Neither Computershare Investor Services Pty Limited (CIS) nor VDM Group Limited accepts any responsibility for loss incurred through incorrectly completed BPAY payments. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by this time.

If you are paying by cheque, bank draft or money order the payment slip below must be received by CIS by no later than 5.00pm (WST) on 8 January 2014. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for shareholders in Australia. Other Eligible Shareholders will need to affix the appropriate postage. Return the payment slip below with cheque attached. Neither CIS nor VDM Group Limited accepts any responsibility if you lodge the payment slip below at any other address or by any other means.

#### Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited (CIS) as registrar for the securities issuer (the issuer), for the purpose of maintaining registers of shareholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS using the details provided above or email [privacy@computershare.com.au](mailto:privacy@computershare.com.au)

[Detach here](#)

#### Acceptance Payment Details

Entitlement taken up:

Additional number of New Shares  
applied for (if any):

Amount enclosed at \$0.01 per  
New Share:

A\$ 

Payment must be received by 5.00pm (WST) Wednesday, 8 January 2014



Entitlement No: 12345678

MR SAM SAMPLE  
123 SAMPLE STREET  
SAMPLETOWN VIC 3000

#### Contact Details

Contact Name \_\_\_\_\_ Daytime Telephone \_\_\_\_\_

#### Cheque Details

| Drawer               | Cheque Number        | BSB Number           | Account Number       | Amount of Cheque         |
|----------------------|----------------------|----------------------|----------------------|--------------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | A\$ <input type="text"/> |

123456789123456789+0000000001-3051+14



## How to complete this form

|   |  |
|---|--|
| <p><b>A Ordinary Shares applied for</b><br/>Enter the number of New Ordinary Shares you wish to apply for.</p> <p><b>B Application Monies</b><br/>Enter the amount of Application Monies. To calculate the amount, multiply the number of New Shares by the issue price per share.</p> <p><b>C Applicant Name(s)</b><br/>Enter the full name you wish to appear on the statement of holding. This must be either your own name or the name of a company. Up to 3 joint Applications may register. You should refer to the table below for the correct form of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.</p> <p><b>D Postal Address</b><br/>Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.</p> | <p><b>E Contact Details</b><br/>Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this application.</p> <p><b>F CHES</b><br/>The Company participates in CHES. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Ordinary Shares allotted to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).</p> <p><b>G Payment</b><br/>Make your cheque, money order or bank draft payable to "VDM Group Limited" in Australian currency and cross it "Not Negotiable". Your cheque, money order or bank draft must be drawn on an Australian Bank. Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B. Please note that funds are unable to be directly debited from your bank account. Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented any may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the Shortfall Application Form. Cash will not be accepted. Receipt for payment will not be provided.</p> |
|---|--|

Before completing the Application Form the applicant(s) should read the prospectus to which this application relates. By lodging the Application Form, the applicant agrees that this application for Ordinary Shares in VDM Group Limited is upon and subject to the terms of the prospectus and the Constitution of VDM Group Limited, agrees to take any number of Shares that may be allotted to the Applicant(s) pursuant to the prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

### Lodgement of Application

Application Forms must be received by Computershare Investor Services Pty Limited (CIS) by no later than 5:00 WEST on 8 January 2014. You should allow sufficient time for this to occur. Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited  
GPO Box 52  
Melbourne VIC 3001  
Australia

### Privacy Statement

Personal information is collected on this form by CIS, as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or email [privacy@computershare.com.au](mailto:privacy@computershare.com.au)

If you have any enquiries concerning your application, please contact VDM Group Limited on +61 9323 2000

### Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold securities. Shortfall Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Shortfall Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

| Type of Investor  | Correct Form of Registration   | Incorrect Form of Registration                   |
|---|--|--|
| Individual: use given names in full, not initials   | Mr John Alfred Smith   | JA Smith   |
| Company: use the company's full title, not abbreviations  | ABC Pty Ltd  | ABC P/L or ABC Co                                |
| Joint Holdings: use full and complete names   | Mr Peter Robert Williams & Ms Louise Susan Williams                      | Peter Robert & Louise S Williams                 |
| Trusts: use the trustee(s) personal name(s)   | Mrs Susan Jane Smith<br><Sus Smith Family A/C>                           | Sus Smith Family Trust                           |
| Deceased Estates: use the executor(s) personal name(s)  | Ms Jane Mary Smith & Mr Frank William Smith<br><Est John Smith A/C>      | Estate of late John Smith or John Smith Deceased |
| Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation | Mr John Alfred Smith<br><Peter Smith A/C>                                | Master Peter Smith                               |
| Partnerships: use the partners personal names   | Mr John Robert Smith & Mr Michael John Smith<br><John Smith and Son A/C> | John Smith and Son                               |
| Long Names  | Mr John William Alexander Robertson-Smith                                | Mr John W A Robertson-Smith                      |
| Clubs/Unincorporated Bodies/Business Names: use office bearers(s) personal name(s)                        | Mr Michael Peter Smith<br><ABC Tennis Association A/C>                   | ABC Tennis Association                           |
| Superannuation Funds: use the name of the trustee of the fund   | Jane Smith Pty Ltd<br><Super Fund A/C>                                   | Jane Smith Pty Ltd Superannuation Fund           |