ASX ANNOUNCEMENT 28 October 2014

NOTICE OF ANNUAL GENERAL MEETING

VDM Group Limited's (**VDM**) 2014 Annual General Meeting will be held on Friday, 28 November 2014, in the Mosman Bay Room at the Hyatt Regency Perth, 99 Adelaide Terrace, Perth, Western Australia at 10:00am.

The Notice of Meeting, Explanatory Memorandum, and Proxy Form have been mailed to shareholders today. Copies of these documents follow this announcement.

The 2014 Annual Report has also been mailed today to shareholders who elected to receive a printed copy. This document has also been previously lodged with the ASX and is available on VDM's website.

For further information please contact:

Dr Dongyi Hua
Executive Chairman & Interim CEO
VDM Group Limited
(08) 9265 1100

Padraig O'Donoghue
CFO & Company Secretary
VDM Group Limited
(08) 9265 1100

BOARD & MANAGEMENT

Dr Dongyi Hua
EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Michael Fry
NON-EXECUTIVE DIRECTOR

Mr Velko (Vic) Jakovich
NON-EXECUTIVE DIRECTOR

Mr Luk Hiuming
NON-EXECUTIVE DIRECTOR

Mr Padraig O'Donoghue
CHIEF FINANCIAL OFFICER
COMPANY SECRETARY

REGISTERED OFFICE
Level 1
Fortescue Centre
30 Terrace Road
East Perth, WA 6004

POSTAL ADDRESS
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East Perth, WA 6892

CONTACT DETAILS
Tel: (08) 9265 1100

WEBSITE
vdmgroup.com.au

SHARE REGISTRY
Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne, VIC 2975
Tel: 1300 850 505

ASX CODE
VMG

VDM GROUP LIMITED

ABN 95 109 829 334

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY MEMORANDUM & PROXY FORM

Date of Meeting

Friday, 28 November 2014

Time of Meeting

10:00am (AWST)

Place of Meeting

Mosman Bay Room, Hyatt Regency Perth, 99 Adelaide Terrace, Perth, Western Australia

This Notice of Annual General Meeting and accompanying Conversion Independent Expert's Report and Angolan Independent Expert's Report (which consider the transactions the subject of Resolutions 5, 6 and 8 to be fair and reasonable to non-associated Shareholders respectively) should be read in its entirety. If Shareholders are in any doubt as to how they should vote, they should seek advice from their professional advisors prior to voting.

Should you wish to discuss the matters in this Notice of Annual General Meeting please do not hesitate to contact the Company between 9.00am and 5.00pm (AWST).

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Notice of Annual General Meeting

VDM Group Limited (**VDM** or **the Company**) will hold its Annual General Meeting on Friday, 28 November 2014 at 10:00am (AWST) at Mosman Bay Room, Hyatt Regency Perth, 99 Adelaide Terrace, Perth, Western Australia.

ORDINARY BUSINESS

1. Financial Report

To receive the financial report, Directors' report and auditor's report for VDM and its controlled entities for the year ended 30 June 2014.

2. Remuneration Report

To consider and if thought fit pass the following as an ordinary resolution:

Resolution 1

"That for the purposes of section 250(R) of the Corporations Act and for all other purposes, the Remuneration Report be adopted. The Remuneration Report is set out on pages 13 to 26 of the 2014 Annual Report to Shareholders."

Please note that the vote on this Resolution is advisory only and does not bind the Directors or VDM.

Voting exclusion: In accordance with section 250R(4) of the Corporations Act, the Company will disregard any votes cast on Resolution 1 by or on behalf of a member of the Key Management Personnel (details of whose remuneration are included in the Remuneration Report) or their Closely Related Parties. However, a person described above may vote on this Resolution 1 if the person does so as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 1 or the person is the chair of the Meeting and the appointment of the chair as proxy does not specify the way the person is to vote on Resolution 1, and expressly authorises the chair to exercise the proxy even if Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. Election of Mr Michael Fry as a Director

To consider and if thought fit pass the following as an ordinary resolution:

Resolution 2

"That Mr Michael Fry, being a Director, who retires in accordance with rule 8.1(d) of the Constitution and being eligible for re-election, is hereby re-elected as a Director."

4. Election of Mr Hiuming Luk as Director

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

Resolution 3

"That Mr Hiuming Luk, having been appointed by the Company as a director of the Company on 21 March 2014 and being eligible for election in accordance with rule 8.1(h) of the Constitution, is hereby elected as a Director."

5. Election of Mr Velko Jakovich as Director

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

Resolution 4

"That Mr Velko Jakovich, having been appointed by the Company as a director of the Company on 1 February 2014 and being eligible for election in accordance with rule 8.1(h) of the Constitution, is hereby elected as a Director."

SPECIAL BUSINESS

6. Approval to issue the First Conversion Shares to Australia Kengkong Investments Co Pty Ltd

To consider and if thought fit pass the following as an ordinary resolution:

Resolution 5

"That, for the purposes of item 7 of section 611 of the Corporations Act, Chapter 2E of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue to Australia Kengkong Investments Co Pty Ltd 450,000,000 Shares at an issue price of $0.01 per Share on the terms and conditions set out and as described in the Explanatory Memorandum accompanying this Notice of Annual General Meeting."

Voting Exclusion: The Company will disregard any votes cast on Resolution 5 by Australia Kengkong Investments Co Pty Ltd and any of its Associates. However, the Company need not disregard a vote if it is cast by a person who is entitled to vote, in accordance with the directions on the Proxy Form or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the Proxy decides.

7. Approval to issue the Second Conversion Shares to Australia Kengkong Investments Co Pty Ltd

To consider and if thought fit pass the following as an ordinary resolution:

Resolution 6

"That, subject to Resolution 5 being approved, for the purposes of item 7 of section 611 of the Corporations Act, Chapter 2E of the Corporations Act, Listing Rule 10.11 and for all other purposes, approval is given for the Company to allot and issue to Australia Kengkong Investments Co Pty Ltd 1,000,000,000 Shares at an issue price of $0.01 per Share on the terms and conditions set out and as described in the Explanatory Memorandum

accompanying this Notice of Annual General Meeting."

Voting Exclusion: The Company will disregard any votes cast on Resolution 6 by Australia Kengkong Investments Co Pty Ltd and any of its Associates. However, the Company need not disregard a vote if it is cast by a person who is entitled to vote, in accordance with the directions on the Proxy Form or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the Proxy decides.

8. Change of Scale of Activities

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

Resolution 7

"That for the purposes of Listing Rule 11.1.2 and for all other purposes, approval is given to the Company be authorised to make a significant change in the scale of its activities as a result of the Copper Project Agreement as set out and as described in the Explanatory Memorandum accompanying this Notice of Annual General Meeting."

Voting Exclusion: The Company will disregard any votes cast on Resolution 7 by any person who may obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if Resolution 7 is passed, and any Associates of those persons. However, the Company need not disregard a vote if it is cast by a person who is entitled to vote, in accordance with the directions on the Proxy Form or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the Proxy decides.

9. Approval to issue the Seabank Shares to Seabank Resources, LDA.

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

Resolution 8

"That, subject to Resolution 7 being approved, for the purpose of Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue to Seabank Resources, LDA. 650,000,000 Shares on the terms and conditions set out and as described in the Explanatory Memorandum accompanying this Notice of Annual General Meeting."

Voting Exclusion: The Company will disregard any votes cast on Resolution 8 by Seabank Resources, LDA. and any of its Associates. However, the Company need not disregard a vote if it is cast by a person who is entitled to vote, in accordance with the directions on the Proxy Form or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the Proxy decides.

10. Approval of placement of Shares in the last 12 months

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

Resolution 9

"That for the purposes of Listing Rule 7.4, approval is given in respect of the issue of 75,000,000 Shares to Golden Bloom Investments Pty Ltd on 10 December 2013 made by way of placement as set out and as described in the Explanatory Memorandum accompanying this Notice of Annual General Meeting."

Voting Exclusion: The Company will disregard any votes cast on Resolution 9 by Golden Bloom Investments Pty Ltd and any of its Associates. However, the Company need not disregard a vote if it is cast by a person who is entitled to vote, in accordance with the directions on the Proxy Form or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the Proxy decides.

11. Approval of Future Placement Shares

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

Resolution 10

"That, for the purpose of Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue up to 1,500,000,000 Shares within three months from the date of this Meeting, at a price not lower than 80% of the volume weighted average market price of the Shares over the five days on which sales were recorded before the day on which the issue will be made, for the purposes and on the terms and conditions set out and as described in the Explanatory Memorandum accompanying this Notice of Annual General Meeting."

Voting Exclusion: The Company will disregard any votes cast on Resolution 10 by a person who may participate in the issue of the Future Placement Shares (and any Associates of such a person) and who might obtain a benefit (and any Associates of such a person), except a benefit solely in the capacity of a holder of Shares, if Resolution 10 is passed. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form or it is cast by the chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

12. Approval of 10% Enhanced Placement Facility

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

Resolution 11

"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on Resolution 11 by a person who may participate in the 10% Enhanced Placement Facility (and any Associates of such a person) and who might obtain a benefit (and any Associates of such a person), except a benefit solely in the capacity of a holder of Shares, if Resolution 11 is passed. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form or it is cast by the chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Explanatory Memorandum

The Explanatory Memorandum accompanying this Notice is incorporated in and comprises part of this Notice.

Shareholders are specifically referred to the glossary in the Explanatory Memorandum which contains definitions of capitalised terms used both in this Notice and the Explanatory Memorandum.

Voting by proxy

A Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy. A proxy may be, but need not be, a Shareholder. A Shareholder entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes. For details on how to complete and lodge the Proxy Form, please refer to the instructions on the Proxy Form.

Shareholders should complete the Proxy Form that accompanies this Notice and Explanatory Memorandum, and return it by mail, in person or by facsimile. Shareholders can also submit their proxy voting instructions online or by using a mobile device. Please refer to the Proxy Form for more information about submitting your proxy voting instructions online or from your mobile device.

Custodians and nominees are able to submit their proxy voting instructions online by accessing this website: www.intermediaryonline.com.

Proxy Forms must be returned or submitted by 10:00am (AWST) on 26 November 2014 to be effective. Any Proxy Form received after that time will not be valid for the Meeting.

As stated on the Proxy Form accompanying this Notice, the chair intends to vote available proxies in favour of the Resolutions.

Proxy voting on Resolution 1 (Remuneration Report)

If you elect to appoint a member of Key Management Personnel whose remuneration details are included in the Remuneration Report (other than the chair) or any Closely Related Party of that member as your proxy to vote on Resolution 1, you must direct the proxy how they are to vote. Where you do not direct the member of Key Management Personnel whose remuneration details are included in the Remuneration Report (other than the chair) or a Closely Related Party of that member, how to vote on Resolution 1, your vote will not be counted in determining the required majority for Resolution 1.

If the chair of the Meeting is appointed as your proxy (whether by appointment or by default) and you have not given directions on how to vote by completing the appropriate box in the voting directions section of the Proxy Form for Resolution 1, by signing and returning the Proxy Form you will be expressly authorising the chair of the Meeting to cast your votes in accordance with the chair's intention. The chair intends to vote in favour of Resolution 1.

Documents and Proxy Forms may be lodged:

BY MAIL	Computershare Investor Services Pty Limited GPO Box 242, Melbourne Victoria 3001, Australia

BY FAX	1800 783 447 (within Australia) +61 3 9473 2555 (outside Australia)

Proxy Forms may be also be submitted:

ONLINE	www.investorvote.com.au
BY MOBILE	Scan the QR Code on the Proxy Form and follow the prompts
CUSTODIAN VOTING	For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your Proxy Form

Entitlement to vote

The Company may specify a time, not more than 48 hours before the Meeting, at which a "snapshot" of Shareholders will be taken for the purposes of determining Shareholder entitlement to vote at the Annual General Meeting.

The Directors have determined that all Shares registered at 4.00pm (AWST) on 26 November 2014 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the person registered as holding the Shares at that time.

Voting in person

To vote in person, attend the Annual General Meeting on the date and at the place set out above. Shareholders are asked to arrive at the venue 20 minutes prior to the time designated for the Meeting, if possible, so that the Company may check their Shareholding against the Company's share register and note attendances.

Voting by corporate representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Annual General Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company's Share Registrar in advance of the Annual General Meeting or handed in at the Annual General Meeting when registering as a corporate representative. A corporate representative form may be requested from the Company's registry if required.

By order of the Board of Directors

Padraig O'Donoghue
Company Secretary
VDM Group Limited

Dated 21 October 2014

Explanatory Memorandum

Purpose of this Explanatory Memorandum

This document is important. It provides Shareholders with necessary information to assist them in deciding how to vote on the Resolutions to be considered at the Meeting. This Explanatory Memorandum does not take into account the individual investment objectives, financial situation and particular needs of Shareholders or any other person. Accordingly, it should not be relied upon as the sole basis for any decision in relation to the Resolutions.

You should read this Explanatory Memorandum in its entirety before making a decision as to how to vote at the Meeting.

If you have any doubt as to what you should do once you have read this Explanatory Memorandum, you should consult your legal, financial or other professional adviser.

Forward looking statements

Certain statements in this Explanatory Memorandum relate to the future. Those statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by those statements. These statements reflect views only as at the date of this Explanatory Memorandum.

While VDM believes that the expectations reflected in the forward looking statements in this document are reasonable, neither the Company nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Explanatory Memorandum will actually occur and you are cautioned not to place undue reliance on those forward looking statements.

Notice to persons outside Australia

This Explanatory Memorandum has been prepared in accordance with Australian laws, disclosure requirements and accounting standards. These laws, disclosure requirements and accounting standards may be different to those in other countries.

Disclaimer

No person is authorised to give any information or make any representation in connection with the Resolutions which is not contained in this Explanatory Memorandum. Any information or representation not contained in this Explanatory Memorandum may not be relied on as having been authorised by VDM or the Directors in connection with the Resolutions.

Responsibility for information

The information concerning the Company contained in this Explanatory Memorandum including information as to the views and recommendations of the Directors has been prepared by the Company and is the responsibility of the Company. Kengkong and its Associates, Seabank and its Associates and Pebric and its Associates or their respective advisers do not assume any responsibility for the accuracy or completeness of that information.

Information concerning Kengkong and its Associates, Seabank and its Associates and Pebric and its Associates in this Explanatory Memorandum, including information as to the intentions of Kengkong, has been provided by Kengkong and is the responsibility of Kengkong, Seabank and Pebric (as relevant).

Neither the Company nor its advisers assume any responsibility for the accuracy or completeness of that information.

BDO Corporate Finance (WA) Pty Ltd has prepared the Conversion Independent Expert's Report in relation to Resolutions 5 and 6 and the Copper Project Independent Expert's Report in relation to Resolution 8 and takes responsibility for these reports and has consented to the inclusion of these reports in this Explanatory Memorandum. BDO Corporate Finance (WA) Pty Ltd is not responsible for any other information contained within this Explanatory Memorandum.

AMC Consultants Pty Ltd has prepared the Independent Technical Report in relation to Resolution 8 and takes responsibility for that report and has consented to the inclusion of that report in this Explanatory Memorandum. AMC Consultants Pty Ltd is not responsible for any other information contained within this Explanatory Memorandum.

Shareholders are urged to read the Conversion Independent Expert's Report, the Copper Project Independent Expert's Report and the Independent Technical Report carefully to understand the scope of the reports, the methodology of the assessments, the sources of information and the assumptions made.

ASIC and ASX involvement

A draft of this Explanatory Memorandum (including the Conversion Independent Expert's Report, the Copper Project Independent Expert's Report and the Independent Technical Report) has been lodged with ASIC. A copy of this Explanatory Memorandum has been lodged with ASX pursuant to the Listing Rules. Neither ASIC or ASX nor any of their respective officers takes any responsibility for the contents of this Explanatory Memorandum.

Definitions

Capitalised terms used in this Explanatory Memorandum are defined in the glossary in section 15 of this Explanatory Memorandum.

21 October 2014

Dear Fellow Shareholder,

I am pleased to enclose an Explanatory Memorandum containing information regarding the Resolutions to be considered at the Annual General Meeting, in relation to the proposed transactions with Australia Kengkong Investments Co Pty Ltd.

Transactions with Kengkong

As announced on 6 May 2014, VDM entered into the First Convertible Loan and Facility Agreement under which Kengkong agreed to lend $4,500,000 to VDM and, subject to Shareholders approving Resolution 5, Kengkong is entitled to convert the loan into 450,000,000 Shares at a price of $0.01 per Share within one month after the date of obtaining shareholder approval.

On 22 September 2014, VDM entered into the Second Convertible Loan and Facility Agreement under which Kengkong agreed to lend $10,000,000 to VDM and, subject to Shareholders approving Resolutions 5 and 6, Kengkong is entitled to convert the loan into 1,000,000,000 Shares at a price of $0.01 per Share within one month after the date of obtaining shareholder approval.

The funds provided under the First Convertible Loan and Second Convertible Loan provide VDM with the financial flexibility to continue to implement its business strategy focused around:

1. Construction;
2. Services & equipment;
3. Procurement; and
4. Mining projects.

The conversion of the First Convertible Loan is subject to Resolution 5 passing and the conversion of the Second Convertible Loan is subject to the approval of both Resolutions 5 and 6 by Shareholders at the Annual General Meeting.

Copper Project Agreement

Since September 2013, the Company has been working towards implementation of its new business strategy including the application for mining rights or opportunities to invest directly into mining projects.

On 29 September 2014, the Company announced that it had entered into the Copper Project Agreement with Pebric and Seabank to acquire, subject to the necessary Shareholder approvals, the Participating Interest.

Upon completion of the Acquisition, VDM plans to bring the advantages of Australia's mining knowledge, technology and practices to the exploration and development of the Project. Australia's modern and advanced mining industry has world-class capability and reputation in all mining stages including exploration, feasibility, design/construction, and operation. The Australian mining industry's safety record and environmental practices are highly regarded at an international level. VDM intends to leverage these advantages for the Project and in the future potentially other projects in Africa and Latin America.

The Acquisition is subject to the approval of Resolutions 7 and 8 by Shareholders at the Annual General Meeting.

Directors' recommendation

Mr Hiuming Luk as the controller of Kengkong has declined to make a recommendation on Resolutions 5 and 6.

Subject to the above, **the Directors recommend that Shareholders vote to approve the Resolutions**.

Independent Expert

The Directors have engaged Independent Expert, BDO Corporate Finance (WA) Pty Ltd to assist Shareholders in deciding whether or not to approve Resolutions 5,6 and 8. **The Independent Expert has concluded that:**

1. **the conversion of the First Convertible Loan and the Second Convertible Loan is fair and reasonable to Shareholders not associated with Kengkong; and**

2. **the issue of the Seabank Shares is fair and reasonable to the Shareholders not associated with Seabank.**

Further information

The Explanatory Memorandum contains further details of the First Convertible Loan, Second Convertible Loan and the Copper Project Agreement.

The Directors encourage you to participate in the vote. You can vote in person at the Annual General Meeting on Friday, 28 November 2014 or, if you cannot attend the Meeting in person, you can vote by proxy or through an assigned power of attorney or corporate representative using the proxy form enclosed with the Explanatory Memorandum.

If you have any questions about the Resolutions, you should consult your independent financial, legal and/or tax adviser.

I and my fellow Directors believe that the proposed transactions will significantly benefit the Company and its Shareholders. If you support our views and would like the conversion of both the First Convertible Loan and the Second Convertible Loan to proceed, and the Acquisition to occur, it is important that you vote in favour of Resolutions 5, 6, 7, and 8.

Yours faithfully

Dr Dongyi Hua
Executive Chairman and Chief Executive Officer
VDM Group Limited

Table of Contents

1. Frequently asked questions (FAQs)

Why did I receive this document?	This document contains information relating to the Resolutions to be considered at the Annual General Meeting on Friday, 28 November 2014, including in relation to the proposed transactions with Kengkong and the Copper Project Agreement as described in sections 8.1, 9.1 and 10.1. Transactions of this importance require your approval at a general meeting of Shareholders before they can be implemented. The information set out in this document will assist you, as a Shareholder, to decide how you wish to vote on the Resolutions.
Who is Kengkong and what does it do?	Kengkong is a private investment company, controlled by Mr Hiuming Luk, a Non-executive Director of VDM. As at the date of this Notice, the number of Shares currently held by Kengkong is 620,000,000, which is equivalent to a Voting Power of 19.82% in VDM.
What is the First Convertible Loan and Facility Agreement?	Under the terms of the First Convertible Loan and Facility Agreement, Kengkong advanced $4,500,000 to VDM and, upon Shareholders approving Resolution 5, Kengkong is entitled to convert the loan into 450,000,000 Shares at a price of $0.01 per Share within one month after the date of obtaining shareholder approval. Further information on the First Convertible Loan is set out in section 8.1 of this Explanatory Memorandum.
What is the Second Convertible Loan and Facility Agreement?	Under the terms of the Second Convertible Loan and Facility Agreement, Kengkong has or will advance(d) $10,000,000 to VDM in three tranches and, upon Shareholders approving Resolutions 5 and 6, Kengkong is entitled to convert the loan into 1,000,000,000 Shares at a price of $0.01 per Share within one month after the date of obtaining shareholder approval. Further information on the Second Convertible Loan is set out in section 9.1 of this Explanatory Memorandum.
What is the Copper Project Agreement?	Under the terms of the Copper Project Agreement, VDM will acquire from Seabank a 65% participating interest in the existing Project Joint Venture and amend certain terms of the existing Project Joint Venture Agreement. The Copper Project Agreement also provides for the Parties to negotiate the terms of the Mineral Investment Contract with the Angolan State, and

	the proposed terms for the governance of the JV Company. The Copper Project Agreement is subject to certain conditions, including Shareholders passing Resolutions 7 and 8 at the Meeting. Further information on the Copper Project Agreement is set out in section 10.1 of this Explanatory Memorandum.
What is the Prospection Title and who owns it?	Under Angolan Law, a prospection title is issued by the MGM and grants mineral rights to its holder for the prospection, evaluation, reconnaissance and appraisal of Covered Minerals. The Prospection Title in relation to the Project was issued to Pebric on 15 May 2012 and is valid until 15 May 2017. However, under the existing Project Joint Venture Agreement between Pebric and Seabank the parties agree to undertake the Prospecting Phase together (Pebric 15% and Seabank 85%) and agree the mineral rights inherent in the Prospection Title will be exercised together (Pebric 30% and Seabank 70%).
What is the Particpating Interest that VDM will acquire?	Under the Copper Project Agreement, VDM proposes to acquire the Participating Interest from Seabank. The Participating Interest will be limited to a legal and beneficial participating interest in the Project Joint Venture and the Mineral Investment Contract. The Prospection Title will continue to be held by Pebric however under the Copper Project Agreement between VDM, Pebric and Seabank the parties agree to undertake the Prospecting Phase together (VDM 65%, Pebric 30% and Seabank 5%) and agree the mineral rights inherent in the Prospection Title will be exercised together (VDM 65%, Pebric 30% and Seabank 5%). Under the draft Mineral Investment Contract, following the Prospection Phase the Prospecting Title will by held by the JV Company in which VDM will have a shareholding equivalent to its Participating Interest. Any Mining Title would be granted to the JV Company. Further information on the Participating Interest is set out in Schedule C. Further information in respect to the risks in relation to the Participating Interest are set out in section 10.4(f) of this Explanatory Memorandum and Schedule E.
What is the Mining Title and who	The Mining Title relates to the mining and marketing rights in respect to the Project and shall be issued to the JV Company

owns it?	promptly upon the approval of each TEVS submitted by the Project Joint Venture. As detailed above, VDM would have a shareholding equivalent to its Participating Interest in the JV Company and would therefore control 65% of the shareholdings in relation to that company and its interest in the Mining Title.
Who is Seabank and what does it do?	Seabank is a private limited liability company incorporated in Angola. Seabank's objectives consist of prospecting for and exploitation of mineral deposits and trading. Seabank's share capital is held by two natural persons, as follows: 60% - Mr. Zeng Hongjie; and 40% - Mr. Bartolomeu Samuel. Mr. Zeng Hongjie is the sole director of Seabank.
Who is Pebric and what does it do?	Pebric is a private limited liability company incorporated in Angola. Pebric's objectives include mining, forest exploitation, trade of telephones and accessories, sea transport, and other activities. Pebric's share capital is held by three Angolan companies, as follows: 50% - Grupo Azaai S.A; 25% - Sociedade Mineira Pedlug, Lda.; and 25% - Sociedade Mineira Brivant, Lda. Pebric's management is composed of two directors; Mr. Joaquim Duarte da Costa David and Mrs. Diamantina de Lourdes.
How will the Company fund the Cash Consideration under the Copper Project Agreement?	The Company is to be advanced $10,000,000 in total under the Second Convertible Loan Agreement. The Company proposes to use part of these funds to pay some or all of the Cash Consideration should the Conditions be satisfied or waived. The Company expects net cash flow from operating activities to be negative in the first half of the 2015 financial year. As such, depending when the Conditions are satisfied and completion of the Acquisition occurs, additional funds will be required to meet the Company's ordinary operating costs, the payment of Cash Consideration to Seabank, and any short term costs associated with the Acquisition. The Company will seek to raise such capital following the Meeting, ideally by making a placement of Future Placement Shares approved by Shareholders pursuant to Resolution 10.
What is the Mineral Investment	Under Angolan law, all mineral rights (from exploration to marketing, and including evaluation, reconnaissance and

Contract?	mining) are formally granted pursuant to a mineral investment contract. The holder of the relevant mineral rights is required to obtain an exploration title which is issued concurrently with the approval and gazetting of the relevant mineral investment contract by the Angolan State and a mining title, as a condition for the exercise of the rights granted to it. It is a condition of the Copper Project Agreement that the Parties to that agreement enter into the Mineral Investment Contract with the Angolan State. Whilst the Mineral Investment Contract has not yet been negotiated with the Angolan State, a summary of a draft Mineral Investment Contract prepared by the Parties is set out in Schedule D.
Resolution 5	
What is Resolution 5 asking me to vote on?	Shareholders are being asked to vote on a resolution authorising the issue of the First Conversion Shares, being the proposed issue of 450,000,000 Shares to Kengkong at an issue price of $0.01 per Share, if Kengkong elects to convert the First Convertible Loan of $4,500,000 into Shares. Further information on Resolution 5 is set out in section 8 of this Explanatory Memorandum.
Why is my approval required to issue the First Conversion Shares?	You are a Shareholder and given the nature and the size of the issue, approval of Shareholders is required under the Corporations Act and Listing Rules.
If Resolution 5 is approved what may happen?	The First Conversion is subject to Shareholders passing Resolution 5 at the Meeting. If Resolution 5 is approved, Kengkong is entitled to convert the First Convertible Loan into 450,000,000 Shares at a price of $0.01 per Share within one month after the date of obtaining shareholder approval. If Kengkong elects to convert the First Convertible Loan, on the date that VDM issues the First Conversion Shares to Kengkong, the First Convertible Loan (excluding accrued interest) will be taken to have been paid in full. Please see section 8.5(a) for further details on what will happen if Shareholders approve the issue of the First Conversion Shares.

When will the First Conversion Shares be issued to Kengkong?	Kengkong can elect to convert the First Convertible Loan within one month after the date of obtaining shareholder approval. If Kengkong elects to convert the First Convertible Loan into the First Conversion Shares, those shares will be issued to Kengkong within five Business Days after the First Conversion Date.
Why should I vote to approve the issue of the First Conversion Shares to Kengkong?	Approving the conversion of the First Convertible Loan will, amongst other things, allow the following benefits to be derived by Shareholders if Kengkong elects to convert the First Convertible Loan: • providing VDM with the financial flexibility to continue to implement its business strategy; • strengthening the Company's balance sheet; • improving market confidence in VDM; and • providing an enhanced financial platform on which to achieve growth. Please see section 8.4(a) for further details on the benefits of the conversion of the First Convertible Loan. However, there is no guarantee that Kengkong will elect to convert the First Convertible Loan. If Kengkong does not convert the First Convertible Loan it must be repaid within 30 Business Days after the date of the Meeting.
If Resolution 5 is not approved what will happen?	The conversion of the First Convertible Loan is subject to Shareholders passing Resolution 5 at the Meeting and Kengkong electing to convert the First Convertible Loan. The conversion of the Second Convertible Loan is also subject to Shareholders passing Resolution 5 at the Meeting. If Resolution 5 is not approved, the conversion of the First Convertible Loan and the Second Convertible Loan will not proceed. Further information on what will happen if the First Conversion does not proceed is set out in section 8.5(b) of this Explanatory Memorandum. If the First Conversion does not proceed (whether because it is not approved, or Kengkong does not elect to convert the First Convertible Loan) this will affect the solvency of the Company and subject to the ability of VDM to make alternative short-term funding arrangements, may result in the Directors having no option other than to place the Company into voluntary administration.

	Further information regarding the implications if the First Conversion does not proceed are set out in section 8.5(b) of this Explanatory Memorandum.
How will the structure of the Company's ownership change if the First Conversion Shares are issued to Kengkong?	The number of Shares held by existing Shareholders (other than Kengkong) will not change, however, by issuing additional Shares to Kengkong, the total of VDM's issued Shares will increase from approximately 3,127,660,952 Shares to approximately 3,577,660,952 Shares. Following First Conversion, Kengkong will hold approximately 1,070,000,000, or 29.91% of the Company's issued share capital.
If the First Conversion Shares are issued to Kengkong, my Shareholding will be diluted. What does this mean to me?	If the First Conversion Shares are issued to Kengkong there will be more Shares on issue and therefore your overall percentage holding in VDM will be reduced. However, the Directors consider that the benefits of the transaction, outweigh any disadvantage. The value of your Shares will be determined by the price that Shares trade at on the ASX.
Will anything happen to my Shares? Will I still be able to sell them on the ASX after the First Conversion Shares have been issued?	Nothing will happen to your Shares. You will continue to own the same number of Shares. VDM will remain listed on the ASX and you can continue to trade your Shares as you normally would.
Resolution 6	
What is Resolution 6 asking me to vote on?	Shareholders are being asked to vote on a resolution authorising the issue of the Second Conversion Shares, being the proposed issue of 1,000,000,000 Shares to Kengkong at an issue price of $0.01 per Share. Further information on Resolution 6 is set out in section 9 of this Explanatory Memorandum.
Why is my approval required to issue the Second Conversion Shares?	You are a Shareholder and given the nature and the size of the issue, approval of Shareholders is required under the Corporations Act and Listing Rules.
If Resolution 6 is approved what may happen?	The Second Conversion is subject to Shareholders passing Resolution 6 at the Meeting. If Resolution 6 is approved, Kengkong is entitled to convert the Second Convertible Loan into 1,000,000,000 Shares at a price of $0.01 per Share within one month after the date of obtaining shareholder approval.

	If Kengkong elects to convert the Second Convertible Loan, on the date that VDM issues the Second Conversion Shares to Kengkong, the Second Convertible Loan (excluding accrued interest) will be taken to have been paid in full. Please see section 9.4(a) for further details on what will happen if Shareholders approve the issue of the Second Conversion Shares.
When will the Second Conversion Shares be issued to Kengkong?	Kengkong can elect to convert the Second Convertible Loan within one month after the date of obtaining shareholder approval. If Kengkong elects to convert the Second Convertible Loan into the Second Conversion Shares, those shares will be issued to Kengkong within five Business Days after the Second Conversion Date.
Why should I vote to approve the issue of the Second Conversion Shares to Kengkong?	Approving the conversion of the Second Convertible Loan will, amongst other things, allow the following benefits to be derived by Shareholders if Kengkong elects to convert the Second Convertible Loan: • Providing VDM with the financial flexibility to continue to implement its business strategy; • Strengthening the Company's balance sheet; • Improving market confidence in VDM; and • Providing an enhanced financial platform on which to achieve growth. Please see section 9.3(a) for further details on the benefits of the conversion of the Second Convertible Loan. However, there is no guarantee that Kengkong will elect to convert the Second Convertible Loan. If Kengkong does not convert the Second Convertible Loan it must be repaid within 60 Business Days after the date of the Meeting.
If Resolution 6 is not approved what will happen?	The conversion of the Second Convertible Loan is subject to Shareholders passing Resolutions 5 and 6 at the Meeting and Kengkong electing to convert the Second Convertible Loan. If Resolution 5 or 6 is not approved, the conversion of the Second Convertible Loan will not proceed. Further information on what will happen if the Second Conversion does not proceed is set out in section 9.4(b) of this Explanatory Memorandum. If the Second Conversion does not proceed (whether because it is not approved, or Kengkong does not elect to convert the Second Convertible Loan) this will affect the solvency of the Company and subject to the ability of VDM to make alternative

	short-term funding arrangements, may result in the Directors having no option other than to place the Company into voluntary administration. Further information regarding the implications if the Second Conversion does not proceed are set out in section 9.4(b) of this Explanatory Memorandum.
How will the structure of the Company's ownership change if the Second Conversion Shares are issued to Kengkong?	The number of Shares held by existing Shareholders (other than Kengkong) will not change, however, by issuing the Second Conversion Shares to Kengkong, the total of VDM's issued Shares will increase by approximately 1,000,000,000 Shares. If the First Conversion Shares are not issued, this will increase the total number of Shares on issue to 4,127,660,952. If the First Conversion Shares as well as the Second Conversion Shares are issued, the total number of shares on issue will increase to 4,577,660,952 Shares[1]. Following the issue of the Second Conversion Shares, Kengkong's Voting Power will increase to up to 45.22%.[2]
If the Second Conversion Shares are issued to Kengkong, my Shareholding will be diluted. What does this mean to me?	If the Second Conversion Shares are issued to Kengkong there will be more Shares on issue and therefore your overall percentage holding in VDM will be reduced. However, the Directors consider that the benefits of the transaction outweigh any disadvantage. The value of your Shares will be determined by the price that Shares trade at on the ASX.
Will anything happen to my Shares? Will I still be able to sell them on the ASX after the Second Conversion Shares have been issued?	Nothing will happen to your Shares. You will continue to own the same number of Shares. VDM will remain listed on the ASX and you can continue to trade your Shares as you normally would.
Resolution 7	
What is Resolution 7 asking me to vote on?	If the Copper Project Agreement is completed, there will be a significant increase in the scale of the business activities of VDM. This increase relates to the material exploration expenditure that VDM will be required to undertake pursuant to any Mineral Investment Contract that is agreed with the Angolan State. Pursuant to Resolution 7, Shareholders are being asked to approve that significant change in the scale of

[1] On the basis that Resolutions 5 and 6 are approved and the First Conversion Shares and Second Conversion Shares are issued to Kengkong.

[2] On the basis that Resolutions 5 and 6 are approved and the First Conversion Shares and Second Conversion Shares are issued to Kengkong.

	VDM's business activities.
Why is my approval required?	In accordance with Listing Rule 11.1.2, the ASX has informed the Company that it requires the Company to obtain Shareholder approval in respect to the change in the scale of the activities of the Company arising from the Acquisition.
If Resolution 7 is approved what will happen?	If Resolution 7 is approved, one of the conditions to the Copper Project Agreement will be satisfied. Subject to the Parties also entering into a Mineral Investment Contract with the Angolan State within 6 months of the date of the Copper Project Agreement, completion of the Acquisition will take place.
If Resolution 7 is not approved what will happen?	If Resolution 7 is not approved, one of the conditions to the Copper Project Agreement will not be satisfied, and the Acquisition will not take place.
How will the Acquisition effect the Company?	The Acquisition is likely to result in a significant increase in the consolidated assets, consolidated equity, and consolidated annual expenditure of the Company. A pro forma balance sheet showing the financial effect that the Acquisition will have on the Company is set out in Annexure D.
Why should I vote to approve the change in scale of the Company's activities?	Approving the significant change in the scale of VDM's business activities will allow the Company to, subject to the Conditions being satisfied, complete the Acquisition. Completion of the Acquisition may allow the following benefits to be derived by Shareholders: • potential growth of the Company; • potential increase in value of the Company; • the Company may be exposed to new commercial opportunities; and • may improve the Company's ability to raise funds and attract new investors. Please see section 10.11(a) for further details on the potential benefits that the Acquisition may deliver to the Company. The Directors consider that the potential advantages to the Company arising from the Acquisition outweigh the potential disadvantages and risks relating to the Acquisition.
Resolution 8	
What is Resolution 8 asking me to vote on?	Shareholders are being asked to vote on a resolution to approve the allotment and issue of the Seabank Shares to Seabank, pursuant to completion of the Acquisition.

Why is my approval required?	The Company will only be able to issue the Seabank Shares to Seabank in the following circumstances: • Shareholders approve Resolutions 5 and 6 and Kengkong elects to convert both the First Convertible Loan and the Second Convertible Loan – in this circumstance, the Seabank Shares should be able to be issued under the Company's 15% annual placement capacity[3]; • Shareholders approve Resolution 11 to allow the Company to issue Equity Securities under the 10% Enhanced Placement Facility – in this circumstance, the Seabank Shares should be able to be issued under the aggregate of the Company's 15% annual placement capacity, and the 10% Enhanced Placement Facility[4]; or • Shareholders approve the issue of the Seabank Shares to Seabank pursuant to Resolution 8. The Board is seeking your approval to issue the Seabank Shares to Seabank under Listing Rule 7.1 so that: • the Acquisition can complete even if First Conversion and Second Conversion do not occur, and Resolution 11 is not approved; and • the Company maintains flexibility to issue Shares within its 15% annual placement capacity and the 10% Enhanced Placement Facility (should Resolution 11 be approved) following completion of the Acquisition.
If Resolution 8 is approved what will happen?	If Resolution 8 is approved by Shareholders, VDM will be able to issue the Seabank Shares to Seabank without using the Company's 15% annual placement capacity under the Listing Rules or the 10% Enhanced Placement Facility (should Resolution 11 be approved).
If Resolution 8 is not approved what will happen?	If Resolution 8 is not approved by Shareholders, VDM will only be able to issue the Seabank Shares to Seabank using the Company's 15% annual placement capacity under the Listing Rules and the 10% Enhanced Placement Facility (should Resolution 11 be approved).

[3] The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1 will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1.2 (described in section 8.7(b)) and so is subject to change.
[4] The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (see section 14.1(c)) and so is subject to change.

	If First Conversion and Second Conversion occur, there will be sufficient placement capacity for the Company to issue the Seabank Shares to Seabank within its 15% annual placement capacity. If First Conversion and Second Conversion do not occur, the Seabank Shares may only be issued to Seabank if Resolution 11 is approved to allow the Company to issue Equity Securities under the 10% Enhanced Placement Facility. If Resolution 8 is not approved, there is no guarantee that there will be sufficient placement capacity under the Company's 15% annual placement capacity under the Listing Rules or the 10% Enhanced Placement Facility to issue the Seabank Shares to Seabank at the time that completion of the Acquisition is to occur. In that circumstance, completion would not be able to occur, and the Copper Project Agreement would potentially be terminated.
Why should I vote to approve the issue of the Seabank Shares to Seabank?	Approving Resolution 8 will provide certainty that the Company will be able to issue the Seabank Shares to Seabank in order to complete the Acquisition. Please see section 10.11(a) for details on the potential benefits that the Acquisition may deliver to the Company. In addition, approving Resolution 8 ensures that the Company maintains flexibility to issue Shares within its 15% annual placement capacity and the 10% Enhanced Placement Facility (should Resolution 11 be approved) following completion of the Acquisition.
Resolution 9	
What is Resolution 9 asking me to vote on?	Shareholders are being asked to vote on a resolution to approve and ratify the allotment and issue of the Placement Shares to Golden Bloom Investments Pty Ltd.
Why is my approval required?	Your approval is not required in relation to the issue of the Placement Shares to Golden Bloom Investments Pty Ltd. However, if the issue of the Placement Shares is approved, it will provide additional flexibility to the Company by allowing it to raise additional funds using its 15% annual placement capacity.
If Resolution 9 is approved what will happen?	If Resolution 9 is approved, it will ratify the issue and allotment of the Placement Shares which were issued pursuant to the Company's placement capacity. The result is that the Company will have renewed its capacity to issues securities up to its 15% annual placement capacity without the need for Shareholders approval under the Listing Rules.

If Resolution 9 is not approved what will happen?	If Resolution 9 is not approved by Shareholders, it will reduce the number of Equity Securities which the Company may issue without Shareholder approval until the Company's 15% placement capacity is replenished.
Why should I vote to approve the Prior Placement?	If Resolution 9 is approved, it will provide greater flexibility to the Company by allowing it to issue additional Equity Securities (if necessary) without the need for Shareholder approval.
Resolution 10	
What is Resolution 10 asking me to vote on?	Shareholders are being asked to vote on a resolution to approve the allotment and issue of the Future Placement Shares to sophisticated and professional investors who are not Related Parties or Associates of Related Parties of the Company.
Why is my approval required?	As referred to above, the Company expects net cash flow from operating activities to be negative in the first half of the 2015 financial year. As such, depending when the Conditions in relation to the Copper Project Agreement are satisfied and completion of the Acquisition occurs, additional funds will be required to meet the Company's ordinary operating costs, the payment of Cash Consideration to Seabank, and any short term costs associated with the Acquisition. The Company will seek to raise such capital promptly following the Meeting. Approving the issue of the Future Placement Shares will allow VDM to raise capital without using its 15% annual placement capacity or, assuming Resolution 11 is approved, any of its 10% Enhanced Placement Facility. This will provide additional flexibility to the Company to ensure that it is able to meet its short and longer term obligation and operating costs.
If Resolution 10 is approved what will happen?	If Resolution 10 is approved by Shareholders, VDM will be able to issue the Future Placement Shares without using the Company's 15% annual placement capacity under the Listing Rules or, assuming that Resolution 11 is approved, the 10% Enhanced Placement Facility.
If Resolution 10 is not approved what will happen?	If Resolution 10 is not approved by Shareholders, any capital raising that VDM seeks to undertake will either have to be within the Company's 15% annual placement capacity under the Listing Rules or, assuming that Resolution 11 is approved, the 10% Enhanced Placement Facility, or subject to shareholder approval. This will reduce the flexibility for the Company to raise funds in the future.
Why should I vote to approve the	If Resolution 10 is approved, it will give the Company the

issue of the Future Placement?	opportunity to raise funds without using the Company's 15% annual placement capacity under the Listing Rules or, assuming that Resolution 11 is approved, the 10% Enhanced Placement Facility. This will ensure that the Company retains additional flexibility to raise funds in the future without Shareholder approval.
Resolution 11	
What is Resolution 11 asking me to vote on?	Shareholders are being asked to vote on a resolution to approve the Company's ability to issue Equity Securities under the 10% Enhanced Placement Facility.
Why is my approval required?	See section 14 for the reasons Shareholder approval is required.
If Resolution 11 is approved what will happen?	If Resolution 11 is approved, the Directors will be able to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.
If Resolution 11 is not approved what will happen?	If Resolution 11 is not approved, VDM will be unable to use the 10% Enhanced Placement Facility to issue Equity Securities during the 12 month period after the date of the Meeting.
Why should I vote to approve the 10% Enhanced Placement Facility?	If Resolution 11 is approved, it will provide the Company with the opportunity to issue Equity Securities under the 10% Enhanced Placement Facility for the following purposes: • non-cash consideration for the acquisition of new resources, assets or investments; or • cash consideration, with such funds raised to be used for the continued exploration and feasibility study expenditure on the Company's portfolio of assets/or general working capital.
General questions	
How does the Board recommend that I vote on the Resolutions?	The Board (other than Mr Hiuming Luk, as the owner of Kengkong, who has declined to make a recommendation for Resolutions 5 and 6) recommends that Shareholders vote in favour of the Resolutions. Each Director who holds Shares in VDM (or whose associated entities hold Shares) and is entitled to vote intends to vote those Shares in favour of the Resolutions.
What is the opinion of the Independent Expert?	The terms of the First Convertible Loan, Second Convertible Loan and the Acquisition have been reviewed by an Independent Expert, BDO Corporate Finance (WA) Pty Ltd.

	The Independent Expert has concluded that the terms of: • the conversion of both the First Convertible Loan and the Second Convertible Loan are fair and reasonable to Shareholders not associated with Kengkong; and • the issue of the Seabank Shares to Seabank is fair and reasonable to Shareholders not associated with Seabank. The Conversion Independent Expert's Report and the Copper Project Independent Expert's Report are set out in Appendix A and Appendix B of this Explanatory Memorandum.
When and where will the Meeting be held?	The Meeting will take place on Friday, 28 November 2014 at 10.00am (AWST) at Mosman Bay Room, Hyatt Regency Perth, 99 Adelaide Terrace, Perth, Western Australia, Perth, Western Australia.
Who can vote?	In accordance with the *Corporations Regulations 2001* (Cth), the Board has determined that the Shareholders entitled to attend and vote at the Meeting shall be those persons who are recorded in VDM's register of members at 4.00pm (AWST) on 26 November 2014. In accordance with the Corporations Act, the Resolutions to be put to the Meeting have voting exclusion statements. These voting exclusion statements are set out in this Explanatory Memorandum.
What is the voting approval threshold?	Save for Resolution 11, the Resolutions being put to Shareholders are ordinary resolutions, requiring simple majority approval (i.e. more than 50% of votes cast by Shareholders entitled to vote on Resolutions must be cast in favour). Resolution 11 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).
Is voting compulsory?	Voting is not compulsory, though your vote is important. If you cannot attend the Meeting to be held on Friday, 28 November 2014, you are strongly encouraged to complete and return the Proxy Form that is enclosed with this document. If you are an overseas Shareholder and hold your Shares through a broker or nominee holder, you should contact them as soon as possible to instruct them to vote on your behalf. If you require any assistance in completing or lodging your proxy, please contact your financial or other professional advisor.

2. VDM's Financial Report

The financial report, Directors' report and auditor's report for VDM for the year ended 30 June 2014 will be laid before the meeting. There is no requirement for Shareholders to approve these reports. However, the chair of the meeting will allow a reasonable opportunity for Shareholders to ask questions about the conduct of the audit and the content of the auditor's report.

Further, written questions to the chairman about the management of VDM or to VDM's auditor about the content of the auditor's report and the conduct of the audit may be submitted no later than 3:00pm (AWST) on 21 November 2014 to:

Padraig O'Donoghue
Company Secretary
VDM Group Limited
Level 1, Fortescue Centre
30 Terrace Road
East Perth WA 6004

Facsimile: (08) 9265 1399

Email: Padraig.O'Donoghue@vdmgroup.com.au

3. Overview of VDM

3.1. Overview

VDM's business strategy is arranged under four operating divisions:

- VDM Construction: engineering-procurement-construction services including modular and steel construction.
- VDM Equipment: equipment hire, sales, service, and parts.
- VDM Trading: procuring quality Asian products for the Australian market.
- VDM Mining: bringing Australian mining practices to Africa and Latin America.

VDM Construction

VDM Construction's engineering-procurement-construction capabilities are now focused on improving the division's market competitiveness in customised modular buildings, steel buildings, and other steel construction projects.

VDM Equipment

As announced on 24 June 2014, VDM has signed a letter of intent to establish a joint venture with SANY Heavy Machinery (**SANY**). SANY is a leading manufacturer and well-established brand of heavy equipment in Asia. VDM aims to reproduce similar joint venture arrangements with other established Asian manufacturers of high-quality equipment who want more success in the Australian market. The model significantly improves the competitive offering for these manufacturers through:

- delivery of professional and knowledgeable after-sales maintenance and repair service;
- improved Australian spare parts inventory management and parts sales; and

- offering customers flexible and attractive equipment hire arrangements.

VDM Trading

VDM Trading is a procurement service for high-quality and either custom-designed or ready-made products from Asia. VDM has now established an experienced procurement team in Perth specialising in construction and industrial products from Asian manufacturers. VDM has also forged commercial arrangements with leading Chinese brands, such as BNBM and Ansteel Construction to improve the competitiveness of the offering to VDM customers. VDM Trading leverages the technical capabilities of VDM Construction and VDM Equipment to provide customers with more assurance that their needs are fully understood and will be satisfied by the products procured from Asia. VDM Trading also has a business objective of assisting Australian businesses who would like to export products to Asian markets.

VDM Mining

VDM plans to bring the advantages of Australia's mining knowledge, technology and practices to mining opportunities in Africa and Latin America. Australia's modern and advanced mining industry has world-class capability and reputation in all mining stages including exploration, feasibility, design, construction, and operation. The Australian mining industry's safety record and environmental practices in Australia are internationally highly regarded. VDM intends to provide these advantages to projects in Africa and Latin America.

3.2. Current Directors

The Board currently comprises the following Directors:

- Dr Dongyi Hua – Executive Chairman, CEO;
- Mr Michael Fry - Non-executive Director;
- Mr Velko Jakovich - Non-executive Director; and
- Mr Hiuming Luk - Non-executive Director.

4. Resolution 1 - Remuneration Report

4.1. Background

The Remuneration Report is set out in the Directors' report in the Annual Report, which is available from the Company's website at www.vdmgroup.com.au.

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and executives of the Company.

Section 250R(2) of the Corporations Act requires that a resolution to adopt the Remuneration Report be put to the vote of the Company at the Annual General Meeting. However, Shareholders should note that the vote on Resolution 1 is advisory only and is not binding on the Company or its Directors.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

The chairman of the Annual General Meeting will allow reasonable opportunity for Shareholders to ask questions about, or comment on, the Remuneration Report at the Meeting.

4.2. Board recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 1.

4.3. Voting exclusion

In accordance with section 250R(4) of the Corporations Act, the Company will disregard any votes cast on Resolution 1 by or on behalf of a member of the Key Management Personnel (details of whose remuneration are included in the Remuneration Report) or their Closely Related Parties.

However, a person described above may vote on this Resolution 1 if:

- the person does so as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 1; or
- the person is the chair of the Meeting and the appointment of the chair as proxy does not specify the way the person is to vote on Resolution 1, and expressly authorises the chair to exercise the proxy even if Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

5. Resolution 2 - Election of Mr Michael Fray as a Director

Resolution 2 relates to the election of Mr Michael Fry as a Director.

In accordance with Listing Rule 14.4 and rule 8.1(d) of the Constitution, no Director (other than the managing director) may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected.

Mr Fry was last elected as a Director at the annual general meeting held on 24 November 2011. Accordingly, Mr Fry will retire as a Director at the conclusion of the Meeting in accordance with Listing Rule 14.4 and rule 8.1(d) of the Constitution, and being eligible, has offered himself for re-election at the Meeting.

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). From 2006 to 2011, 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. Mr Fry is currently Chief Financial Officer, Company Secretary and an executive director of Cougar Metals NL, a publicly listed gold exploration and drilling services company operating in Brazil.

5.1. Board Recommendation

The Board, other than Mr Michael Fry, who has an interest in the outcome of Resolution 2, recommends that Shareholders vote in favour of Resolution 2.

6. Resolution 3 - Election of Mr Hiuming Luk as a Director

Resolution 3 relates to the election of Mr Hiuming Luk as a Director.

Mr Luk was appointed under Rule 8.1(b) of the Constitution which states that the directors may appoint any individual to be a Director, either as an addition to the existing Directors or to fill a casual vacancy, but so that the total number of directors does not exceed the maximum number fixed under the Constitution.

Rule 8.1(c) of the Constitution states that a Director appointed by the Directors under Rule 8.1(b) who is not a managing director, holds office until the conclusion of the next annual general meeting following his or her appointment.

Being a Director appointed under Rule 8.1(b), Mr Luk offers himself for election at the 2014 Annual General Meeting.

Mr Luk has extensive experience in a range of business sectors. In 2000, he set up the C.N.Team Ltd and Y.Z.I.T. Inc. He has invested in real estate in mainland China since 2001 and now invests in a variety of industries, including textile and clothing, steel, and new energy industries. Mr Luk is currently Chairman of the boards of C.N.Team Ltd, Y.Z.I.T. Inc, Wholly Fast International Ltd, Bondcooper Brothers Co Ltd, and Sunshine Real Estate Development Co Ltd.

6.1. Board Recommendation

The Board, other than Mr Hiuming Luk, who has an interest in the outcome of Resolution 3, recommends that Shareholders vote in favour of Resolution 3.

7. Resolution 4 - Election of Mr Velko Jakovich as a Director

Resolution 4 relates to the election of Mr Velko Jakovich as a Director.

Mr Jakovich was appointed under Rule 8.1(b) of the Constitution which states that the directors may appoint any individual to be a Director, either as an addition to the existing Directors or to fill a casual vacancy, but so that the total number of directors does not exceed the maximum number fixed under the Constitution.

Rule 8.1(c) of the Constitution states that a Director appointed by the Directors under Rule 8.1(b) who is not a managing director, holds office until the conclusion of the next annual general meeting following his or her appointment.

Being a Director appointed under Rule 8.1(b), Mr Jakovich offers himself for election at the 2014 Annual General Meeting.

Mr Jakovich has held executive positions including Managing Director of Stulz Australia Pty Ltd, Treasurer, Deputy Chair and Chair of Villa Dalmacia Nursing Home and Non-executive positions as Board Member of St John of God Foundation for seven years and Chair of the steering committee to develop a case for raising $20,000,000 towards the construction of the $50,000,000 Comprehensive Cancer Centre at St John of God Campus Subiaco and Non-executive director of Stulz Australia Pty Ltd. Mr Jakovich is a senior partner in Jako Industries Pty Ltd and is its Managing Director.

7.1. Board Recommendation

The Board, other than Mr Velko Jakovich, who has an interest in the outcome of Resolution 4, recommends that Shareholders vote in favour of Resolution 4.

8. Resolution 5 - Approval to issue the First Conversion Shares to Kengkong

8.1. Description of the First Convertible Loan and Facility Agreement

(a) Summary and key terms of the First Convertible Loan and Facility Agreement

Under the terms of the First Convertible Loan and Facility Agreement, Kengkong advanced $4,500,000 to

VDM which, upon Shareholders approving Resolution 5, Kengkong is entitled to convert the First Convertible Loan into 450,000,000 Shares at a price of $0.01 per Share within one month after the date of obtaining shareholder approval.

If Resolution 5 is approved and Kengkong elects to convert the First Convertible Loan, the First Conversion Shares will be issued to Kengkong and Kengkong's Voting Power will increase from 19.82% to 29.91%. On the basis Resolution 6 is passed at the Meeting, and Kengkong elects to convert the Second Convertible Loan, following the issue of Second Conversion Shares to Kengkong, Kengkong will have a Voting Power of 45.22% in the Company.[5]

The First Convertible Loan has the following key terms:

1. The loan is unsecured.

2. The loan is repayable on the later of four months after the date of the First Convertible Loan and Facility Agreement and 30 Business Days after the date of the Meeting.

3. The First Conversion is subject to Shareholders passing Resolution 5 at the Meeting and Kengkong electing to convert the First Convertible Loan within one month after the date of the Meeting.

4. Interest of 10% per annum until the date of the Meeting and 15% per annum thereafter.

5. The facility cannot be repaid by the Company prior to the Meeting and, unless First Conversion occurs, must be repaid within 30 Business Days from the date of the Meeting.

In the event that Resolution 5 is not approved by Shareholders, VDM will be required to pay to Kengkong a fee of $45,000 (as an amount for liquidated damages and compensation for Kengkong's costs) within 30 Business Days from the date of the Meeting, and the interest rate will increase to 15% per annum from the date of the Meeting.

In addition, if the First Conversion does not occur (whether because Resolution 5 is not approved by Shareholders or because Kengkong does not elect to convert the First Convertible Loan), VDM will be required to repay the First Convertible Loan (together with all amounts due and payable) to Kengkong within 30 Business Days from the date of the Meeting.

The First Convertible Loan and Facility Agreement contains events of default and undertakings in relation to the conduct of VDM's business customary for facilities of this nature.

Further information about the First Convertible Loan and Facility Agreement is set out in Schedule A.

(b) Steps involved in converting the First Convertible Loan into Shares

To implement First Conversion, Shareholders must approve Resolution 5 by the requisite majority (more than 50% of votes cast by Shareholders entitled to vote on the Resolution are cast in favour) at the Meeting. For the avoidance of doubt, Kengkong and its Associates are not entitled to vote. In addition, Kengkong must elect to convert the First Convertible Loan into the First Conversion Shares within one month after the date of the Meeting.

[5] On the basis that Resolutions 5 and 6 are approved and the First Conversion Shares and Second Conversion Shares are issued to Kengkong.

(c) Reason Shareholder approval is required

You are a Shareholder, and given the nature and size of the proposed issue, and the fact that the issue will increase Kengkong's voting power in VDM to above 20%, approval of Shareholders is required under item 7 of section 611 and Chapter 2E of the Corporations Act and Listing Rule 10.11.

Further information on the reason Shareholder approval is required is contained in sections 8.8 and 8.9 of this Explanatory Memorandum.

8.2. Rationale for the First Convertible Loan and Facility Agreement

VDM undertook this capital raising to provide the Company with working capital to continue implementation of its business strategy which is expected to provide improved market competitiveness, business strength and business growth and over time, a return to shareholders for their investment in the Company.

8.3. Overview of Kengkong

(a) General information

(i) Australia Kengkong Investments Co Pty Ltd

Kengkong is a private investment vehicle ultimately controlled by Mr Hiuming Luk, a Director. Kengkong has its registered address in New South Wales. The shareholders of Kengkong are Mr Wu Zhao and Osmonix, which is a nominee company (indirectly) wholly owned by Mr Hiuming Luk.

Currently, Kengkong's only investment is its interest in VDM, but Kengkong may consider other investment opportunities in the future.

(ii) Management of Australia Kengkong Investments Co Pty Ltd

The directors of Kengkong are Mr Hiuming Luk and Mr Wu Zhao. Mr Zhao is also the company secretary of Kengkong.

(b) Intentions of Kengkong

This section sets out Kengkong's intentions regarding the future of VDM if Shareholders approve the conversion of the First Convertible Loan and the First Conversion is implemented, including Kengkong's intentions in relation to:

- any changes in VDM's business;
- any injections of further capital into VDM;
- the future employment of the present employees of VDM;
- any proposals to transfer any property between VDM and Kengkong or any person associated with Kengkong;
- any proposals to redeploy the fixed assets or property of VDM;
- making any significant changes to the financial or dividend policies of VDM; and
- whether VDM remains listed on ASX.

The following statements of intention are based on the information concerning VDM and the circumstances affecting the business of VDM that are known to Kengkong at the date of this Explanatory Memorandum. Final decisions on the matters which are the subject of the following statements of intention will only be made in light of all material facts and circumstances at the relevant time, after Shareholders approve the First Conversion and the First Conversion is implemented. Accordingly, the statements set out in this section 8.3(b) are statements of current intention only, which may change as new information becomes available or circumstances change.

Further, the intentions and statements of future conduct set out in this section 8.3(b) must be read as being subject to:

- the law (including the Corporations Act) and the Listing Rules, including in particular the requirements of the Corporations Act and the Listing Rules in relation to conflicts of interest and Related Party transactions. Kengkong and its associated entities are Related Parties of VDM; and

- the legal obligations of the Directors at the time, including the additional nominee of Kengkong, to act in good faith in the best interests of VDM and for proper purposes, and to have regard to the interests of all Shareholders.

(i) Continuation of business

Kengkong has advised the Company that Kengkong has no current intentions to make any significant changes to the existing business of the Company, and intends to support the Company's business strategy as referred to in its ASX announcements.

(ii) Injection of further capital

Kengkong has advised the Company that Kengkong has no current intentions to inject further capital into the Company.

(iii) Future employment of employees

Kengkong understands the Company is conducting a review of its operations and strategy and that as a result of this the Company's employment arrangements may change. Kengkong also understands that the Company's employment arrangements may change in the ordinary course of business. Kengkong's intentions with respect to the employment arrangements of VDM are consistent with this.

(iv) Transfers of property

Kengkong has advised the Company that Kengkong has no current intentions for any property to be transferred between the Company and Kengkong or any person associated with Kengkong. This is subject to the review of the review of the Company's operations and strategy as referred to in the Company's ASX announcements.

(v) Redeployment of fixed assets or property

Kengkong has advised the Company that Kengkong has no current intentions to redeploy the fixed assets or property of the Company. This is subject to the review of the review of the Company's operations and strategy as referred to in the Company's ASX announcements.

(vi) Changes to financial or dividend policies

Kengkong has advised the Company that Kengkong has no current intentions to change the Company's existing financial or dividend policies.

(vii) Appointment of Directors

Kengkong's controller, Mr Hiuming Luk, was appointed as a Director on 21 March 2014. Kengkong has advised the Company that Kengkong has no current intentions to appoint any additional Directors to the Board of the Company. This is subject to the review of the Company's operations and strategy as referred to in the Company's ASX announcements.

(viii) ASX listing

Kengkong has advised the Company that Kengkong currently intends for the Company to maintain its listing and the quotation of Shares on ASX, provided the Company continues to meet the relevant requirements of listing on ASX.

8.4. Advantages and disadvantages of the First Conversion

(a) Advantages of the First Conversion

The Directors expect that the issuing of First Conversion Shares through the First Convertible Loan will deliver material benefits to VDM, including the following:

- **Flexibility:** Conversion of the First Convertible Loan will provide VDM with the financial flexibility to continue to implement its business strategy;
- **Strengthen:** Conversion of the First Convertible Loan will strengthen the Company's balance sheet;
- **Market confidence:** Conversion of the First Convertible Loan will improve market confidence in VDM; and
- **Achieve growth:** Conversion of the First Convertible Loan will provide an enhanced financial platform on which to achieve planned growth.

The Directors note that the Independent Expert has opined that the conversion of the First Convertible Loan is fair and reasonable to Shareholders not associated with Kengkong. You are advised to review in detail this report which is contained in Appendix A to this Explanatory Memorandum.

(b) Disadvantages of the First Conversion

The Directors note that there are a number of risks and disadvantages of issuing the First Conversion Shares to Kengkong of which you should be aware, namely:

- **Dilution:** Your percentage Shareholding and Voting Power in VDM will be diluted as a significant number of new Shares will be issued to Kengkong;
- **Discourage potential bidders:** Kengkong will increase its Voting Power from 19.82% to 29.91%.[6] This may discourage a potential bidder from proposing a control transaction in relation to VDM;
- **Significant influence:** There is the potential for Kengkong to be put in a position to exercise significant influence on the operations of VDM, including through Board appointments;

[6] On the basis that Resolution 5 is approved and the First Conversion Shares are issued to Kengkong.

- **Lower liquidity:** There is a risk that the trading of Shares will be negatively affected by the presence of a party with 29.91% ownership in addition to H&H's 30.33% ownership. The stock will have a materially lower free float on a proportional basis, which may reduce liquidity and may potentially impair the market value of Shares; and

- **Disagree with Kengkong's intentions:** You may not agree with the intentions that Kengkong has with respect to the business.

8.5. Key implications and risks of the First Conversion

(a) Key implications and risks if Resolution 5 is approved by Shareholders and the First Conversion proceeds

(i) Voting rights and shares

Should the First Conversion proceed, VDM will issue 450,000,000 Shares to Kengkong. This will increase the number of Shares on issue from approximately 3,127,660,952 to approximately 3,577,660,952 and will change the capital structure of the Company as outlined in section 8.5(c) of this Explanatory Memorandum. Existing Shareholders (other than Kengkong) will hold 70.09% of the issued capital of VDM, although the number of Shares held by current Shareholders will not change. Kengkong will hold an interest in 29.91% of the issued share capital of VDM.

On the basis Resolution 6 is passed at the Meeting and Second Conversion occurs so that the Second Conversion Shares are issued to Kengkong, the total of VDM's issued Shares will increase to 4,577,660,952 Shares.[7] Existing Shareholders (other than Kengkong) will hold 54.78% of the issued capital of VDM, and Kengkong will have a Voting Power of 45.22% in the Company. [8]

(ii) Headquarters

VDM will remain headquartered in Perth.

(b) Consequences for VDM if the First Conversion is not approved

If Resolution 5 is not approved by the requisite majority of Shareholders at the Meeting:

- Interest on the First Convertible Loan will increase to 15% per annum applicable from the date of the Meeting;

- VDM will be required to pay to Kengkong a fee of $45,000 (as an amount for liquidated damages and compensation for Kengkong's costs) within 30 Business Days from the date of the Meeting;

- VDM must repay the loan together with interest and all other amounts due and payable within 30 Business Days from the date of the Meeting;

- The Second Conversion will not proceed and on this basis:

  1. VDM will be required to repay the Second Convertible Loan together with interest and all other amounts due and payable within 60 Business Days from the date of the Meeting; and

[7] On the basis that Resolutions 5 and 6 are approved and the First Conversion Shares and Second Conversion Shares are issued to Kengkong.

[8] On the basis that Resolutions 5 and 6 are approved and the First Conversion Shares and Second Conversion Shares are issued to Kengkong.

2. VDM will be required to pay Kengkong an amount of $100,000 (as an amount for liquidated damages and compensation for Kengkong's costs) within 60 Business Days from the date of the Meeting;

- The material benefits outlined in respect of the reasons to vote in favour of the First Convertible Loan (set out in section 8.4(a)) may not be able to be realised; and

- VDM may also need to pursue other funding arrangements, with no guarantee that any such arrangements will be available, or if available, the terms on which such funding may be provided may not be comparable with the terms of the First Convertible Loan and Facility Agreement or the Second Convertible Loan and Facility Agreement.

(c) Impact on VDM's capital structure and level of control

The following table outlines the Company's current capital structure and Voting Power of the Company's substantial Shareholders as well as the changes in that capital structure arising from the issue of the First Conversion Shares and the Second Conversion Shares.

	Pre First and Second Conversion		Post First Conversion (only)		Post Second Conversion (only)		Post First and Second Conversion	
	# of Shares	%	# of Shares	%	# of Shares	%	# of Shares	%
Australia Kengkong Investments Co Pty Ltd	620,000,000	19.82%	1,070,000,000	29.91%	1,620,000,000	39.25%	2,070,000,000	45.22%
H&H Holdings Australia Pty Ltd	1,085,110,976	34.69%	1,085,110,976	30.33%	1,085,110,976	26.29%	1,085,110,976	23.70%
Hunter Hall Investment Management Limited	239,265,260	7.65%	239,265,260	6.69%	239,265,260	5.80%	239,265,260	5.23%
Other Shareholders	1,183,284,716	37.83%	1,183,284,716	33.07%	1,183,284,716	28.67%	1,183,284,716	25.85%
Total	**3,127,660,952**	**100%**	**3,577,660,952**	**100%**	**4,127,660,952**	**100%**	**4,577,660,952**	**100%**

8.6. Conversion Independent Expert's Report

The Company engaged BDO Corporate Finance (WA) Pty Ltd to provide the Conversion Independent Expert's Report with respect to the First Convertible Loan and the Second Convertible Loan. It is intended to provide Shareholders with information that is material to the decision on how to vote on Resolutions 5 and 6. The Independent Expert has concluded that conversion of the First Convertible Loan is fair and reasonable to the Shareholders of the Company not associated with Kengkong.

The Conversion Independent Expert's Report also contains an assessment of the advantages and disadvantages of the First Convertible Loan. This assessment is designed to assist all Shareholders in reaching their voting decision.

A copy of the Conversion Independent Expert's Report is set out in Appendix A to the Explanatory Memorandum. The Directors recommend that the Shareholders read the Conversion Independent Expert's Report in its entirety before deciding whether or not to vote in favour of Resolution 5.

8.7. Directors' recommendations

(a) Recommendations

Based on the information available, including that contained in this Explanatory Memorandum and the Conversion Independent Expert's Report and the advantages and disadvantages outlined in section 8.4, the Directors (other than Mr Hiuming Luk, as the controller of Kengkong, who has declined to make a recommendation due to his material personal interest in the outcome of Resolution 5) recommend that Shareholders vote in favour of Resolution 5.

Each Director who holds Shares in VDM (or whose associated entities hold Shares) and is entitled to vote intends to vote those Shares in favour of Resolution 5.

(b) Interests of Directors

Mr Hiuming Luk is considered to have a material personal interest in the outcome of Resolution 5 by reason of his position as controller of Kengkong. On First Conversion, all of the Shares issued to Kengkong will be directly or indirectly controlled by Mr Luk. Also, Mr Luk is a Non-executive Director of VDM.

Other than Mr Hiuming Luk, and as set out below, the Directors do not have any material personal interest in the outcome of Resolution 5 other than their interests arising solely in their capacity as Shareholders of the Company.

Details of the Directors' interests in the Company's securities as at 20 October 2014 are set out in the following table:

	Pre First and Second Conversion		Post First Conversion (only)		Post Second Conversion (only)		Post First and Second Conversion	
	# of Shares	%	# of Shares	%	# of Shares	%	# of Shares	%
Dr Dongyi Hua- Executive Chairman	1,085,110,976	34.69%	1,085,110,976	30.33%	1,085,110,976	26.29%	1,085,110,976	23.70%
Mr Michael Fry - Non-executive Director	1,000,000	0.03%	1,000,000	0.03%	1,000,000	0.02%	1,000,000	0.02%
Mr Velko Jakovich - Non-executive Director	21,219,720	0.68%	21,219,720	0.59%	21,219,720	0.46%	21,219,720	0.46%
Mr Hiuming Luk - Non-executive Director	620,000,000	19.82%	1,070,000,000	29.91%	1,620,000,000	39.25%	2,070,000,000	45.22%

8.8. Requirements under the Corporations Act

The Corporations Act sets out a number of regulatory requirements that must be satisfied in relation to the issue of the First Conversion Shares under the First Convertible Loan the subject of Resolution 5.

(a) Background to Item 7 of section 611 of the Corporations Act

Pursuant to section 606 of the Corporations Act, a person must not acquire a relevant interest in issued voting shares of a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's Voting Power in the company increases:

(a) from 20% or below to more than 20%; or

(b) from a starting point that is above 20% and below 90%.

The Voting Power of a person in a company is determined in accordance with section 610 of the Corporations Act. The calculation of a person's Voting Power in a company involves determining the voting shares in the company in which the person and the person's Associates have a relevant interest.

A person (**second person**) will be an 'Associate' of the other person (**first person**) if:

(a) the first person is a body corporate and the second person is:

(i) a body corporate the first person controls;

(ii) a body corporate that controls the first person; or

(iii) a body corporate that is controlled by an entity that controls the person;

(b) the second person has entered or proposed to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or

(c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the company's affairs.

A person has a relevant interest in securities if they:

(a) are the holder of the securities;

(b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Section 611 of the Corporations Act provides that certain acquisitions of relevant interests in a company's voting shares are exempt from the takeover provisions prohibition in section 606(1), including acquisitions approved previously by a resolution passed at a general meeting of the company in which the acquisition is made (item 7 of section 611 of the Corporations Act).

Shareholder approval under item 7 of section 611 of the Corporations Act is required for Resolution 5.

(b) Application of Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period any equity securities or other securities with rights of conversion to equity (such as an option) if the number of those securities exceeds 15% of the total ordinary securities on issue at the commencement of that 12 month period.

One circumstance where an issue is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders in a general meeting pursuant to item 7 of section 611 of the Corporations Act (see Listing Rule 7.2 exception 16). The proposed issue of the First Conversion Shares under the First Convertible Loan is being approved under this section and accordingly the exception applies in relation to that issue.

(c) Terms of the First Conversion Shares to be issued

Each of the First Conversion Shares will rank pari passu with all other Shares.

(d) Timing

If Shareholders approve Resolution 5, Kengkong can elect to convert the First Convertible Loan into the First Conversion Shares within one month after the date of the Meeting. The First Conversion Shares will be issued to Kengkong within five Business Days after the First Conversion Date.

(e) Specific information required by item 7 section 611 of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under ASIC Regulatory Guide 74 and the Corporations Act in respect of obtaining approval pursuant to item 7 of section 611 of the Corporations Act. Shareholders are also referred to the Conversion Independent Expert's Report set out in Appendix A to this Explanatory Memorandum.

(a) The reasons for the First Convertible Loan.

An outline of the First Convertible Loan and explanation of the reasons for the First Convertible Loan. See sections 8.1 and 8.2 of this Explanatory Memorandum.

(b) The identity of the persons who will hold a relevant interest in the Shares to be issued.

Following the First Conversion, Kengkong will have a Relevant Interest in 1,070,000,000 Shares as a result of being the registered holder of those shares.

Mr Hiuming Luk will have a Relevant Interest in any Shares that Kengkong has a Relevant Interest in as a result of controlling Kengkong (directly or indirectly) and the operation of section 608(3) of the Corporations Act. Neither Kengkong, nor Mr Luk have a Relevant Interest in any Shares in VDM other than those held by Kengkong.

Osmonix and Mr Hiuming Luk are the only Associates of Kengkong.

(c) Full particulars (including the number and percentage) of the Shares to which Kengkong will be entitled immediately before and after the issue of the First Conversion Shares and the maximum extent of the increase in Kengkong's Voting Power in the Company (including their Associates) as a result of the issue of the First Conversion Shares.

At the date of this Notice the number of Shares held by Kengkong is 620,000,000 which is equivalent to Voting Power of 19.82%.

Following the First Conversion, the number of Shares held by Kengkong will increase to 1,070,000,000 which equates to a total increase in Voting Power from 19.82% in the Company to 29.91%.

By virtue of his control of Kengkong (directly or indirectly) and the operation of section 608(3) of the Corporations Act, Mr Hiuming Luk has a Relevant Interest in Kengkong's existing Shareholding of 620,000,000 Shares, and will also have a Relevant Interest in the 1,070,000,000 Shares which Kengkong will hold after the First Conversion. As such, the issue of the First Conversion Shares will also increase the total Voting Power of Mr Hiuming Luk in VDM from 19.82% to 29.91%.

(d) The interest of any Director in the First Convertible Loan or any relevant agreement.

Other than Mr Hiuming Luk as owner and controller of Kengkong (which will be issued 450,000,000 Shares on the First Conversion) and as a Non-executive Director of VDM, no other Directors (or proposed Directors) have an interest in the outcome of Resolution 5 other than as a result of their interest arising solely in the capacity as Shareholders.

(e) Kengkong's intentions regarding the future of VDM.

Kengkong's intentions regarding the future of the Company if Shareholders approve Resolution 5 are set out in section 8.3(b).

(f) Directors' recommendations.

Please refer to section 8.7 for the recommendations of the Directors.

(g) Details of the terms of any other relevant agreement between the acquirer and the target entity or vendor (or any of their Associates) that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition.

The material terms of the First Convertible Loan and Facility Agreement are set out in Schedule A and the material terms of the Second Convertible Loan and Facility Agreement are set out in Schedule B.

Further details of the First Convertible Loan are set out throughout this Explanatory Memorandum. Shareholders are also referred to the Conversion Independent Expert's Report set out in Appendix A, which provides an analysis of the First Convertible Loan.

(f) Background to Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a Related Party of the public company, the public company or entity must:

(a) obtain the approval of the public company's members in the same manner set out in section 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

For the purposes of Chapter 2E of the Corporations Act, Kengkong is a Related Party and the proposed issue of the First Conversion Shares to Kengkong constitutes the giving of a financial benefit. Accordingly, Shareholder approval is required.

Section 210 of the Corporations Act provides that a company does not need to obtain shareholder approval to give a financial benefit to a Related Party if the giving of the financial benefit would be reasonable in the circumstances if the Related Party and the entity were dealing at arm's length (or on term's less favourable than arm's length).

The Board is of the view that the proposed issue of First Conversion Shares to Kengkong is on terms that would be no more favourable to Kengkong than terms that would be reasonable in the circumstance if Kengkong and VDM were dealing at arms length. However, notwithstanding the above, the Board considers it prudent to seek Shareholder approval for the purposes of Chapter 2E of the Corporations Act.

(g) Specific information required by Chapter 2E of the Corporations Act

The following information is provided in accordance with section 219 of the Corporations Act to enable Shareholders to assess the merits of Resolution 5:

(a) The Related Parties to whom Resolution 5 would permit the financial benefit to be given.

Kengkong and Mr Hiuming Luk (as the controller of Kengkong) who are each a Related Party of the Company.

(b) The nature of the financial benefit being provided.

The right to require VDM to issue the First Conversion Shares, being the issue of 450,000,000 Shares, to Kengkong in repayment of the First Convertible Loan.

The First Conversion Shares have an issue price of $0.01 per Share, being a total subscription price of $4,500,000. The First Conversion Shares will be issued as fully paid ordinary shares in the capital of the Company and will rank equally with the Company's current issued Shares.

Kengkong can provide a notice to convert the First Convertible Loan within one month after the date of the Meeting. The First Conversion Shares must be issued to Kengkong within five Business Days after the First Conversion Date.

(c) The recommendation of Directors in relation to Resolution 5.

The recommendation of the Directors (other than Mr Hiuming Luk, who has declined to make a recommendation given that he has a material personal interest in the outcome of Resolution 5) is set out in section 8.7.

Other than Mr Hiuming Luk as owner and controller of Kengkong and as a Non-executive Director of VDM, no other Directors have an interest in the outcome of Resolution 5 other than as a result of their interest arising solely in the capacity as Shareholders.

(d) Other information that is material to Shareholders.

At the date of this Notice the number of Shares held by Kengkong is 620,000,000 which is equivalent to Voting Power of 19.82%. Following the First Conversion, the number of Shares held by Kengkong will increase to 1,070,000,000 which equates to a total increase in Voting Power from 19.82% in the Company to 29.91%.

Following the First Conversion, the number of Shares on issue will increase from 3,127,660,952 to 3,577,660,952 with the effect that the Shareholding of existing Shareholders would be diluted by 10.08%.

The money advanced to the Company under the First Convertible Loan was used by the Company to provide necessary working capital to the business. No additional funds will be raised by the issue of the First Conversion Shares. The notional subscription price of $0.01 per Share will be set off against the principal under the First Conversion Loan.

The Independent Expert has determined that the conversion of the First Convertible Loan is fair and reasonable to Shareholders not associated with Kengkong.

The Board does not consider that there are any significant opportunity costs of the Company, taxation consequences or benefits foregone by issuing the First Conversion Shares to Kengkong.

Other than as set out in the Explanatory Statement and the Conversion Independent Expert Report, there is no further information that is reasonably required by Shareholders in order to decide whether it is in the best interests of the Company to pass Resolution 5.

8.9. Requirements under the Listing Rules

(a) Listing Rule 10.11

Listing Rule 10.11 provides that, unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not, without the approval of shareholders, issue or agree to issue Equity Securities to a Related Party, or a person whose relationship with the listed company, or a Related Party of the listed company, is in ASX's opinion, such that approval should be obtained.

The First Conversion Shares are to be issued to Kengkong. Kengkong is a private company controlled by Mr Hiuming Luk, who is a Non-executive Director of VDM and is therefore a Related Party of the Company. On the First Conversion, all of the Shares issued to Kengkong will be directly or indirectly controlled by Mr Luk.

It is the view of the Directors that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought under Listing Rule 10.11 for the issue of the First Conversion Shares to Kengkong.

(b) Specific information required by Listing Rule 10.13

Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.11. In accordance with Listing Rule 10.13, the following information is provided to Shareholders to assist them to assess whether to approve Resolution 5:

(a) The name of the person to be issued Shares.

Australia Kengkong Investments Co Pty Ltd.

(b) The maximum number of securities to be issued or the formula for calculating the number of securities to be issued to the person.

On First Conversion, 450,000,000 Shares will be issued to Kengkong.

(c) The date by which the entity will issue the securities which must be not more than 1 month after the date of the meeting.

Kengkong can elect to be issued the First Conversion Shares within one month after the date of the Meeting. VDM must issue the First Conversion Shares to Kengkong within five Business Days after the First Conversion Date.

(d) If the person is not a director, a statement of the relationship between the person and the director that requires the approval to be obtained.

The person to whom it is proposed to issue the First Conversion Shares is Kengkong. Kengkong is a private company controlled by Mr Hiuming Luk, who is a Non-executive Director of VDM and is therefore a Related Party of the Company.

(e) The issue price of the securities and a statement of the terms of the issue.

The First Conversion Shares have a deemed issue price of $0.01 per Share. If

Kengkong elects to convert the First Convertible Loan, VDM will issue the First Conversion Shares to Kengkong and the principal of the First Convertible Loan will be deemed to be repaid. The First Conversion Shares will be issued as fully paid ordinary shares in the capital of the Company and will rank equally with the Company's current issued Shares.

(f) A voting exclusion statement.

A voting exclusion statement in respect of Resolution 5 is set out in section 8.10 of the Explanatory Memorandum.

(g) The intended use of the funds raised.

The money advanced to the Company under the First Convertible Loan was used by the Company to provide necessary working capital to the business. No additional funds will be raised by the issue of the First Conversion Shares. The notional subscription price of $0.01 per Share will be set off against the principal under the First Conversion Loan.

8.10. Voting exclusion

For the purposes of Listing Rules 10.11 and 10.14, item 7 of section 611 of the Corporations Act, section 224 of the Corporations Act and for all other purposes, the Company will disregard any votes cast on Resolution 5 by Kengkong and any of its Associates.

However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. Resolution 6 - Approval to issue the Second Conversion Shares to Kengkong

9.1. Description of the Second Convertible Loan and Facility Agreement

(a) Summary and key terms of the Second Convertible Loan and Facility Agreement

Under the terms of the Second Convertible Loan and Facility Agreement, Kengkong has advanced (or will advance) $10,000,000 in three tranches to VDM as follows:

- $3,000,000 on Thursday, 25 September 2014;
- $3,000,000 on Tuesday, 14 October 2014; and
- $4,000,000 on Friday, 14 November 2014.

As such, all three tranches should be drawn down prior to the Meeting.

Upon Shareholders approving Resolutions 5 and 6, Kengkong is entitled to convert the Second Convertible Loan into 1,000,000,000 Shares at a price of $0.01 per Share within one month after the date of obtaining shareholder approval.

If Resolution 5 is approved and Kengkong elects to convert the First Convertible Loan, the First Conversion Shares will be issued to Kengkong and Kengkong's Voting Power will increase from 19.82% to 29.91%. On the basis that Resolutions 5 and 6 are passed at the Meeting, and Kengkong elects to convert the First Convertible Loan and the Second Convertible Loan, following the issue of Second Conversion Shares to Kengkong, Kengkong will have a Voting Power of 45.22% in the Company.[9]

The Second Convertible Loan has the following key terms:

1. The loan can only be used for:
    a. the general working capital purposes in the ordinary course of VDM's business; and
    b. any project development purpose to which VDM receives the consent of Kengkong (we note that it is expected that Kengkong will give the Company its consent to use part of these funds to pay the Cash Consideration in respect to the Acquisition);
2. The loan is unsecured;
3. The loan is repayable on the later of four months after the date of the Second Convertible Loan and Facility Agreement and 60 Business Days after the date of the Meeting;
4. The Second Conversion is subject to Shareholders passing Resolutions 5 and 6 at the Meeting and Kengkong electing to convert the Second Convertible Loan within one month after the date of the Meeting;
5. Interest of 8% per annum, is payable up until one month after the date of the Meeting and 13% thereafter;
6. The facility cannot be repaid by the Company prior to the Meeting and must be repaid within 60 Business Days from the date of the Meeting (if Shareholder approval is not received); and
7. Any other future issue of securities by the Company is subject to Kengkong's prior approval, which shall not be unreasonably withheld, until:
    a. if Second Conversion occurs, the earlier of 12 months after the date of the Meeting, and Kengkong ceasing to have a relevant interest in at least 20% of the Shares on issue; and
    b. otherwise, the date that all amounts owing to Kengkong have been repaid.

In the event that Resolutions 5 or 6 are not approved by Shareholders, VDM will be required to pay to Kengkong an amount of $100,000 (as an amount for liquidated damages and compensation for Kengkong's costs) within 60 Business Days from the date of the Meeting. In addition, if the Second Conversion does not occur (whether because Resolutions 5 or 6 are not approved by Shareholders or Kengkong does not elect to convert the Second Convertible Loan) the following terms will apply:

1. The Second Convertible Loan will remain a pure debt facility; and
2. VDM will be required to repay the Second Convertible Loan (together with all amounts due and payable) to Kengkong within 60 Business Days from the date of the Meeting.

The Second Convertible Loan and Facility Agreement also contains events of default and undertakings in

[9] On the basis that Resolutions 5 and 6 are approved and the First Conversion Shares and Second Conversion Shares are issued to Kengkong.

relation to the conduct of VDM's business customary for facilities of this nature.

Further information about the Second Convertible Loan and Facility Agreement is set out in Schedule B.

(b) Steps involved in converting the Second Convertible Loan into Shares

To implement the Second Conversion, Shareholders must approve Resolutions 5 and 6 by the requisite majority (more than 50% of votes cast by Shareholders entitled to vote on the Resolutions are cast in favour) at the Meeting. For the avoidance of doubt, Kengkong and its Associates are not entitled to vote. In addition, Kengkong must elect to convert the Second Convertible Loan into the Second Conversion Shares within one month after the date of the Meeting.

(c) Reason Shareholder approval is required

You are a Shareholder, and given the nature and size of the proposed issue, and the fact that the issue will increase Kengkong's Voting Power in VDM above 20%, approval of Shareholders is required under item 7 of section 611 and Chapter 2E of the Corporations Act and Listing Rule 10.11.

Further information on the reason Shareholder approval is required is contained in sections 9.7 and 9.8 of this Explanatory Memorandum.

9.2. Rationale for the Second Convertible Loan and Facility Agreement

VDM undertook this capital raising to provide the Company with working capital to continue implementation of its business strategy which is expected to provide improved market competitiveness, business strength and business growth and over time, a return to shareholders for their investment in the Company.

9.3. Advantages and disadvantages of the Second Conversion

(a) Advantages of the Second Conversion

In addition to the advantages set out in section 8.4(a) of this Explanatory Memorandum, the Directors expect that the issuing of the Second Conversion Shares through the Second Convertible Loan will deliver material benefits to VDM, including, subject to Kengkong's approval, the use of part of these funds to pay the Cash Consideration in respect to the Acquisition.

The Directors note that the Independent Expert has opined that the conversion of the Second Convertible Loan is fair and reasonable to Shareholders not associated with Kengkong. You are advised to review in detail this report which is contained in Appendix A to this Explanatory Memorandum.

(b) Disadvantages of the Second Conversion

The Directors note that the risks and disadvantages set out in section 8.4(b) of this Explanatory Memorandum apply equally to issuing of the Second Conversion Shares to Kengkong, except to a greater extent, considering that Kengkong's Voting Power will potentially increase to 45.22%.

9.4. Key implications and risks of the Second Conversion

(a) Key implications and risks if Resolution 6 is approved by Shareholders and the Second Conversion proceeds

(i) Voting rights and shares

On the basis that this Resolution 6 is passed at the Meeting, and Kengkong elects to convert the Second

Convertible Loan, following the issue of Second Conversion Shares to Kengkong, the total of VDM's issued Shares will increase to 4,577,660,952 Shares.[10] Existing Shareholders (other than Kengkong) will hold 54.78%[11] of the issued capital of VDM, and Kengkong will have a Voting Power of 45.22%[12] in the Company.[13]

(ii) Headquarters

VDM will remain headquartered in Perth.

(b) Consequences for VDM if the Second Conversion is not approved

If Resolutions 5 or 6 are not approved by the requisite majority of Shareholders at the Meeting:

- the Second Convertible Loan will remain a pure debt facility;
- VDM will be required to repay the Second Convertible Loan (together with all amounts due and payable) to Kengkong within 60 Business Days from the date of the Meeting;
- interest on the Second Convertible Loan will increase to 13% per annum applicable from one month after the date of the Meeting;
- VDM will be required to pay to Kengkong an amount of $100,000 (as an amount for liquidated damages and compensation for Kengkong's costs) within 60 Business Days of the date of the Meeting;
- the material benefits outlined in respect of the reasons to vote in favour of the Second Convertible Loan (set out in section 8.4(a)) may not be able to be realised; and
- VDM may also need to pursue other funding arrangements, with no guarantee that any such arrangements will be available, or if available, the terms on which such funding may be provided may not be comparable with the terms of the Second Convertible Loan and Facility Agreement.

(c) Impact on VDM's capital structure and level of control

The potential impact of the issue of the Second Conversion Shares to Kengkong in respect to VDM's capital structure and level of control is set out in section 8.5(c) of this Explanatory Memorandum.

9.5. Conversion Independent Expert's Report

As detailed in section 8.6 of this Explanatory Memorandum, a copy of the Conversion Independent Expert's Report is set out in Appendix A to the Explanatory Memorandum. The Independent Expert has concluded that conversion of the Second Convertible Loan is fair and reasonable to the Shareholders of the Company not associated with Kengkong.

[10] On the basis that Resolutions 5 and 6 are approved and the First Conversion Shares and Second Conversion Shares are issued to Kengkong.
[11] On the basis that Resolutions 5 and 6 are approved and the First Conversion Shares and Second Conversion Shares are issued to Kengkong.
[12] On the basis that Resolutions 5 and 6 are approved and the First Conversion Shares and Second Conversion Shares are issued to Kengkong..
[13] On the basis that Resolutions 5 and 6 are approved and the First Conversion Shares and Second Conversion Shares are issued to Kengkong.

The Directors recommend that the Shareholders read the Independent Expert's Report in its entirety before deciding whether or not to vote in favour of Resolution 6.

9.6. Directors' recommendations

(a) Recommendations

Based on the information available, including that contained in this Explanatory Memorandum and the Conversion Independent Expert's Report and the advantages and disadvantages outlined, the Directors (other than Mr Hiuming Luk, as the owner of Kengkong, who has declined to make a recommendation due to his position) recommend that Shareholders vote in favour of Resolution 6.

Each Director who holds Shares in VDM (or whose associated entities hold Shares) and is entitled to vote intends to vote those Shares in favour of Resolution 6.

(b) Interests of Directors

Mr Hiuming Luk is considered to have a material personal interest in the outcome of Resolution 6 by reason of his position as owner and controller of Kengkong. On the Second Conversion, all of the Shares issued to Kengkong will be directly or indirectly legally and beneficially owned by Mr Luk. Also, Mr Luk is a Non-executive Director of VDM.

Other than Mr Hiuming Luk, and as set out below, the Directors do not have any material personal interest in the outcome of Resolution 6 other than their interests arising solely in their capacity as Shareholders of the Company.

Details of the Directors' interests in the Company's securities as at 20 October 2014 are set out in section 8.7(b) of this Explanatory Memorandum

9.7. Requirements under the Corporations Act

The Corporations Act sets out a number of regulatory requirements that must be satisfied in relation to the issue of the Second Conversion Shares under the Second Convertible Loan the subject of Resolution 6. Shareholder approval under item 7 of section 611 of the Corporations Act is required for Resolution 6.

The requirements of the Corporations Act, including a background to Item 7 of section 611 of the Corporations Act, is set out in section 8.8(a) of this Explanatory Memorandum.

(a) Application of Listing Rule 7.1

A summary of the application of Listing Rule 7.1 is set out in section 8.8(b) of this Explanatory Memorandum.

The Company is seeking shareholder approval in respect to the Second Conversion Loan pursuant to item 7 of section 611 of the Corporations Act and as such, the Company is not required to obtain approval for the proposed issue of the Second Conversion Shares in accordance with Listing Rule 7.2.

(b) Terms of the Second Conversion Shares to be issued

Each of the Second Conversion Shares will rank pari passu with all other Shares.

(c) Timing

If Shareholders approve Resolution 6, Kengkong can elect to convert the Second Convertible Loan into the Second Conversion Shares within one month after the date of the Meeting. The Second Conversion Shares will be issued to Kengkong within five Business Days after the Second Conversion Date.

(d) Specific information required by item 7 section 611 of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under ASIC Regulatory Guide 74 and the Corporations Act in respect of obtaining approval pursuant to item 7 of section 611 of the Corporations Act.

Shareholders are also referred to the Independent Expert's Report set out in Appendix A to this Explanatory Memorandum.

(a) The reasons for the Second Convertible Loan.

An outline of the Second Convertible Loan and explanation of the reasons for the Second Convertible Loan is discussed above in sections 9.1 and 9.2 of this Explanatory Memorandum.

(b) The identity of the persons who will hold a relevant interest in the Shares to be issued.

Following the Second Conversion, Kengkong will have a Relevant Interest in 2,070,000,000 Shares[14] as a result of being the registered holder of those shares.

The Kengkong Controllers will have a Relevant Interest in any Shares that Kengkong has a Relevant Interest in as a result of controlling Kengkong (directly or indirectly) and the operation of section 608(3) of the Corporations Act. Neither Kengkong, nor Mr Luk have a Relevant Interest in any Shares in VDM other than those held by Kengkong.

Osmonix and Mr Hiuming Luk are the only Associates of Kengkong.

(c) Full particulars (including the number and percentage) of the Shares to which Kengkong will be entitled immediately before and after the issue of the Second Conversion Shares and the maximum extent of the increase in Kengkong's Voting Power in the Company (including their Associates) as a result of the issue of the Second Conversion Shares.

At the date of this Notice the number of Shares held by Kengkong is 620,000,000 which is equivalent to Voting Power of 19.82%.

Following the Second Conversion, the number of Shares held by Kengkong will increase to 2,070,000,000 which equates to a total increase in Voting Power from 19.82% in the Company to 45.22%.[15]

[14] On the basis that Resolutions 5 and 6 are approved and the First Conversion Shares and Second Conversion Shares are issued to Kengkong.
[15] On the basis that Resolutions 5 and 6 are approved and the First Conversion Shares and Second Conversion Shares are issued to Kengkong.

By virtue of their control of Kengkong (directly or indirectly) and the operation of section 608(3) of the Corporations Act, the Kengkong Controllers have a Relevant Interest in Kengkong's existing Shareholding of 620,000,000 Shares, and will also have a Relevant Interest in the 2,070,000,000 Shares[16] which Kengkong will hold after the Second Conversion. As such, the issue of the Second Conversion Shares will also increase the total Voting Power of the Kengkong Controllers in VDM from 19.82% to 45.22%.[17]

(d) The interest of any Director in the Second Convertible Loan or any relevant agreement.

Other than Mr Hiuming Luk as owner and controller of Kengkong (which will be issued 1,000,000,000 Shares on the Second Conversion) and as a Non-executive Director of VDM, no other Directors (or proposed Directors) have an interest in the outcome of Resolution 6 other than as a result of their interest arising solely in the capacity as Shareholders.

(e) Kengkong's intentions regarding the future of the Company if Shareholders approve Resolution 6 are set out in section 8.3(b)).

(f) Directors' recommendations.

Please refer to section 9.6(a) for the recommendations of the Directors.

(g) Details of the terms of any other relevant agreement between the acquirer and the target entity or vendor (or any of their Associates) that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition.

The material terms of the Second Convertible Loan and Facility Agreement are set out in Schedule B.

(h) Further details of the Second Convertible Loan are set out throughout this Explanatory Memorandum. Shareholders are also referred to the Conversion Independent Expert's Report set out in Appendix A, which provides an analysis of the Second Convertible Loan.

(e) Background to Chapter 2E of the Corporations Act

A summary (including the relevant background information) of Chapter 2E of the Corporations Act is set out in section 8.8(f) of this Explanatory Memorandum.

The Board is of the view that the proposed issue of Second Conversion Shares to Kengkong is reasonable. However, notwithstanding the above, the Board considers it prudent to seek Shareholder approval for the purposes of Chapter 2E of the Corporations Act.

[16] On the basis that Resolutions 5 and 6 are approved and the First Conversion Shares and Second Conversion Shares are issued to Kengkong.

[17] On the basis that Resolutions 5 and 6 are approved and the First Conversion Shares and Second Conversion Shares are issued to Kengkong.

(f) Specific information required by Chapter 2E of the Corporations Act

(a) The Related Parties to whom Resolution 6 would permit the financial benefit to be given.

Kengkong and Mr Hiuming Luk (as the owner and controller of Kengkong) who are each a Related Party of the Company.

(b) The nature of the financial benefit being provided.

The right to require VDM to issue the Second Conversion Shares, being the issue of 1,000,000,000 Shares, to Kengkong in repayment of the Second Convertible Loan.

The Second Conversion Shares have a deemed issue price of $0.01 per Share, being a total subscription price of $10,000,000. If Kengkong elects to convert the Second Convertible Loan, VDM will issue the Second Conversion Shares to Kengkong and the principal of the Second Convertible Loan will be deemed to be repaid. The Second Conversion Shares will be issued as fully paid ordinary shares in the capital of the Company and will rank equally with the Company's current issued Shares.

Kengkong can provide a notice to convert the Second Convertible Loan within one month after the date of the Meeting. The Second Conversion Shares must be issued to Kengkong within five Business Days after the Second Conversion Date.

(c) The recommendation of Directors in relation to Resolution 6.

The recommendation of the Directors (other than Mr Hiuming Luk, who has declined to make a recommendation given that he has a material personal interest in the outcome of Resolution 6) is set out in section 9.6(a).

Other than Mr Hiuming Luk as owner and controller of Kengkong and as a Non-executive Director of VDM, no other Directors have an interest in the outcome of Resolution 6 other than as a result of their interest arising solely in the capacity as Shareholders.

(d) Other information that is material to Shareholders.

At the date of this Notice the number of Shares held by Kengkong is 620,000,000 which is equivalent to Voting Power of 19.82%. Following the Second Conversion, the number of Shares held by Kengkong will increase to 2,070,000,000 which equates to a total increase in Voting Power from 19.82% in the Company to 45.22%.[18]

Following the Second Conversion, the number of Shares on issue will increase from 3,127,660,952 to 4,577,660,952[19] with the effect that the Shareholding of existing Shareholders would be diluted by 25.40%[20].

[18] On the basis that Resolutions 5 and 6 are approved and the First Conversion Shares and Second Conversion Shares are issued to Kengkong.

[19] On the basis that Resolutions 5 and 6 are approved and the First Conversion Shares and Second Conversion Shares are issued to Kengkong.

[20] On the basis that Resolutions 5 and 6 are approved and the First Conversion Shares and Second Conversion Shares are issued to Kengkong.

The money advanced to the Company under the Second Convertible Loan was, and will be, used by the Company to provide necessary working capital to the business and any project development purpose to which VDM receives the consent of Kengkong (we note that it is expected that Kengkong will give the Company its consent to use part of these funds to pay the Cash Consideration in respect to the Acquisition). No additional funds will be raised by the issue of the Second Conversion Shares. The notional subscription price of $0.01 per Share will be set off against the principal under the Second Conversion Loan.

The Independent Expert has determined that the conversion of the Second Convertible Loan is fair and reasonable to Shareholders not associated with Kengkong.

The Board does not consider that there are any significant opportunity costs of the Company, taxation consequences or benefits foregone by issuing the Second Conversion Shares to Kengkong.

Other than as set out in the Explanatory Statement and the Conversion Independent Expert Report, there is no further information that is reasonably required by Shareholders in order to decide whether it is in the best interests of the Company to pass Resolution 6.

9.8. Requirements under the Listing Rules

(a) Listing Rule 10.11

A summary of Listing Rule 10.11 is set out in section 8.9(a) of this Explanatory Memorandum. Kengkong is a Related Party of the Company. Accordingly, Shareholder approval is sought under Listing Rule 10.11 for the issue of the Second Conversion Shares to Kengkong.

(b) Specific information required by Listing Rule 10.13

Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.11. In accordance with Listing Rule 10.13, the following information is provided to Shareholders to assist them to assess whether to approve Resolution 6:

(a) The name of the person.

Australia Kengkong Investments Co Pty Ltd.

(b) The maximum number of securities to be issued or the formula for calculating the number of securities to be issued to the person.

On the Second Conversion, 1,000,000,000 Shares will be issued to Kengkong.

(c) The date by which the entity will issue the securities which must be not more than 1 month after the date of the meeting.

Kengkong can elect to be issued the Second Conversion Shares within one month after the date of the Meeting. VDM must issue the Second Conversion Shares to Kengkong within five Business Days after the Second Conversion Date.

(d) If the person is not a director, a statement of the relationship between the person and the director that requires the approval to be obtained.

The person to whom it is proposed to issue the Second Conversion Shares is

Kengkong. Kengkong is a private company controlled by Mr Hiuming Luk, who is a Non-executive Director of VDM and is therefore a Related Party of the Company.

(e) The issue price of the securities and a statement of the terms of the issue.

The Second Conversion Shares have a deemed issue price of $0.01 per Share. If Kengkong elects to convert the Second Convertible Loan, VDM will issue the Second Conversion Shares to Kengkong and the principal of the Second Convertible Loan will be deemed to be repaid. The Second Conversion Shares will be issued as fully paid ordinary shares in the capital of the Company and will rank equally with the Company's current issued Shares.

(f) A voting exclusion statement.

A voting exclusion statement in respect of Resolution 6 is set out in section 9.9 of the Explanatory Memorandum.

(g) The intended use of the funds raised.

The money advanced to the Company under the Second Convertible Loan will be used by the Company to provide necessary working capital to the business and any project development purpose to which VDM receives the consent of Kengkong (we note that it is expected that Kengkong will give the Company its consent to use part of these funds to pay the Cash Consideration in respect to the Acquisition).

9.9. Voting exclusion

For the purposes of Listing Rules 10.11 and 10.14, item 7 of section 611 of the Corporations Act, section 224 of the Corporations Act and for all other purposes, the Company will disregard any votes cast on Resolution 6 by Kengkong and any of its Associates.

However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides

10. Resolution 7 – Change of Scale of Activities

10.1. General

The Company announced on 29 September 2014 that it had entered into the Copper Project Agreement to acquire the Participating Interest in the Project. A detailed description of the proposed Acquisition and the information relating to the change of scale likely to result from the Acquisition are outlined in this section 10.

In addition to the information detailed in this section 10 of the Explanatory Memorandum, Shareholders should also consider:

(a) the summary of the Copper Project Agreement set out in Schedule C;

(b) the summary of the current draft Mineral Investment Contract set out in Schedule D;

(c) a summary of the risks relating to the Acquisition set out in Schedule E;

(d) the Copper Project Independent Expert's Report set out in Annexure B; and

(e) the Independent Technical Report set out in Annexure C.

The Copper Project Agreement is subject to the Conditions set out in section 10.4(a) below, including the requirement to obtain all necessary Shareholder approvals.

Resolution 7 seeks approval from Shareholders for a change to the scale of the activities of the Company.

Resolution 7 is an ordinary resolution.

10.2. Application of Listing Rule 11.1

Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable.

The ASX may exercise its discretion under Listing Rule 11.1.2 to require a company to seek shareholder approval in respect of a significant change in the nature or scale of its activities. The ASX may also exercise its discretion to require a company to re-comply with Chapters 1 and 2 of the Listing Rules.

The Company sought in-principle advice from ASX in advance of entering into the Copper Project Agreement in respect to whether ASX would exercise its discretion to require Shareholders approval or re-compliance with the admission requirements contained in Chapters 1 and 2 of the Listing Rules. ASX has informed the Company that:

(a) it requires the Company to obtain Shareholder approval in respect to the change in the scale of the activities of the Company arising from the Acquisition; and

(b) it does not require the Company to re-comply with the admission requirements set out in Chapters 1 and 2 of the Listing Rules.

Where ASX exercises its discretion under Listing Rule 11.1.2 to require shareholder approval to a significant change to the nature or scale of a company's activities, the relevant transaction must not be consummated until ASX's requirements have been meet. Accordingly, by this Resolution 7 the Company seeks approval from Shareholders for a change to the scale of the activities of the Company.

10.3. Overview of the Project

(a) Previous announcement regarding Project

The information set out in this section 10.3, is based on the information contained in the Company's announcement to the ASX on 29 September 2014 regarding the type and historical estimate of mineralisation at the Project.

The Company is not in possession of any new information or data relating to the historical estimates that materially impacts on the reliability of those estimates or the Company's ability to verify those estimates. The information contained in the 29 September 2014 announcement continues to apply and has not materially changed.

In addition to the information contained in this section 10.3, Shareholders should consider the 29 September 2014 announcement in full.

A copy of the Independent Technical Report in relation to the Project is set out in Appendix C to the Explanatory Memorandum.

The Directors recommend that the Shareholders read the Independent Technical Report in its entirety before deciding whether or not to vote in favour of Resolutions 7 and 8.

(b) Location of the Project

The Project is located in the province of South Cuanza, immediately east of the regional capital of Sumbe on the central-west coast of Angola, adjacent to a reconstructed highway route to the Angolan capital of Luanda. Sumbe is approximately 385 km south of Luanda and has a population of approximately 26,000. The word 'cachoeiras' in Portuguese means waterfall, Cachoeiras do Binga means waterfalls of Binga. This refers to a series of waterfalls on the Queve River where the main prospect is located. The Project covers an area of 3,854 km².

The Project is strategically located near the regional capital of Sumbe and port facilities of Ambiom. Sumbe has existing airport and port infrastructure. The Project is adjacent to a reconstructed highway route to Luanda. The area contains abundant water supplies and has potential to connect into nearby hydro-electric power supplies. Access to the Project is provided by the coastal highway.

Further information about the Project is set out in the Independent Technical Report at Annexure C.

(c) Previous exploration

In 1973 a polygonal estimate was undertaken on the Project by the IGEO. The estimate does not provide categories of mineralization as per any known reporting code.

The estimate is historical and is not reported in accordance with the JORC Code. The competent person has not done sufficient work to classify the historical estimate as a Mineral Resource in accordance with the JORC Code. It is uncertain that following further exploration and evaluation work that the historical estimate will be able to be reported as a mineral resource in accordance with the JORC Code.

Polygonal estimation: IGEO, 1973

Cachoeira Block	Tonnes (Mt)	Grade (Cu%)	Contained Cu (tonnes)
1	0.29	2.17%	6,200
2	1.57	1.54%	23,600
3	5.34	2.24%	119,700
Total	**7.19**	**2.08%**	**149,500**

In 1983 the UNDP increased the IGEO estimate to 51 million tonnes at a grade of 2.2% copper for 1.1 million tonnes of contained copper, however it is unknown what additional information was included in the estimate. The Company believes that the Project is highly prospective based on all data provided but understands that limited reliance can be placed on an historical foreign estimate. As such the 1973 and 1983 estimations themselves are not considered material to the project. The Company has not been provided with evidence that there was adequate quality assurance and quality control on the inputs to the polygonal estimation. VDM considers the estimates to not be reliable. The Company proposes that significant additional exploration is required to be undertaken.

10.4. Material terms of the Acquisition

(a) Conditions

The obligation of the Company to complete the Acquisition is subject to the satisfaction or waiver of the following conditions:

(a) VDM obtaining all necessary approvals of Shareholders in respect to the transactions contemplated by the Copper Project Agreement; and

(b) VDM, Pebric and Seabank and the Angolan State agreeing and executing the Mineral Investment Contract,

(the **Conditions**).

If either of the Conditions are not satisfied or waived (by VDM in writing) within six calendar months after the date of the Copper Project Agreement then any party may terminate the Copper Project Agreement.

Under Angolan law, all mineral rights (from exploration to marketing, and including evaluation, reconnaissance and mining) are formally granted pursuant to a mineral investment contract. The holder of the relevant mineral rights is required to obtain an exploration title which is issued concurrently with the approval and gazetting of the relevant mineral investment contract by the Angolan State and a mining title, as a condition for the exercise of the rights granted to it.

Whilst the Mineral Investment Contract has not yet been negotiated with the Angolan State, a summary of a draft Mineral Investment Contract prepared by the Parties is set out in is set out in Schedule D.

(b) Consideration

The consideration payable by the Company to acquire the Participating Interest consists of:

(a) the issue 650,000,000 Shares each at an issue price of $0.015 to be issued to Seabank in accordance with the terms of the Copper Project Agreement (the **Seabank Shares**); and

(b) the payment of $4,875,000 to Seabank (the **Cash Consideration**).

(c) Existing Project Joint Venture

Pebric and Seabank, both of which are privately owned companies, are currently participants in the existing Project Joint Venture. Under the existing Project Joint Venture Agreement, Pebric and Seabank's current participating interests in the existing Project Joint Venture are:

(a) Pebric (15%) and Seabank (85%); during the reconnaissance, prospection, evaluation and appraisal of Covered Metals in the Project (the **Prospection Phase**); and

(b) Pebric (30%) and Seabank (70%), after discovery of economically viable deposit(s) and Angolan State approval of a relevant TEVS and the issue of a Mining Title (the **Mining Phase**).

(d) VDM's Participating Interest in the Project Joint Venture

The Copper Project Agreement provides that, subject to the Conditions and in consideration for the issue of the Seabank Shares and payment of the Cash Consideration, Seabank will assign part of its participating interest in the existing Project Joint Venture to VDM so that the participating interests of Pebric, Seabank and VDM in the Project Joint Venture will be:

(a) VDM (65%), Pebric (30%), Seabank (5%) during the Prospection Phase; and

(b) VDM (65%), Pebric (30%), Seabank (5%) during the Mining Phase.

During the Prospection Phase fifteen per cent (15%) of Pebric's participation interest to be financially carried by Seabank and VDM, which will result in VDM carrying approximately 79% of the Project Joint Venture's funding requirement during this phase.

The Prospection Title in relation to the Project was issued to Pebric on 15 May 2012 and is valid until 15 May 2017. The Prospection Title will continue to be held by Pebric however under the Copper Project Agreement between the Parties agree to undertake the Prospecting Phase together (VDM 65%, Pebric 30% and Seabank 5%) and agree the mineral rights inherent in the Prospection Title will be exercised together (VDM 65%, Pebric 30% and Seabank 5%). Under the draft Mineral Investment Contract, following the Prospection Phase the Prospecting Title will be held by the JV Company in which VDM would have a shareholding equivalent to its Participating Interest. Any Mining Title would be granted to the JV Company.

(e) Angolan State Participation

The Angolan Mining Code provides for a minimum of 10% Angolan State participation in mining projects through either direct ownership in the mining project company or an in specie participation in the mining product. It is expected that the terms for Angolan State participation in the Project, including the Angolan State's funding obligations during the Prospection Phase and the Mining Phase, will be determined during the negotiations of the Mineral Investment Contract with the Angolan State. Shareholders are advised that this may reduce VDM's Participating Interest.

(f) Risk Factors

The Company will be subject to the risks associated with companies undertaking exploration and development activities of large scale projects in the copper sector as well as the risks relating to the investment in a foreign jurisdiction. The key risks relating to the Acquisition are:

(a) The Copper Project Agreement is conditional on Shareholder approval. Accordingly there is a risk that the transaction contemplated may be changed or not be completed.

(b) The Copper Project Agreement is conditional on the Parties executing the Mineral Investment Contract with the Angolan State. There is no guarantee that the Parties will be able to successfully negotiate and execute the Mineral Investment Contract.

(c) VDM will not be directly registered on the Prospecting Title and will not obtain such a direct interest until the Mining Phase when VDM will obtain a direct interest in the Prospecting Title through its stake in the JV Company will hold the Prospecting Title. This means that in the event of the termination of the Project Joint Venture during the Prospection Phase, VDM may have claims against Pebric and Seabank, but no further rights in respect of the Prospecting Title .

(d) The decision making process in respect to the Project Joint Venture is detailed in Schedules C and D. Under the Copper Project Agreement, certain decisions of the Parties to the Project Joint Venture are made by mutual agreement. As such, if the Parties cannot agree on those matters, the exploration and mining of the Project may be adversely effected.

(e) If the Parties are able to enter into the Mineral Investment Contract with the Angolan State, the terms of that Mineral Investment Contract may be different to those summarised in Schedule D. In particular, the Angolan Mining Code provides for a minimum of 10% Angolan State participation in mining projects, which may reduce VDM's interest in the Project.

(f) Depending on the timing of Completion, the Company will require additional funds to meet the Company's ordinary operating costs, the payment of Cash Consideration to Seabank, and short term costs associated with the Acquisition. There is no guarantee that the Company will be able to raise funds to meet these costs on attractive terms.

(g) The interests of Shareholders will be further diluted as a result of capital raisings described in paragraph (f) above.

(h) The Project has a limited exploration history on which the Company can base an evaluation of the prospects of the Acquisition.

(i) The Project Joint Venture's exploration activities are dependent upon the grant, or as the case may be, the maintenance of appropriate licences which may be withdrawn or made subject to limitations.

(j) Any material or adverse changes in government policies and legislation may affect the viability and profitability of the Project.

(k) Sovereign and operating risks in Angola.

A more detailed description of the risks relating to the Acquisition are set out in Schedule E. Shareholders should consider those risks before determining whether to approve the change in scale of the business acitivities of the Company.

10.5. Assessment of the financial effect of the Acquisition

VDM's view as to the likely financial effects that the Acquisition will have on Company and on the interests of Shareholders are detailed below.

(a) Consolidated total assets

The Company's pro forma balance sheet set out in Schedule F (and Note 2 of that Schedule) details an increase in VDM's consolidated total assets by $11,375,000. This increase in the Company's consolidated total assets is based on an assumed market price of $0.01 per Share on the date of issue of the Seabank

Shares. The actual Share price on the date of issue may be more or less than this amount.

(b) Consolidated total equity

The completion of the Acquisition will result in an increase in the total equity of VDM to reflect the issue of the Seabank Shares. The Company's pro forma balance sheet set out in Schedule F (and Note 4 of that Schedule) details an increase of $6,500,000 in VDM's total equity. This increase in the Company's total equity is based on an assumed market price of $0.01 per Share on the date of issue of the Seabank Shares. The actual Share price on the date of issue may be more or less than this amount.

Details of the effect of the Acquisition, should it be completed, on the control of the Company is illustrated in the table below[21]:

	Pre First Conversion		**Post First Conversion[22]**		**Post Second Conversion [23]**		**Post issue of Seabank Shares (Resolution 8)[24]**	
	# of Shares	**%**	**# of Shares**	**%**	**# of Shares**	**%**	**# of Shares**	**%**
Australia Kengkong Investments Co Pty Ltd	620,000,000	19.82%	1,070,000,000	29.91%	2,070,000,000	45.22%	2,070,000,000	39.60%
H&H Holdings Australia Pty Ltd	1,085,110,976	34.69%	1,085,110,976	30.33%	1,085,110,976	23.70%	1,085,110,976	20.76%
Seabank Resources, LDA.	0	0%	0	0%	0	0%	650,000,000	12.43%
Hunter Hall Investment Management Limited	239,265,260	7.65%	239,265,260	6.69%	239,265,260	5.23%	239,265,260	4.58%
Other Shareholders	1,183,284,716	37.83%	1,183,284,716	33.07%	1,183,284,716	25.85%	1,183,284,716	22.64%
Total	**3,127,660,952**	**100%**	**3,577,660,952**	100%	**4,577,660,952**	**100%**	**5,227,660,952**	**100%**

** Depending when the Conditions are satisfied and completion of the Acquisition occurs, additional funds will be required to meet the Company's ordinary operating costs, the payment of Cash Consideration to Seabank, and any short term costs associated with the Acquisition. The Company will seek to raise such*

[21] This assumes that Resolutions 5 and 6 are approved and the First Conversion Shares and Second Conversion Shares are issued to Kengkong.
[22] On the basis that Resolutions 5 is approved and the First Conversion Shares are issued to Kengkong.
[23] On the basis that Resolutions 5 and 6 are approved and the First Conversion Shares and Second Conversion Shares are issued to Kengkong.
[24] On the basis that Resolutions 5 and 6 are approved and the First Conversion Shares and Second Conversion Shares are issued to Kengkong and that Resolutions 7 and 8 are approved and the Seabank Shares are issued to Seabank.

capital following the Meeting, ideally by making a placement of Future Placement Shares approved by Shareholders pursuant to Resolution 10. Such capital raisings will result in the dilution of the interests of existing Shareholders. However, the extent of the dilution is not known at this time.

(c) Consolidated annual revenue

The Acquisition is not likely to have any impact on the revenue of VDM as the Project is an exploration project and not likely to generate revenue in the immediate future.

(d) Consolidated annual expenditure

As described above, the effect on annual expenditure is not known, but VDM expects that that it will be significantly less than VDM's current annual expenditure, considering that for the 2014 financial year VDM's annual expenditure was approximately $39,700,000.

(e) Consolidated annual profit

VDM anticipates that the Acquisition will not derive revenue for some years and subsequently will not have any immediate impact on the Company's consolidated annual profit.

10.6. Details of how the Company will be modifying its business

(a) Exploration Funding Strategy and Proposed exploration programmes and budgets

The exploration programmes and schedules for the Project Joint Venture's Prospection Phase are subject to the agreement of the Parties and will have to satisfy the requirements of the Mineral Investment Contract (which has not yet been negotiated with the Angolan State).

Currently, a draft Mineral Investment Contract prepared by the Parties contemplates the Project Joint Venture undertaking reconnaissance, prospection and evaluation activities following the formal approval of the Mineral Investment Contract by the Angolan State. The Parties will fund these work programmes in the proportions agreed in the Copper Project Agreement during the Prospection Phase (VDM, approximately 79%).

Exploration programmes are typically planned and conducted in stages whereby the results of any stage have a significant impact on the type, amount and location of exploration performed on subsequent stages. Typically exploration programmes utilise less costly means to identify potential drilling targets and then more expensive diamond drilling is undertaken in specific areas that initially are contained and can then expand depending on earlier results. The Parties will be following this logical process. To have sufficient exploration information to complete a positive TEVS for the Project will require a significant investment in exploration activities, including diamond drilling, conducted over potentially several years and costing more than $25,000,000 in total. As this expenditure will be incurred during the Prospection Phase, then assuming that VDM's relevant interest does not change, it is expected that VDM will be required to fund approximately 79% of this amount.

10.7. Funding and future capital raising

The Company is to be advanced $10,000,000 in total under the Second Convertible Loan Agreement. The Company proposes to use part of these funds to pay some or all of the Cash Consideration should the Conditions be satisfied or waived. The Company expects net cash flow from operating activities to be negative in the first half of the 2015 financial year. As such, depending when the Conditions are satisfied and completion of the Acquisition occurs, additional funds will be required to meet the Company's ordinary operating costs, the payment of Cash Consideration to Seabank, and any short term costs associated with the Acquisition. The Company will seek to raise such capital following the Meeting, ideally by making a placement of Future Placement Shares approved by Shareholders pursuant to Resolution 10.

In order to meet the future funding requirements in the short term and over the life of the Project, the Company is likely to require additional funding, whether debt or equity. The amount and type of funding that is likely to be required in respect of the Project is not clear at this time, and will depend on a number of factors including the results of exploration, and the terms on which funding is available. In addition, the Company has had initial discussions with several large mining companies who have indicated an interest in partnering with the Company in the exploration and development the Project. These discussions remain incomplete and no formal agreement has been reached with any of these parties.

10.8. Proposed changes to the Company's board or senior management

The Copper Project Agreement does not contemplate any changes to the Company's board or senior management.

10.9. Timetable for implementing the Acquisition

In addition to obtaining shareholder approval, the Acquisition is conditional on the Parties and the Angolan State agreeing and executing the Mineral Investment Contract. Negotiations with the Angolan State in respect of the terms of the Mineral Investment Contract have commenced, however, there is no guarantee that the terms of the Mineral Investment Contract will be able to be executed in a timely fashion. Should the Mineral Investment Contract not be finalised within six months after the date of the Copper Project Agreement, any of the Parties may terminate the Copper Project Agreement, or the negotiating period may be extended if all Parties agree to an extension.

If the terms of the Mineral Investment Contract negotiated with the Angolan State are materially different to the draft terms of the Mineral Investment Contract summarised in Schedule D, it may be necessary for the Company to obtain a further shareholder approval.

10.10. Plans for the Company if the Acquisition is not completed

If the Acquisition is not completed, the Company will continue with its current activities and continue to look for alternate transactions or acquisitions to add value to the Company.

10.11. Advantages and disadvantages of the Acquisition

(a) Advantages of the Acquisition

The Directors expect that the Acquisition will deliver material benefits to VDM, including the following:

- **Potential Growth:** If the Acquisition is approved, Shareholders will be exposed to the potential benefits and growth associated with the Project;
- **Increase in value:** Subject to the exploration results obtained by the Parties, the Company may be able to increase its value if it is able to identify commercially viable mineral deposits;

- **Commercial opportunities:** The Company may be exposed to new commercial opportunities in the exploration mining sector; and

- **Raise funds:** Subject to the exploration results obtained by the Parties, the Company's ability to raise funds and attract new investors may be improved, which may provide greater liquidity and trading depth than currently experienced by Shareholders.

(b) Disadvantages of the Acquisition

The Directors note that there are a number of disadvantages of completing the Acquisition of which you should be aware, namely:

- **Risks**: Section 10.4(f) sets out the material risks to which the Company will be exposed as a result of completing the Acquisition.

- **Dilution:** Your percentage Shareholding and Voting Power in VDM will be diluted as a significant number of new Shares will be issued to Seabank and as as a result of future capital raisings which may be required in order to fund the Company's ordinary operating costs, the payment of Cash Consideration to Seabank, and any short term costs associated with the Acquisition.

- **Significant influence:** Seabank will become a substantial shareholder of the Company, and may be able to exercise significant influence in relation to the operations of VDM, including through its participation in the Project.

- **Disagree with change in scale:** The proposed change to the scale of the Company's business activities as a result of completion of the Acquisition may not be consistent with your objectives as a Shareholder.

10.12. Directors Recommendation

The Directors consider that the Acquisition is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 7.

Each Director who holds Shares (or whose associated entities hold Shares) and is entitled to vote intends to vote those shares in favour of Resolution 7.

10.13. Voting exclusion

For the purposes of Listing Rules 11.1.2 and for all other purposes, the Company will disregard any votes cast on Resolution 7 by any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 7 is passed, and any Associates of those persons.

However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

11. Resolution 8 - Approval to issue the Seabank Shares to Seabank

11.1. Application of Listing Rule 7.1

A summary of the application of Listing Rule 7.1 is set out in section 8.8(b) of this Explanatory Memorandum.

None of the exceptions contained in Listing Rule 7.2 apply to the issue of the Seabank Shares to Seabank. As such, the Company will only be able to issue the Seabank Shares to Seabank in the following circumstances:

(a) Shareholders approve Resolutions 5 and 6 and Kengkong elects to convert both the First Convertible Loan and the Second Convertible Loan – in this circumstance, the Seabank Shares should be able to be issued under the Company's 15% annual placement capacity[25];

(b) Shareholders approve Resolution 11 to allow the Company to issue Equity Securities under the 10% Enhanced Placement Facility – in this circumstance, the Seabank Shares should be able to be issued under the aggregate of the Company's 15% annual placement capacity, and the 10% Enhanced Placement Facility[26]; or

(c) Shareholders approve the issue of the Seabank Shares to Seabank pursuant to this Resolution 8.

11.2. Reasons for seeking Shareholder approval

The Board is seeking Shareholder approval in accordance with Listing Rule 7.3 to issue the Seabank Shares to Seabank under Listing Rule 7.1 so that:

(a) the Acquisition can complete even if First Conversion and Second Conversion do not occur, and Resolution 11 is not approved; and

(b) the Company maintains flexibility to issue Shares within its 15% annual placement capacity and the 10% Enhanced Placement Facility (should Resolution 11 be approved) following completion of the Acquisition.

11.3. Specific information required by Listing Rule 7.3

Listing Rule 7.3 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 7.1. In accordance with Listing Rule 7.3, the following information is provided to Shareholders to assist them to assess whether to approve Resolution 8:

(a) The maximum number of Shares to be issued.

The maximum number of Shares that the Company intends to issue under Resolution

[25] The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1 will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1.2 (described in section 8.7(b)) and so is subject to change.
[26] The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (see section 14.1(c)) and so is subject to change.

8 is 650,000,000.

(b) The date by which the Company will issue the Seabank Shares.

The Company will issue and allot the Seabank Shares no later than 3 months after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).

(c) The issue price of the Seabank Shares.

The Seabank Shares each have a notional issue price of $0.015.

(d) The name of the person to be issued the Shares.

Seabank Resources, LDA.

(e) The terms of the Seabank Shares.

The Seabank Shares are fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue.

(f) The intended use of the funds raised.

The Seabank Shares will be issued to Seabank, as part of the consideration for the acquisition of the Participating Interest and as such, no funds will be raised from the issue.

(g) A voting exclusion statement.

A voting exclusion statement in respect of Resolution 8 is set out in section 11.6 of the Explanatory Memorandum.

11.4. Conversion Independent Expert's Report

The Company engaged BDO Corporate Finance (WA) Pty Ltd to provide the Copper Project Independent Expert's Report with respect to the issue of the Seabank Shares to Seabank. It is intended to provide Shareholders with information that is material to the decision on how to vote on Resolution 8. The Independent Expert has concluded that the issue of the Seabank Shares to Seabank is fair and reasonable to the Shareholders of the Company not associated with Seabank.

The Copper Project Independent Expert's Report also contains an assessment of the advantages and disadvantages of issuing the Seabank Shares to Seabank. This assessment is designed to assist all Shareholders in reaching their voting decision.

A copy of the Copper Project Independent Expert's Report is set out in Appendix B to the Explanatory Memorandum. The Directors recommend that the Shareholders read the Copper Project Independent Expert's Report in its entirety before deciding whether or not to vote in favour of Resolutions 7 and 8.

11.5. Directors recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 8.

The Directors consider that the Acquisition is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 8.

Each Director who holds Shares (or whose associated entities hold Shares) and is entitled to vote intends to vote those shares in favour of Resolution 8.

Resolution 8 is subject to the approval of Resolution 7, meaning that if Shareholders do not approve Resolution 7, the issue of the Seabank Shares to Seabank will not be approved under this Resolution 8.

11.6. Voting exclusion

For the purposes of Listing Rules 7.1, and for all other purposes, the Company will disregard any votes cast on Resolution 8 by Seabank and any of its Associates.

However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

12. Resolution 9 – Approval of Placement Shares in the last 12 months

12.1. Background

On 10 December 2013, the Company issued 75,000,000 Shares to Golden Bloom Investments Pty Ltd, a sophisticated investor, at an issue price of $0.01 per Share (**Placement Shares**). The Shares were issued pursuant to the Company's 15% capacity under Listing Rule 7.1 (**Placement**).

12.2. Listing Rule 7.1

A summary of the application of Listing Rule 7.1 is set out in section 8.8(b) of this Explanatory Memorandum.

The outcome of this Resolution 9 will have no effect on the issue of the Placement Shares as the Company has already issued those Shares within the Company's annual 15% limit prescribed by Listing Rule 7.1.

If Resolution 9 is approved, VDM will be able to ratify the issue and allotment of the Placement Shares and preserve the Company's ability to issue further securities (if necessary) under Listing Rule 7.1. The result is that the Company will have a renewed ability to issue securities up to the 15% limit without the need to obtain Shareholder approval under Listing Rule 7.1.

If Resolution 9 is not approved by Shareholders, it will restrict the ability of the Company to issue securities without Shareholder approval until the Company's 15% capacity is replenished, in accordance with Listing Rule 7.1.

12.3. Listing Rule 7.4

Listing Rule 7.4 permits a company to subsequently approve an issue of securities made without approval under Listing Rule 7.1. Resolution 9 has been included in the Notice to preserve the Company's ability to issue further securities (if necessary) under Listing Rule 7.1.

Listing Rule 7.4 states that an issue of securities made without shareholder approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and the shareholders of the company subsequently approve it.

12.4. Requirements under the Listing Rules

In accordance with Listing Rule 7.5, the following information is provided to Shareholders to allow them to assess whether to approve Resolution 9:

(a) The number of Shares issued.

A total of 75,000,000 Shares were allotted and issued on 10 December 2013.

(b) The price at which the Placement Shares there issued.

The Shares were issued at a price of $0.01 per Share.

(c) The terms of the Placement Shares.

The Shares issued pursuant to this Resolution 9 rank equally in all respects with all other Shares in the Company and are listed on ASX.

(d) The basis on which the Placement Shares were issued.

The Shares were allotted and issued to Golden Bloom Investments Pty Ltd, a sophisticated investor, who was not, at the time of the issue, a Related Party of the Company, or an Associate of a Related Party of the Company.

(e) The use of the funds raised.

$750,000 was raised by the Placement. The funds raised were used by the Company to strengthen the Company's balance sheet and provide necessary working capital to the business.

(f) A voting exclusion statement.

A voting exclusion statement in respect of Resolution 9 is set out in section 12.6 of this Explanatory Statement.

12.5. Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 9.

Each Director who holds Shares (or whose associated entities hold Shares) and is entitled to vote intends to vote those Shares in favour of Resolution 9.

12.6. Voting exclusion

For the purposes of Listing Rule 7.4, and for all other purposes, the Company will disregard any votes cast on Resolution 9 by Golden Bloom Investments Pty Ltd and any of its Associates.

However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by a person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

13. Resolution 10 – Approval of Future Placement Shares

13.1. Background

Resolution 10 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of up to 1,500,000,000 Shares within three months of the date of the Meeting each at an issue price of not less than 80% of the VWAP of Shares for the last five days on which sales of the Shares are recorded before the day on which the issue will be made (**Future Placement Shares**) to sophisticated and professional investors who are not Related Parties or Associates of Related Parties of the Company (**Future Placement**).

The dilution to the interests of existing Shareholders as a result of the issue of the Future Placement Shares is set out in the table below:

	% Dilution (based on current issued share capital)	**% Dilution (based on issued share capital following First Conversion, Second Conversion and issue of Seabank Shares)**
750,000,000 Shares issued (50% of the Future Placement Shares)	23.98%	14.35%
1,500,000,000 Shares issued (100% of the Future Placement Shares)	47.96%	28.69%

13.2. Rationale

The Company expects net cash flow from operating activities to be negative in the first half of the 2015 financial year. As such, depending when the Conditions are satisfied and completion of the Acquisition occurs, additional funds will be required to meet the Company's ordinary operating costs, the payment of Cash Consideration to Seabank, and any short term costs associated with the Acquisition. The Company will seek to raise such capital following the Meeting.

If Resolution 10 is approved, the Company will seek to raise such funds by making a placement of Future Placement Shares and without using the Company's 15% annual placement capacity or (assuming Resolution 11 is approved), the Company's 10% Enhanced Placement Facility. This will allow the Company to retain additional flexibility to raise funds in the future to meet the Company's ongoing operating and exploration costs without the need for shareholder approval.

13.3. Application of Listing Rule 7.1

A summary of the application of Listing Rule 7.1 is set out in section 8.8(b) of this Explanatory Memorandum.

13.4. Specific information required by Listing Rule 7.3

Listing Rule 7.3 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 7.1. In accordance with Listing Rule 7.3, the following information is provided to Shareholders to assist them to assess whether to approve Resolution 10:

(a) The maximum number of Shares to be issued.

The maximum number of Shares that the Company intends to issue under Resolution 10 is 1,500,000,000.

(b) The date by which the Company will issue the Future Placement Shares.

The Company will issue and allot the Future Placement Shares no later than three months after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).

(c) The issue price of the Future Placement Shares.

The Future Placement Shares will each be allotted at an issue price of not less than 80% of the VWAP of Shares for the last five days on which sales of the Shares are recorded before the day on which the issue will be made.

(d) The name of the person.

At the Board's discretion, the Future Placement Shares will be issued to sophisticated and professional investors who are not Related Parties or Associates of Related Parties of the Company, subject to compliance with the Corporations Act and the Listing Rules.

(e) The terms of the Future Placement Shares.

The Future Placement Shares will be fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue.

(f) The intended use of the funds raised.

It is intended that the funds raised will be used by the Company to strengthen the Company's balance sheet, to provide necessary working capital to the business, and depending on the timing of Completion of the Acquisition, to fund the payment of the Cash Consideration to Seabank, to meet any short term costs associated with the Acquisition and to provide funding for early stage exploration work related to the Project.

(g) A voting exclusion statement.

A voting exclusion statement in respect of Resolution 10 is set out in section 13.6 of the Explanatory Memorandum.

13.5. Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 10.

Each Director who holds Shares in VDM (or whose associated entitled hold Shares) and is entitled to vote intends to vote those Shares in favour of Resolution 10.

13.6. Voting exclusion

For the purposes of Listing Rule 7.1, and for all other purposes, the Company will disregard any votes cast on Resolution 10 by any person who will participate in the Future Placement on and any Associate of such person.

However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

14. Resolution 11 - Approval of 10% Enhanced Placement Facility

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Enhanced Placement Facility**). The 10% Enhanced Placement Facility is in addition to the Company's 15% placement capacity without shareholder approval under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of $300 million or less as at the date of the annual general meeting. The Company is an eligible entity as at the time of this Notice and expects to remain so at the date of the AGM.

The Company is seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Enhanced Placement Facility. The exact number of Equity Securities to be issued under the 10% Enhanced Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (see section 14.1(c) below).

The effect of Resolution 11 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1. Resolution 11 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

14.1. Background

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Enhanced Placement Facility is subject to Shareholder approval by way of a special resolution at the Annual General Meeting.

(b) Equity Securities

Any Equity Securities issued under the 10% Enhanced Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company. As at the date of the Notice, the Company's Shares are the only class of Equity Securities on issue. The Shares are the only class of Equity Securities that are quoted.

(c) Formula for calculating 10% Enhanced Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

(A x D) – E

A is the number of Shares on issue 12 months before the date of issue or agreement:

(i) plus the number of fully paid Shares issued in the 12 months under an exception in Listing Rule 7.2;

(ii) plus the number of partly paid Shares that became fully paid in the 12 months;

(iii) plus the number of fully paid Shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;

(iv) less the number of fully paid Shares cancelled in the 12 months.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%.

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

A summary of the application of Listing Rule 7.1 is set out in section 8.7(b) of this Explanatory Memorandum.

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity without shareholder approval under Listing Rule 7.1.

At the date of this Notice, the Company has 3,127,660,952 Shares on issue. Therefore subject to Shareholder approval the Company will have a capacity to issue:

(i) 469,149,142 Equity Securities under Listing Rule 7.1; and

(ii) subject to Shareholder approval being obtained under Resolution 11, 312,766,095 Equity Securities under Listing Rule 7.1A.1

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (see section 14.1(c) above) and so is subject to change (including as a result of the issue of the First Conversion Shares, Second Conversion Shares and Seabank Shares contemplated in this Explanatory Memorandum).

(e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days immediately before:

(i) the date on which the price at which the Equity Securities are to be issued is agreed; or

(ii) if the Equity Securities are not issued within five Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Enhanced Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

(i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or

(ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(**10% Placement Period**).

14.2. Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Enhanced Placement Facility as follows:

(a) Minimum price of securities issued under the 10% Enhancement Placement Facility

The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days immediately before:

(i) the date on which the price at which the Equity Securities are to be issued is agreed; or

(ii) if the Equity Securities are not issued within five Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

If the Equity Securities are issued for non-cash consideration the Company will provide to the market, in accordance with the Listing Rules, a valuation of the non-cash consideration that demonstrates that the issue price of the securities complies with Listing Rule 7.1A.3.

(b) Risk of economic and voting dilution

If Resolution 11 is approved by Shareholders and the Company issues Equity Securities under the 10% Enhanced Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:

(i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and

(ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the potential dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities (being variable "A" as calculated in accordance with the formula in Listing Rule 7.1A.2) on issue as at the date of this Notice.

The table shows:

(i) two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved a future Shareholders' meeting; and

(ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

The table has been prepared on the following assumptions:

(i) The Company issues the maximum number of Equity Securities available under the 10% Enhanced Placement Facility.

(ii) No Options or Rights are issued, vest and are exercised before the date of the issue of the Equity Securities.

(iii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.

(iv) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on the Shareholder's holding at the date of the Meeting.

(v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.

(vi) The issues of Equity Securities under the 10% Enhanced Placement Facility consists only of Shares.

(vii) The issue price is $0.01, being the closing price of the Shares on ASX on 20 October 2014.

Variable 'A' in Listing Rule 7.1A.2		**Dilution**		
		$0.005 50% decrease in Issue Price	**$0.01 Issue price**	**$0.02 100% increase in issue price**
Current Variable A	**10% Voting Dilution**	305,266,095 Shares	305,266,095 Shares	305,266,095 Shares
3,052,660,952 **Shares**	**Funds raised**	$ $1,526,330.48	$ $3,052,660.95	$ $6,105,321.90
50% increase in current Variable A	**10% Voting Dilution**	457,899,142Shares	457,899,142Shares	457,899,142Shares
4,578,991,428 **Shares**	**Funds raised**	$ $2,289,495.71	$ $4,578,991.42	$ $9,157,982.84
100% increase in current Variable A	**10% Voting Dilution**	610,532,190 Shares	610,532,190 Shares	610,532,190 Shares
6,105,321,904 **Shares**	**Funds raised**	$ $3,052,660.95	$ $6,105,321.90	$ $12,210,643.81

(c) The final date for issue

The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 11 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).

(d) Purpose of issue under 10% Enhanced Placement Facility

The Company may seek to issue the Equity Securities for the following purposes:

(i) non-cash consideration for the acquisition of the new resources, assets or investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or

(ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards continued exploration and feasibility study expenditure on the Company's portfolio of assets and/or general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Enhanced Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

(i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;

(ii) the effect of the issue of the Equity Securities on the control of the Company;

(iii) the financial situation and solvency of the Company; and

(iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Enhanced Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not Related Parties or Associates of a Related Party of the Company.

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the allottees under the 10% Enhanced Placement Facility will be the vendors of the new resources, assets or investments.

(e) As the Company has previously obtained Shareholder approval under Listing Rule 7.1A, the following information is provided to Shareholders, in accordance with Listing Rule 7.3A.6, regarding the Equity Securities issued in the previous 12 months preceding the date of the Meeting (that is, since 28 November 2013):

(i) Total Equity Securities issued in previous 12 months:

Number of Equity Securities on issue on at commencement of 12 month period	1,073,954,032 Shares
Equity securities issued in prior 12 month period*	2,053,706,920 Shares
Percentage previous issues represent of total number of equity securities on issue at commencement of 12 month period	191.23% increase in Shares

(ii) The details of all issues of Equity Securities by the Company during the 12 months proceeding the 2013 Annual General Meeting are as follows:

Date of issue:	19 March 2014

Number issued:	120,000,000
Class/Type of equity security:	Shares
Summary of terms:	The Shares rank equally in all respects with existing Shares on issue
Names of persons who received securities or basis on which those persons was determined:	Australia Kengkong Investments Co Pty Ltd
Price at which equity securities were issued:	$0.01
Discount to market price (if any):	No discount (closing price on issue date was $0.009)
Total cash consideration:	$1,200,000
The amount of the cash consideration used and what cash consideration was spent on:	The Company used all of the cash consideration to strengthen the Company's balance sheet and provide necessary working capital to the business.

Date of issue:	28 January 2014
Number issued:	1,214,685,616
Class/Type of equity security:	Shares
Summary of terms:	The Shares rank equally in all respects with existing Shares on issue
Names of persons who received securities or basis on which those persons was determined:	Shares issued to Shareholders pursuant to a non-renounceable entitlement offer announced on 10 December 2013 • 400,000,000 Shares were issued to H&H Holdings Australia Pty Ltd (underwriter of the entitlement offer); • 500,000,000 Shares were issued to Australia Kengkong Investments Co Pty Ltd (sub-underwriter of the entitlement offer); and • 778,531,439 Shares were issued under acceptances by other shareholders.
Price at which equity securities were issued:	$0.01
Discount to market price (if any):	No discount (closing price on issue date was $0.01)
Total cash consideration:	$12,146,856.16
The amount of the cash consideration used and what the cash consideration was spent on:	The Company used all of the cash consideration to strengthen the Company's balance sheet and provide necessary working capital to the business.

Date of issue:	10 December 2013
Number issued:	143,977,917
Class/Type of equity security:	Shares
Summary of terms:	The Shares rank equally in all respects with existing Shares on issue
Names of persons who received securities or basis on which those persons was determined:	Creditors of the Company (referred to as the "Jimblebar Creditors" in the Company notice of annual general meeting for 2013) that entered into binding agreements or arrangements in

	relation to the Jimblebar project.
Price at which equity securities were issued:	$0.01
Discount to market price (if any):	$0.002 discount to market price (closing price on issue date was $0.012)
Total cash consideration:	$1,439,779.17
The amount of the cash consideration used and what the cash consideration was spent on:	The Company used all of the cash consideration to repay the outstanding debt owed to each Jimblebar Creditor.

Date of issue:	10 December 2013
Number issued:	75,000,000
Class/Type of equity security:	Shares
Summary of terms:	The Shares rank equally in all respects with existing Shares on issue
Names of persons who received securities or basis on which those persons was determined:	Shares issued by way of placement to Golden Bloom Investments Pty Ltd, a sophisticated investor, to raise additional working capital
Price at which equity securities were issued:	$0.01
Discount to market price (if any):	$0.002 discount to market price (closing price on issue date was $0.012)
Total cash consideration:	$75,000,000
The amount of the cash consideration used and what the cash consideration was spent on:	The Company used all of the cash consideration to strengthen the Company's balance sheet and provide necessary working capital to the business.

Date of issue:	29 November 2013
Number issued:	500,000,000
Class/Type of equity security:	Shares
Summary of terms:	The Shares rank equally in all respects with existing Shares on issue
Names of persons who received securities or basis on which those persons was determined:	H&H Holdings Australia Pty Ltd
Price at which equity securities were issued:	$0.01
Discount to market price (if any):	No discount (closing price on issue date was $0.01)
Total cash consideration:	$5,000,000
The amount of the cash consideration used and what the cash consideration was spent on:	The Company used all of the cash consideration to repay the convertible loan advanced by H&H Holdings Australia Pty Ltd on 27 August 2013.

Date of issue:	29 November 2013
Number issued:	43,386
Class/Type of equity security:	Shares
Summary of terms:	The Shares rank equally in all respects with existing Shares on issue
Names of persons who received securities or basis on which those persons was determined:	Holders of previously quoted options that expired 30 November 2013.
Price at which equity securities were issued:	$0.05
Discount to market price (if any):	No discount (closing price on issue date was

	$0.01)
Total cash consideration:	$2,169.30
The amount of the cash consideration used and what the cash consideration was spent on:	The Company used all of the cash consideration to strengthen the Company's balance sheet and provide necessary working capital to the business.

(f) Voting exclusion statement

A voting exclusion statement in respect of Resolution 11 is set out in section 14.4 of the Explanatory Memorandum.

14.3. Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 11.

Each Director who holds Shares in VDM (or whose associated entitled hold Shares) and is entitled to vote intends to vote those Shares in favour of Resolution 11.

14.4. Voting exclusion

A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not determined its allocation policy for the issue of Equity Securities under the 10% Enhanced Placement Facility and proposed allottees of any Equity Securities are therefore not as yet known or identified. The Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

15. Glossary

For the purposes of this Notice of Annual General Meeting and the Explanatory Memorandum, the following definitions apply:

"10% Enhanced Placement Facility" has the meaning given in section 14 of the Explanatory Memorandum;

"10% Placement Period" has the meaning given in section 14.1(f) of the Explanatory Memorandum;

"2013 Annual General Meeting" means the annual general meeting of the Company held on 29 November 2013;

"Acquisition" means the proposed acquisition of the Participating Interest from Seabank pursuant to the terms and conditions of the Copper Project Agreement;

"AGM", **Annual General Meeting"** or **"Meeting"** means the annual general meeting of Shareholders of the Company convened by this Notice;

"AMC" means AMC Consultants Pty Ltd;

"Angola" means the Republic of Angola;

"Angolan State" means the Government of the Republic of Angola;

"Annual Report" means the annual report of the Company for the year ended 30 June 2014;

"Associate" has the meaning given to that term by Division 2 of Part 1 of the Corporations Act;

"**Accounting Standards**" has the meaning given to that term in the Corporations Act;

"ASX" means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"Board" means the board of Directors of the Company;

"Business Day" means a day (other than a Saturday or Sunday) on which trading banks in Perth are open for ordinary business;

"Cash Consideration " has the meaning given in section 10.4(b) of the Explanatory Memorandum;

"Closely Related Party" of the Key Management Personnel has the meaning given to that term in the Corporations Act;

"Company" or **"VDM"** means VDM Group Limited ABN 95 109 829 334, and where the context permits, wholly owned subsidiaries of the parent;

"Conditions" has the meaning given in section 10.4(a) of the Explanatory Memorandum;

"Consideration" has the meaning given in section 10.4(b) of the Explanatory Memorandum;

"Constitution" means the constitution of the Company;

"Conversion Independent Expert's Report" means the independent expert's report in respect to the First Conversion and the Second Conversion prepared by the Independent Expert annexed to the Notice as Appendix A;

"Copper Project Agreement " means the agreement entered into between VDM, Seabank and Pebric in respect of the Project dated 26 September 2014;

"Copper Project Independent Expert's Report" means the independent expert's report in respect to the Acquisition prepared by the Independent Expert annexed to the Notice as Appendix B;

"Corporations Act" means the *Corporations Act 2001* (Cth);

"Covered Metals" means ferrous and non-ferrous metals;

"Director" means a Director of the Company from time to time;

"Equity Securities" has the same meaning as in the Listing Rules;

"Explanatory Memorandum" means the explanatory memorandum accompanying the Notice;

"**First Conversion"** means the conversion of the First Convertible Loan to Shares;

"First Conversion Date" means the date on which VDM receives or is deemed to receive a conversion notice from Kengkong in respect to the First Conversion;

"**First Conversion Shares**" means 450,000,000 Shares at a price of $0.01 per Share;

"**First Convertible Loan**" means the loan of $4,500,000 under the First Convertible Loan and Facility Agreement;

"First Convertible Loan and Facility Agreement" means the agreement entered into between VDM and Kengkong in respect of the First Conversion dated 5 May 2014;

"Future Placement" has the meaning given in section 13.1 of the Explanatory Memorandum;

"Future Placement Shares" has the meaning given in section 13.1 of the Explanatory Memorandum;

"H&H" means H&H Holdings Australia Pty Ltd;

"IGEO" means Angolan Institute of Geology;

"Independent Expert" means BDO Corporate Finance (WA) Pty Ltd;

"Independent Technical Report" means the independent technical report prepared by AMC annexed to the Notice as Appendix C;

"Jimblebar Creditors" means those creditors of VDM who have entered into binding agreements with VDM in relation to the Jimblebar project;

"JV Company" means the proposed limited liability company incorporated to hold the Mining Title proposed to be granted pursuant to the terms of the Mineral Invesment Contract;

"Kengkong" means Australia Kengkong Investments Co Pty Ltd;

"Kengkong Controller" has the meaning given in section 8.9(e) of the Explanatory Memorandum;

"**Key Management Personnel**" has the meaning given in the Accounting Standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company;

"Listing Rules" means the Listing Rules of ASX;

"MGM" means the Angolan State's Ministry of Geology and Mines;

"Mineral Resource" has the meaning given by the JORC Code;

"Mineral Investment Contract" means the proposed contract to be entered into by VDM, Seabank, Pebric and the Angolan State in accordance with the new Angolan Mining Code;

"Mining Phase" has the meaning given in section 10.4(c) of the Explanatory Memorandum;

"Mining Title" means the mining title to be issued by the MGM in respect to the Project;

"Notice" or **"Notice of Annual General Meeting"** means this notice of Annual General Meeting;

"Osmonix" means Osmonix Co.,Ltd (a company incorporated in the British Virgin Islands);

"Participating Interest" means the 65% interest in the Project Joint Venture;

"Party" means a party to the Copper Project Agreement, being VDM, Pebric and Seabank.

"Pebric" means Pebric Mining and Consulting, LDA., a company incorporated under the laws of Angola;

"Placement" has the meaning given in section 12 of the Explanatory Memorandum;

"Placement Shares" has the meaning given in section 12.1 of the Explanatory Memorandum;

"Project" means the Cachoeiras do Binga copper exploration project located in the Republic of Angola;

"Project Joint Venture" means the unincorporated joint venture between Seabank and Pebric for the prospection and exploitation of minerals in respect to Project, and following completion of the Copper Project Agreement, the unincorporated joint venture between VDM, Seabank and Pebric for the prospection and exploitation of minerals in respect to Project;

"Project Joint Venture Agreement" means the joint venture agreement between Seabank and Pebric dated 15 April 2014 forming the Project Joint Venture to which VDM will become a party pursuant to the Copper Project Agreement;

"Prospection Phase" has the meaning given in section 10.4(c) of the Explanatory Memorandum;

"Prospection Title" means prospection title no. 049/01/05/T.P./ANG-M.G.M.I/2012, issued by the MGM to Pebric on 15 May 2012 and valid until 15 May 2017, valid for the exercise of mineral rights of prospection, evaluation, reconnaissance and appraisal of Covered Metals in respect to the Project;

"Proxy Form" means the proxy form attached to this Notice;

"Related Party" has the meaning given to it in the Corporations Act;

"Relevant Interest" has the meaning given by section 608 of the Corporations Act;

"Remuneration Report" means the remuneration report set out in the Director's report section of the Company's Annual Report;

"Resolution" means a resolution contained in this Notice;

"SANY" has the meaning given in section 3.1 of the Explanatory Memorandum;

"Seabank" means Seabank Resources, LDA. a company incorporated under the laws of Angola;

"Seabank Shares" has the meaning given in section 10.4(b) of the Explanatory Memorandum;

"**Second Conversion"** means the conversion of the Second Convertible Loan to Shares;

"Second Conversion Date" means the date on which VDM receives or is deemed to receive a conversion notice from Kengkong in respect to the Second Conversion;

"**Second Conversion Shares**" means 1,000,000,000 Shares at a price of $0.01 per Share;

"**Second Convertible Loan**" means the loan of $10,000,000 under the Second Convertible Loan and Facility Agreement;

"Second Convertible Loan and Facility Agreement" means the agreement entered into between VDM and Kengkong in respect of the Second Conversion dated 22 September 2014;

"Share" means an ordinary fully paid share in the capital of the Company;

"Shareholder" means a holder of Shares;

"Shareholding" means a holding of Shares;

"Share Registrar" means Computershare Investor Services Pty Limited ABN 48 078 279 277;

"TEVS" means Technical and Economic Viability Study(ies);

"Trading Day" has the has the meaning given in the Listing Rules;

"UNDP" means the United Nations Development Programme;

"Voting Power" has the meaning given by section 610 of the Corporations Act;

"**VWAP"** means volume weighted average price; and

"$" means Australian dollars.

Schedule A - Material terms of the First Convertible Loan and Facility Agreement

The First Convertible Loan and Facility Agreement was entered into by VDM and Kengkong on 5 May 2014.

Convertible Loan

Pursuant to the First Convertible Loan and Facility Agreement, Kengkong agreed to loan $4,500,000 to VDM and, upon Shareholders approving Resolution 5, Kengkong is entitled to convert the First Convertible Loan into 450,000,000 Shares at a deemed issue price of $0.01 per Share within one month of the date of the Meeting. If Kengkong elects to convert the First Convertible Loan, VDM will issue the First Conversion Shares to Kengkong and the principal of the First Convertible Loan will be deemed to be repaid.

Key terms

The First Convertible Loan has the following key terms:

(a) The loan is unsecured.

(b) The loan is repayable on the later of four months after the date of the First Convertible Loan and Facility Agreement and 30 Business Days after the date of the Meeting.

(c) The First Conversion is subject to Shareholders passing Resolution 5 at the Meeting and Kengkong electing to convert the First Convertible Loan within one month after the date of the Meeting.

(d) Interest of 10% per annum, is payable up to the date of the Meeting and 15% per annum thereafter. A default interest of 2% plus the applicable interest rate shall apply if VDM fails to pay any amount by the time it is due under the First Convertible Loan and Facility Agreement.

(e) The facility cannot be repaid by the Company prior to the Meeting and must be repaid within 30 Business Days from the date of the Meeting (if Shareholder approval is not received).

The First Convertible Loan is to be used for general working capital purposes of VDM in the ordinary course of VDM's business or as otherwise consented to in writing by Kengkong.

Conversion

Upon Resolution 5 being approved by Shareholders at the Meeting, Kengkong shall have the right, within one month after the date of the Meeting, to convert the First Conversion Loan into the First Conversion Shares. VDM must allot and issue to Kengkong the First Conversion Shares within five Business Days after the First Conversion Date.

On the date that VDM issues the First Conversion Shares to Kengkong, the loan of $4,500,000 (excluding accrued interest) will be taken to have been paid in full.

In the event that Resolution 5 is not approved by Shareholders VDM will be required to pay to Kengkong a fee of $45,000 (as an amount for liquidated damages and compensation for Kengkong's costs) within 30 Business Days from the date of the Meeting, and the interest rate will increase to 15% per annum from the date of the Meeting.

In addition, if the First Conversion does not occur (whether because Resolution 5 is not approved by Shareholders or because Kengkong does not elect to convert the First Convertible Loan), VDM will be required to repay the First Convertible Loan (together with all amounts due and payable) to Kengkong within 30 Business Days from the date of the Meeting.

Warranties

VDM has given a number of warranties to Kengkong, including as to VDM's capacity and authority. The warranties are customary for a facility of this nature.

Events of default and undertakings

The First Convertible Loan and Facility Agreement contains events of default and undertakings in relation to the conduct of VDM's business customary for facilities of this nature.

If an event of default occurs then Kengkong may declare that the loan will be cancelled and all amounts due and payable will become immediately due and payable by Kengkong.

Schedule B - Material terms of the Second Convertible Loan and Facility Agreement

The Second Convertible Loan and Facility Agreement was entered into by VDM and Kengkong on 22 September 2014.

Second Convertible Loan

Under the terms of the Second Convertible Loan and Facility Agreement, Kengkong has advanced (or will advance) $10,000,000 in three tranches to VDM as follows:

- $3,000,000 on Thursday, 25 September 2014;
- $3,000,000 on Tuesday, 14 October 2014; and
- $4,000,000 on Friday, 14 November 2014.

As such, all three tranchesshould be drawn down prior to the Meeting.

Key terms

The Second Convertible Loan has the following key terms:

(a) The loan can only be used for:

1) the general working capital purposes in the ordinary course of VDM's business; and

2) any project development purpose, including the Copper Project Acquisition, to which VDM receives the consent of Kengkong.

(b) The loan is unsecured.

(c) The loan is repayable on the later of four months after the date of the Second Convertible Loan and Facility Agreement and 60 Business Days after the date of the Meeting.

(d) The Second Conversion is subject to Shareholders passing Resolutions 5 and 6 at the Meeting and Kengkong electing to convert the Second Convertible Loan within one month after the date of the Meeting.

(e) Interest of 8% per annum, is payable up to one month after the date of the Meeting and 13% thereafter. A default interest of 2% plus the applicable interest rate shall apply if VDM fails to pay any amount by the time it is due under the Second Convertible Loan and Facility Agreement.

(f) The facility cannot be repaid by the Company prior to the Meeting and must be repaid within 60 Business Days from the date of the Meeting (if Shareholder approval is not received or Second Conversion does not occur).

(g) Any other future issue of securities by the Company is subject to Kengkong's prior approval, which shall not be unreasonably withheld, until:

1) if Second Conversion occurs, the earlier of 12 months after the date of the Meeting, and Kengkong ceasing to have a relevant interest in at least 20% of the Shares on issue; and

2) otherwise, the date that all amounts owing to Kengkong have been repaid.

Conversion

Upon Resolutions 5 and 6 being approved by Shareholders at the Meeting, Kengkong shall have the right, within one month of the Meeting, to convert the Second Conversion Loan into the Second Conversion Shares. VDM must allot and issue to Kengkong the Second Conversion Shares within five Business Days after the Second Conversion Date.

On the date that VDM issues the Second Conversion Shares to Kengkong, the loan of $10,000,000 (excluding accrued interest) will be taken to have been paid in full. The notional subscription price of $0.01 per Share will be set off against the principal under the Second Conversion Loan.

In the event that Resolutions 5 and 6 are not approved by Shareholders VDM will be required to pay to Kengkong an amount of $100,000 (as an amount for liquidated damages and compensation for Kengkong's costs) within 60 Business Days from the date of the Meeting.

In addition, if Resolutions 5 and 6 are not approved by Shareholders, or Kengkong does not elect to convert the Second Convertible Loan, and consequently the Second Conversion does not take place, the following terms will apply:

(a) The Second Convertible Loan will remain a pure debt facility; and

(b) VDM will be required to repay the Second Conversion Loan (together with all amounts due and payable) to Kengkong within 60 Business Days from the date of the Meeting.

Warranties

VDM has given a number of warranties to Kengkong, including as to VDM's capacity and authority. The warranties are customary for a facility of this nature.

Events of default and undertakings

The Second Convertible Loan and Facility Agreement contains events of default and undertakings in relation to the conduct of VDM's business customary for facilities of this nature.

If an event of default occurs then Kengkong may declare that the loan will be cancelled and all amounts due and payable will become immediately due and payable by Kengkong.

Schedule C - Material terms of the Copper Project Agreement

The Copper Project Agreement was entered into by VDM, Seabank and Pebric on 26 September 2014.

Conditions and consideration regarding Acquisition

The Copper Project Agreement has the following key terms:

(a) VDM's acquisition of the Participating Interest in the Project Joint Venture, the issue of the Seabank Shares and the payment of the Cash Consideration are subject to the satisfaction or waiver of the Conditions.

(b) If either of the Conditions are not satisfied or waived by VDM within six calendar months of the execution of the Copper Project Agreement, then any Party may terminate the agreement.

(c) The execution of the Mineral Investment Contract will perfect the Project Joint Venture's rights in respect of the prospecting title relating to the Project and authorise the Project Joint Venture to commence exploration activities.

(d) From completion of the Acquisition, and assuming that VDM's Participating Interest does not change, VDM will be responsible for funding approximately 79% of the project costs during the Prospection Phase. Pebric's 30% participating interest will be free carried as to 15% during the Prospection Phase.

(e) Upon the approval of a TEVS and issue of a Mining Title in respect of the Project, VDM’s funding obligations will reduce to its participating interest at that time, being 65%.

Angolan approvals

To complete the mining investment procedure with the Angolan State, the MGM is required to notify “ANIP”, the National Private Investment Agency and a “CRIP”, a Private Investment Registration Certificate, must be issued to VDM. After which the National Bank of Angola will issue a capital import license for the foreign investment. Until these pre-requisites are satisfied, VDM will not be able to meet any funding obligations in respect of the Project.

Participating Interest acquired

Under the Copper Project Agreement, VDM proposes to acquire the Participating Interest. VDM's interest in the Project Joint Venture will be limited to a legal and beneficial participating interest in the Project Joint Venture and the Mineral Investment Contract.

The Prospection Title is held by Pebric. Under the Copper Project Agreement the Parties agree to undertake the Prospecting Phase exclusively together and agree the mineral rights inherent in the Prospection Title will be exercised exclusively together and provides for VDM, Pebric and Seabank to associate (on the terms of the Project Joint Venture) for the purposes of pursuing the exploration and mining opportunity in Angola represented by the Mineral Investment Contract.

The draft Mineral Investment Contract provides that following the Prospection Phase the Prospecting Title will be held by the JV Company in which VDM will have a shareholding equivalent to its Participating Interest. Any Mining Title would be granted to this JV Company. In addition, the Copper Project Agreement contemplates that the Parties may incorporate the JV Company during the Prospection Phase to enter into the Mineral Investment Contract on behalf of the Parties to facilitate VDM obtaining funding for the Project.

Decision making under the Project Joint Venture

The Copper Project Agreement contemplates that the Project Joint Venture will exercise their rights under the Prospection Title subject to the terms of the Mineral Investment Contract. The decision making structure of the Project Joint Venture is the same as summarised in Schedule D in respect of the Prospection Phase.

Warranties

VDM has given a number of warranties to Seabank and Pebric, including as to VDM's capacity and authority. The warranties are customary for an agreement of this nature.

Events of default and undertakings

The Copper Project Agreement contains events of default and undertakings in relation to the conduct of VDM's business customary for agreements of this nature.

In particular, should VDM fail to meet its funding obligations, it will be in breach of the Project Joint Venture Agreement and, in the event that Pebric or Seabank elect to provide funding in lieu of VDM, VDM will be required to enter into a loan agreement with the funding party or transfer a percentage no higher than 15% of its Participating Interest to the funding Party.

Schedule D - Summary of the Mineral Investment Contract

The Copper Project Agreement includes a draft Mineral Investment Agreement which the Parties intend to negotiate and execute with the Angolan State. The draft Mineral Investment Agreement sets out the terms and conditions for the Parties' participation with the Angolan State in relation to the Prospection Phase and the Mining Phase of the Project.

Prospection Phase

The following summarises the material terms of the Mineral Investment Contract that apply during the Prospection Phase:

(a) **Nature of participating interest**: The draft Mineral Investment Contract contemplates that during the Prospection Phase, the Parties will develop the Project as an unincorporated joint venture with the following participating interests: VDM – 65%, Pebric – 30% and Seabank - 5%.

(b) **Prospecting Title**: The Project Prospecting Title will be held by Pebric. Pebric must not assign its interest in the Prospecting Title without the approval of the other Parties.

(c) **Holding of assets**: During the Prospection Phase, assets acquired by the Project Joint Venture will be co-owned by the Parties in proportion to their participating interest in the Project Joint Venture.

(d) **Funding**: The Parties will provide the funding necessary to conduct the activities of the Project Joint Venture during the Prospection Phase in accordance with their participating interests. However, 15% of Pebric's participating interest will be carried by Seabank and VDM pro-rata to their participation in the Association.

(e) **Minimum investment**: The Mineral Investment Contract contemplates a minimum investment amount in respect of the Prospection Phase. However, the exact amount of this minimum requirement is not determined and subject to negotiation with the Angolan State.

(f) **TEVS**: The Mineral Investment Contract contemplates that the Project Joint Venture will, as part of the Prospection Phase, prepare one or more TEVS in respect to the economic and financial viability of the Project and submit the TEVS to the MGM. The TEVS must be prepared in accordance with good mining industry practice.

(g) **Management of Project Joint Venture**: The geological-mining research programmes and other operations of the Project Joint Venture during the Prospection Phase will be managed by an executive board (**Executive Board**), comprising five members nominated by VDM (only three of which are entitled to vote), three members nominated by Pebric, and one member nominated by Seabank. The Executive Board will also represent the Project Joint Venture before relevant authorities and ensure that the Project Joint Venture complies with all the legislation in force.

(h) **Oversight by Project Joint Venture Parties**: During the Prospection Phase, the Parties will by mutual agreement, approve the Project Joint Venture's annual work programmes and budgets, approve any additional expenditures outside of those programmes and budgets, approve the Project Joint Venture's activities' report and any other matters not delegated to the Executive Board.

(i) **Relinquishment**: After the initial five year period, the Project Joint Venture must relinquish 50% of the Project area. The relinquishment of the applicable area will cause the extinction of any rights of the Project Joint Venture in respect to that area.

Mining Phase

The following summarises the material terms of the Mineral Investment Contract that apply during the Mining Phase.

(a) **Nature of participating interest**: Upon commencement of the Mining Phase, the Parties will incorporate the JV Company. The interest of each Party in the JV Company will be as follows: VDM – 65%, Pebric – 30%; and Seabank - 5%.

(b) **Holding of assets**: During the Mining Phase, the assets of the Project Joint Venture will be allocated to the JV Company and shall be exclusively owned by the JV Company.

(c) **Prospecting Title:** The Project Prospecting Title will be held by the JV Company.

(d) **Mining Title**: The Mineral Investment Agreement contemplates that on the commencement of the Mining Phase, the MGM shall grant the Mining Title to the JV Company upon approval of each TEVS submitted by the JV Company. Upon the issue of the Mining Title, the JV Company shall be authorised to exercise the relevant mining rights in respect to the Project. The mineral rights for mining shall be granted for an initial period of 35 years.

(e) **Mining Operations**: The mining operations in relation to the Project will be carried out in accordance with the mining plan and TEVS, as approved by the MGM. The JV Company shall submit to the MGM by 31 October each year an updated work programme and a forecast of minimum expenditures to be made during the next year.

(f) **Funding**: VDM, Pebric and Seabank shall, proportionate to their respective holdings in the JV Company, provide the financial resources needed to meet the cost of the mining and marketing operation in relation to the Project.

(g) **Reimbursement of investment**: VDM, Pebric and Seabank are guaranteed the right to, according to their respective participating interests in the JV Company, fully recover their portion for the investment and costs incurred in relation to the Prospection Phase. The investment and operating costs must be reimbursed to VDM, Pebric and Seabank before any dividends and profits can be paid to any Party during the Mining Phase.

(h) **Board of the JV Company**: The Board of Directors of the JV Company shall manage the operations and affairs of the JV Company. The Board of Directors will consist of two directors appointed by VDM and one director appointed by Pebric. The chairman be appointed from one of the directors appointed by VDM. Resolutions of the Board of Directors shall be passed by the majority of the votes of the present or duly represented directors.

(i) **General Assembly of the JV Company**: The general assembly of the JV Company (**General Assembly**) shall comprise VDM, Pebric and Seabank. The General Assembly will be responsible for matters including the general strategy of the JV Company, approving the annual management report and financial statements, approving the policy for allocation of profits and distribution of dividends, appointing and removing directors of the JV Company, changing the JV Company's share capital.

All of the resolutions of the General Assembly shall be unanimously adopted by each of VDM, Pebric and Seabank.

Angolan State Participation

The participation of the Angolan State during the Prospection Phase and Mining Phase is not yet specified in the draft Mineral Investment Contract. However, the Angolan Mining Code provides for a minimum of 10% Angolan State participation in mining projects through either direct ownership in the mining project company or an in specie participation in the mining product.

Assignment

Under the draft Mineral Investment Contract, a Party must not assign their interests to third parties, except if consent is given by the non-assignor Parties and it is authorised by the MGM. In the event that a Party wishes to assign its interest it must give prior notice to the other Parties, who shall have pre-emptive rights, on equal terms, to acquire such rights.

Warranties

VDM has given a number of warranties to Seabank and Pebric, including as to VDM's capacity and authority. The warranties are customary for an agreement of this nature.

Events of default and undertakings

The draft Mineral Investment Contract contains events of default, termination provisions and undertakings in relation to the conduct of VDM's business customary for agreements of this nature.

Schedule E - Specific Risks in relation to the Project

The Acquisition gives rise to a number of risks. These risks are described below. Shareholders should note that the risks described in this Schedule E are not exhaustive. Some of the risks may be mitigated by the use of appropriate safeguards and systems, whilst others are outside the control of the Company and cannot be mitigated.

Should any of the risks eventuate, then it may have a material adverse impact on the financial performance of the Project, VDM and the value of VDM's securities.

A reference to the Project includes all stages of the Project, including the Prospection Phase and the Mining Phase.

Copper Project Agreement

The Acquisition of VDM's Participating Interest in the Project Joint Venture is subject to completion of the Copper Project Agreement. If the Copper Project Agreement is not completed, the transaction would not proceed. Completion of the Copper Project Agreement is subject to the Company obtaining the approval of its Shareholders, and the Parties finalising and executing the Mineral Investment Contract with the Angolan State. There can be no assurance that this Shareholder approval will be obtained, or that the Mineral Investment Contract can be agreed with the Angolan State on terms satisfactory to VDM, in which case the Acquisition will not proceed.

Participating Interest acquired

The Participating Interest is limited to a legal and beneficial participating interest in the Project Joint Venture and Mineral Investment Contract. The Copper Project Agreement provides for VDM, Pebric and Seabank to associate (on the terms of the Project Joint Venture Agreement) for the purposes of pursuing the exploration and mining opportunity in Angola represented by the Minteral Investment Contract.

As the Prospecting Title is held by Pebric until the Mining Phase, VDM will not have direct recourse to the Prospecting Title in the event of a dispute or termination of the Project Joint Venture prior to the Mining Phase.

The Copper Project Agreement contemplates that the Parties may incorporate the JV Company during the Prospection Phase to enter into the Mineral Investment Contract on behalf of the Parties to facilitate VDM obtaining funding for the Project, but there is no guarantee that this restructure will be undertaken prior to the Mining Phase.

Decision Making

Under the Copper Project Agreement, certain decisions of the Parties to the Project Joint Venture are made by mutual agreement. As such, if the Parties cannot agree on those matters, the exploration and mining of the Project may be adversely effected.

Reliance on Joint Venture Partners

VDM is reliant on the continued cooperation of its joint venture partners (Pebric and Seabank) pursuant to the existing Project Joint Venture Agreement and the Mineral Investment Contract to secure and maintain its interest in the Project, particularly in the early stages of exploration of the Project. Maintenance of a genuinely cooperative and constructive relationship between VDM, Pebric and Seabank will be crucial to the security of VDM's interests, regardless of the legal enforceability of any agreements. An adverse change in this relationship could have significant adverse consequences on VDM's interests in Angola.

Kengkong Approval

The Company plans to use a portion of the funds advanced from the Second Conversion Loan to fund the Cash Consideration. Under the Second Convertible Facility and Loan Agreement, the Company is only permitted to use the Second Conversion Loan for project development purposes upon obtaining the consent of Kengkong. There can be no assurances that Kengkong's consent will be obtained, in which case VDM will need to raise funds from an alternative source to meet any contractual commitments under the Copper Project Agreement. There is no guarantee that the Company will be able to raise funds on comparable terms to the Second Convertible Facility and Loan Agreement.

Limited Exploration History

The Project has a limited exploration history on which the Company can base an evaluation of the prospects of the Acquisition.

The success of the Project in the short to medium term is dependent upon a number of factors, including the successful:

(a) raising of funds required to conduct extensive exploration of the Project;

(b) identification of copper resources sufficient to supply the Project over its life; and

(c) completion of a TEVS which demonstrates that mining of copper can be economically undertaken on the Project.

The prospects of the Project must be considered in light of the considerable risks, expenses and difficulties frequently encountered by companies in the early stage of exploration activities.

Furthermore, as exploration of the Project has not yet been commenced by the Parties, there can be no guarantee that any discovery of mineral resources at the Project will occur, or that any discovery can be profitably extracted. The exploration costs of the Company relating to the Project referred to in this explanatory memorandum are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. There is no guarantee that exploration will be conducted in line with expected cost structures. Should the level of costs required to explore the Project be higher than anticipated then it may have a materially adverse effect on the future performance and prospects of the Project and the Company.

There can be no assurance that the Project will be profitable in the future. The exploration expenses and capital expenditures of the Project are likely to increase in future years as consultants, personnel and equipment associated with the Prospection Phase and, eventually, the Mining Phase are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, and other factors, many of which are beyond the Company's control.

The Company expects to incur losses on the Project unless and until such time as the Project enters into commercial production and generates sufficient revenues to fund its continuing operations. The development of the Project will require the commitment of substantial resources to conduct the time-consuming exploration, and subject to the results of exploration, the development of the Project. There can be no assurance that the Company will generate any revenues or achieve profitability.

Mineral Resources and Reserves

Exploration is a high risk activity that requires large amounts of expenditure over extended periods of time. Currently, there are no identified mineral resources and no known commercial quantities of mineral reserves at the Project. Notwithstanding that some historical exploration has taken place, there can be no assurances that the Project Joint Venture will identify mineral resources or establish economic quantities of mineral reserves at the Project.

Licences and Permits

The Copper Project Joint Venture's mining exploration activities are dependent upon the grant, or as the case may be, the maintenance of appropriate licences, which may be withdrawn or made subject to limitations. Any licences are subject to the applicable local laws and regulations applying in Angola.

The maintaining of tenements, obtaining renewals, or getting tenements granted, often depends on the Project Joint Venture being successful in obtaining required statutory approvals for its proposed activities and that the licences, concessions, leases, permits or consents it holds will be renewed as and when required. There is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith.

In particular, the Project will require a mining licence to develop a mine. There is no assurance or guarantee that such mining licence, or any other licences, concessions, leases, permits or consents required by the Project Joint Venture to develop the Project will be given.

Payment Obligations

Under the Mineral Investment Contract and certain other contractual agreements to which the Company may become a party, the Company is or may become subject to payments and other obligations in respect of the Project. In particular, holders of prospection and mining titles are required to meet the prescribed expenditure conditions on those titles. Failure to meet these expenditure commitments will render the licence liable to be forfeited unless a total or partial exemption is granted in accordance with the applicable Angolan mining law.

Copper Price Risks

Commodity prices (including the price of copper and copper ore) can fluctuate rapidly and are affected by numerous factors beyond the control of the Company. These factors include world demand for base and other metals, forward selling by producers, and production cost levels in major metal-producing regions.

Moreover, commodity prices are also affected by macroeconomic factors such as expectations regarding inflation, interest rates and global and regional demand for, and supply of, the commodity as well as general global economic conditions. These factors may have an adverse effect on the Company's exploration and development activities, as well as on its ability to fund those activities.

Government Policies and Legislation

Any material adverse changes in government policies, legislation or shifts in political attitude in Angola that affect mineral exploration activities, tax laws, royalty regulations, government subsidies and environmental issues may affect the viability and profitability of the Project.

No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of mining or more stringent implementation thereof could have a substantial adverse impact on the Project and hence the Company.

Legal System

The legal system operating in Angola may be less developed than in countries such as Australia, which may result in risks including:

(a) less effective legal redress in the courts whether in respect of a breach of law or regulation, or in an ownership dispute;

(b) more discretion on the part of governmental agencies;

(c) inconsistencies or conflicts between legal jurisdictions and within various laws, regulations, decrees, orders and resolutions; or

(d) the relative inexperience of the judiciary and courts in such matters.

There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of the government authorities or others and the effectiveness of and enforcement of such arrangements cannot be assured.

Sovereign and Operating Risks in Angola

The Project is located in Angola, and there are risks attaching to exploration and development operations in a developing country which are not necessarily present in a developed country. These can include sovereign risk, safety, security, costs, ability to operate, country policy, fiscal provisions and laws, and can lead to delays or even the suspension of operations. No assurance can be given regarding future stability of exploration and mining activities in Angola.

The Company's exploration activities in respect of the Project (and any future development activities or operations) may be disrupted by a variety of risks and hazards which are beyond the control of the Company, including environmental hazards, industrial accidents, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions, fire, explosions and other accidents at the mine, processing plant or related facilities.

Furthermore, the cost of exploration activities (and any future development activities or operations) could be adversely affected if the Project encounters difficulties obtaining equipment and other supplies on a timely basis. In the event that the Project encounters such difficulties, exploration (and any future development activities or operations) could be negatively affected.

These risks and hazards could also result in damage to, or destruction of facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. While the Company intends to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that the Company will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

Foreign Exchange Risks

The Project's operating and capital expenditures are likely to be incurred in currencies other than Australian dollars (likely to be Angolan kwanza (AOA) and United States dollars (USD)) and any future revenues from the sale of copper are also likely to be in currencies other than Australian dollars. Any fluctuations in the exchange rates between these currencies and the Australian dollar could have a material adverse effect on the Company's business, financial position and operating results.

Competition

The Project will compete with the operations of other companies, some of which have greater financial and other resources than the Project Joint Venture, or have projects that are more advanced than the Project, and, as a result, may be in a better position to compete for future business opportunities. Many of the Project Joint Venture's competitors not only explore for and produce minerals, but also carry out downstream operations on these and other products on a worldwide basis.

There can be no assurance that the Project can compete effectively with these companies and will be able to attract or maintain the appropriate staffing levels to ensure that the project and business plan can be completed in a timely and cost effective manner.

Key service providers

The successful exploration of the Project is highly dependent on securing the services of appropriately qualified service providers and consultants. If the Parties are not able to secure the services of such persons to undertake the proposed exploration activities on the Project, it may have a materially adverse effect on the ability of the Parties to efficiently conduct exploration activities on the Project.

Schedule F - Pro-forma balance sheet

VDM GROUP LIMITED

CONSOLIDATED PRO-FORMA STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited 30 Sept 2014 $'000	Pro-forma Adjustments $'000	Unaudited Pro-forma 30 Sept 2014 $'000
CURRENT ASSETS				
Cash	1	2,779	1,925	4,704
Security deposits		1,122		1,122
Trade and other receivables		762		762
Contracts in progress		33		33
Inventory		148		148
Development properties		3,396		3,396
Other assets		405		405
TOTAL CURRENT ASSETS		**8,645**		**10,570**
NON-CURRENT ASSETS				
Investment in Joint Ventures	2	-	11,375	11,375
Property, plant and equipment		3,172		3,172
Security deposits		3,554		3,554
Intangible assets and goodwill		73		73
TOTAL NON-CURRENT ASSETS		**6,799**		**18,174**
TOTAL ASSETS		**15,444**		**28,744**
CURRENT LIABILITIES				
Trade and other payables		4,447		4,447
Amount due to customers		69		69
Current tax liabilities		563		563
Interest bearing loans and borrowings	3	7,873	(7,500)	373
Provisions		2,853		2,853
TOTAL CURRENT LIABILITIES		**15,805**		**8,305**
NON-CURRENT LIABILITIES				
Interest bearing loans and other borrowings		8		8
Lease incentive liability		169		169
Provisions		957		957
TOTAL NON-CURRENT LIABILITIES		**1,134**		**1,134**
TOTAL LIABILITIES		**16,939**		**9,439**
NET ASSETS		**(1,495)**		**19,305**
EQUITY				
Contributed equity	4	268,509	20,800	289,309
Reserves		636		636
Accumulated losses		(270,640)		(270,640)
TOTAL EQUITY		**(1,495)**		**19,305**

Basis of Preparation of Consolidated Pro-forma Statement of Financial Position
The pro-forma statement of financial position is based on VDM's unaudited accounts as at 30 September 2014, prepared in accordance with the VDM's accounting policies and adjusted to reflect the material transactions related to the matters contemplated in the Notice of Meeting as if they had occurred on 30 September 2014. The adjustments are explained in the notes to the pro-forma statement of financial position contained below.

On 29 September 2014, VDM received the first-tranche $3,000,000 under the $10,000,000 Second Convertible Loan. The pro-forma adjustments include receipt of the remaining $7,000,000 available under the Second Convertible Loan.

The $6,500,000 value of the Seabank Shares is based on an assumed market price of $0.01 per share on the date of issue of the Seabank Shares. The actual Share price on the date of issue may be more or less than this amount.

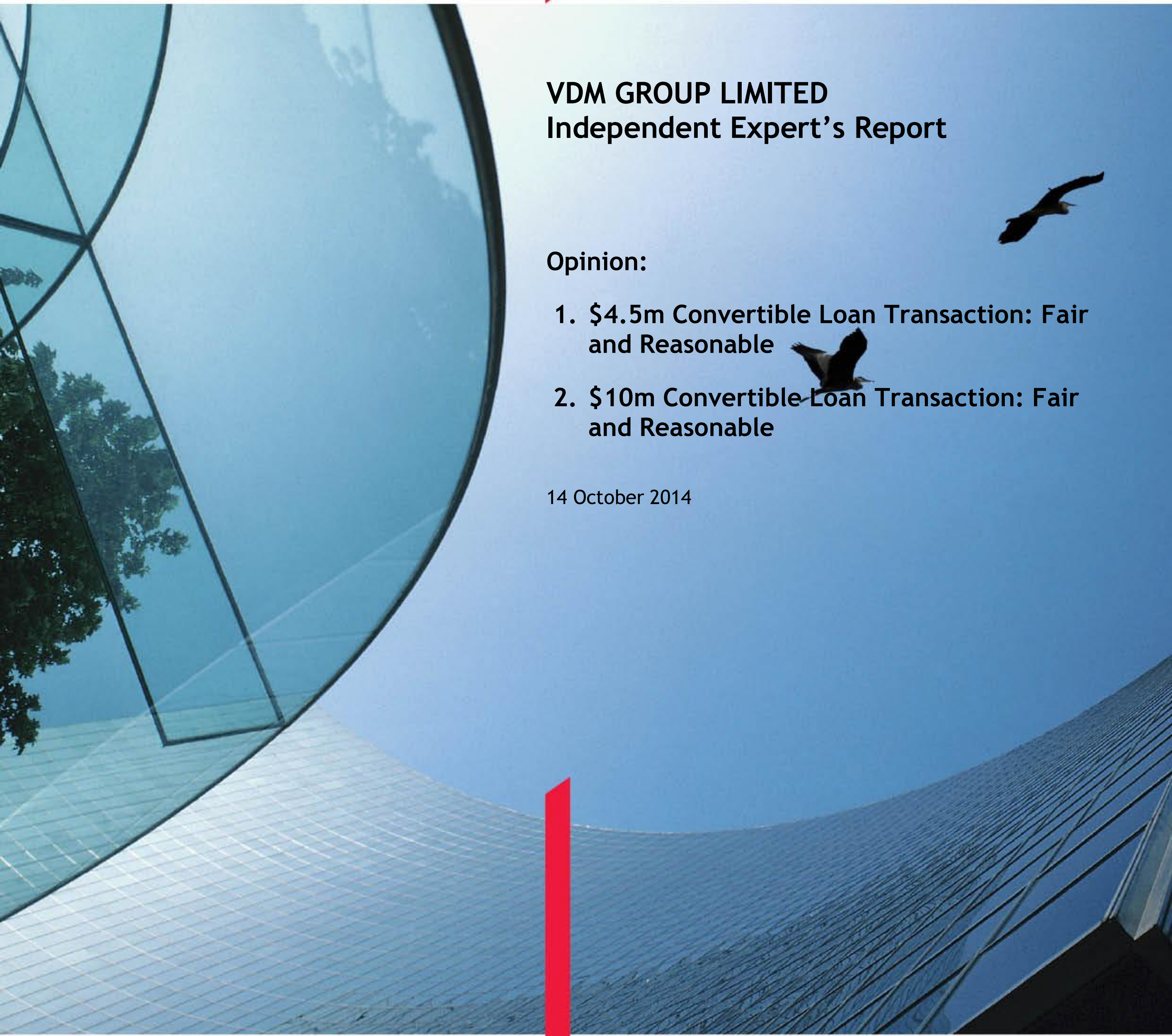
Notes to the Pro-forma Statement of Financial Position

		$'000
Note 1.	**Reconciliation of Cash**	
	Balance 30-Sept-2014	2,779
	pro-forma adjustments:	
	Advances from Kengkong under "Second Convertible Loan"	7,000
	Payment of "Cash Consideration" to Seabank	(4,875)
	Transaction costs on shares issue	(200)
		1,925
	Pro forma balance	4,704
Note 2.	**Reconciliation of Investment in JV's**	
	Balance 30-Sept-2014	-
	pro-forma adjustments:	
	Payment of "Cash Consideration" to Seabank	4,875
	Issue of "Seabank Shares" to Seabank	6,500
		11,375
	Pro forma balance	11,375

Notes to the Pro-forma Statement of Financial Position (continued)

		$'000
Note 3.	**Reconciliation of Interest Bearing Loans**	
	Balance 30-Sept-2014	7,873
	pro-forma adjustments:	
	Advances from Kengkong under "Second Convertible Loan"	7,000
	Conversion of "First Convertible Loan" by Kengkong	(4,500)
	Conversion of "Second Convertible Loan" by Kengkong	(10,000)
		(7,500)
	Pro forma balance	373
Note 4.	**Reconciliation of Contributed equity**	
	Balance 30-Sept-2014	268,509
	pro-forma adjustments:	
	Issue of "First Conversion Shares" to Kengkong	4,500
	Issue of "Second Conversion Shares" to Kengkong	10,000
	Issue of "Seabank Shares" to Seabank	6,500
	Transaction costs on shares issue	(200)
		20,800
	Pro forma balance	289,309

Appendix A – Conversion Independent Expert's Report



VDM GROUP LIMITED
Independent Expert's Report

Opinion:

1. **$4.5m Convertible Loan Transaction: Fair and Reasonable**
2. **$10m Convertible Loan Transaction: Fair and Reasonable**

14 October 2014

BDO

Financial Services Guide

14 October 2014

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('**we**' or '**us**' or '**ours**' as appropriate) has been engaged by VDM Group Limited ('VDM') to provide an independent expert's report on the proposal to allow Australia Kengkong Investments Co Pty Ltd to convert a convertible loan of $4.5 million into 450 million ordinary shares in VDM and a convertible loan of $10 million into one billion ordinary shares in VDM. You will be provided with a copy of our report as a retail client because you are a shareholder of VDM.

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

This FSG includes information about:

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

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

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

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

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

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

Fees, commissions and other benefits that we may receive
We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately $28,000.

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

Other Assignments – We prepared an independent expert's report in June 2013 for the issue of 600 million shares to H&H Holdings Australia Pty Ltd at $0.025 per share to raise $15 million, for a fee of approximately $40,000. We also prepared an independent expert's report in October 2013 for the conversion of a $5 million convertible loan, for a fee of approximately $25,000.

We have also prepared an independent expert report in relation to another resolution to be considered at this general meeting on the potential acquisition of an exploration project for a fee of approximately $35,000. We have also valued the performance rights intended to be issued following the AGM in May 2012 for a fee of $2,000.

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

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

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

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

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

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

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

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Australia

14 October 2014

The Directors
VDM Group Limited
Level 1, Fortescue Centre
30 Terrace Road
EAST PERTH, WA 6004

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 6 May 2014, VDM Group Limited ('**VDM**' or '**the Company**') announced the execution of an agreement with Australia Kengkong Investments Co Pty Ltd ('**Kengkong**') to provide funding of $4.5 million by way of an unsecured convertible loan which is convertible into 450 million ordinary shares in VDM at a conversion price of $0.01 per share ('**$4.5 million Convertible Loan' or 'First Convertible Loan**').

On 23 September 2014, VDM announced the execution of another agreement with Kengkong to provide further funding of $10 million by way of another unsecured convertible loan which is convertible into one billion ordinary shares in VDM at a conversion price of $0.01 per share ('**$10 million Convertible Loan**' or '**Second Convertible Loan**').

The First Convertible Loan and the Second Convertible Loan are referred to collectively as '**the Convertible Loans**'.

The potential conversion of the Convertible Loans, which would result in Kengkong holding an interest in VDM in excess of 20%, is subject to shareholders' approval which will be sought under item 7 section 611 of the Corporations Act 2001 Cth ('**Corporations Act**' or '**the Act**').

The issue of shares is made to a related party and is also subject to shareholders' approval pursuant to Chapter 2E of the Corporations Act and ASX Limited's ('**ASX**') Listing Rule 10.11.

2. Summary and Opinion

2.1 Purpose of the report

The directors of VDM have requested that BDO Corporate Finance (WA) Pty Ltd ('**BDO**') prepare an independent expert's report ('**our Report**') to express an opinion as to whether or not:

- the conversion of the $4.5 million Convertible Loan into 450 million ordinary shares in VDM ('**First Transaction**') is fair and reasonable to the non associated shareholders of VDM ('**Shareholders**'); and/or

- the conversion of the $10 million Convertible Loan into one billion ordinary shares in VDM together with the First Transaction ('**Second Transaction**') is fair and reasonable to the Shareholders.

The First Transaction and the Second Transaction are referred to collectively as '**the Transactions**'.

Our Report is prepared pursuant to section 611 of the Corporations Act and ASX Listing Rule 10.11 and is to be included in the Explanatory Memorandum for VDM in order to assist the Shareholders in their decision whether to approve the Transactions.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ("**ASIC**") Regulatory Guide 74 ("**RG 74**"), 'Acquisitions Approved by Members', Regulatory Guide 111 ("**RG 111**"), 'Content of Expert's Reports' and Regulatory Guide 112 ("**RG 112**") 'Independence of Experts'.

In arriving at our opinion, we have assessed the terms of the Transactions as follows:

- First Transaction – how the value of a VDM share prior to the First Transaction on a control basis compares to the value of a VDM share following the First Transaction on a minority basis; and
- Second Transaction – how the value of a VDM share prior to the Second Transaction on a control basis compares to the value of a VDM share following the Second Transaction on a minority basis (which effectively contemplates the conversion of both the First Convertible Loan and the Second Convertible Loan as the provision of the Second Convertible Loan is dependent upon the approval of the First Convertible Loan).

We also considered:

- the likelihood of a superior alternative offer being available to VDM;
- other factors which we consider to be relevant to the Shareholders in their assessment of the Transactions; and
- the position of Shareholders should the Transactions not proceed.

2.3 Opinion

We have considered the terms of the Transactions as outlined in the body of this report and have concluded that, in the absence of a superior offer, the:

- First Transaction is fair and reasonable to Shareholders; and
- Second Transaction is fair and reasonable to Shareholders.

We have assessed the First Transaction as being fair because the value of a VDM share on a minority interest basis following the approval of the First Transaction is higher than the value of a VDM share on a control basis prior to approval of the First Transaction (see section 2.4).

We have assessed the First Transaction to be reasonable because we consider the advantages of approving the First Transaction outweigh the disadvantages of approving the First Transaction (see section 2.5).

We have assessed the Second Transaction as being fair because the value of a VDM share on a minority interest basis following the approval of the Second Transaction (being the conversion of 450 million shares under the First Transaction and the conversion of one billion shares from the $10 million Convertible Loan) is higher than the value of a VDM share on a control basis prior to approval of the Second Transaction (see section 2.4).

We have assessed the Second Transaction to be reasonable because we consider the advantages of approving the Second Transaction outweigh the disadvantages of approving the Second Transaction (see section 2.5).

2.4 Fairness

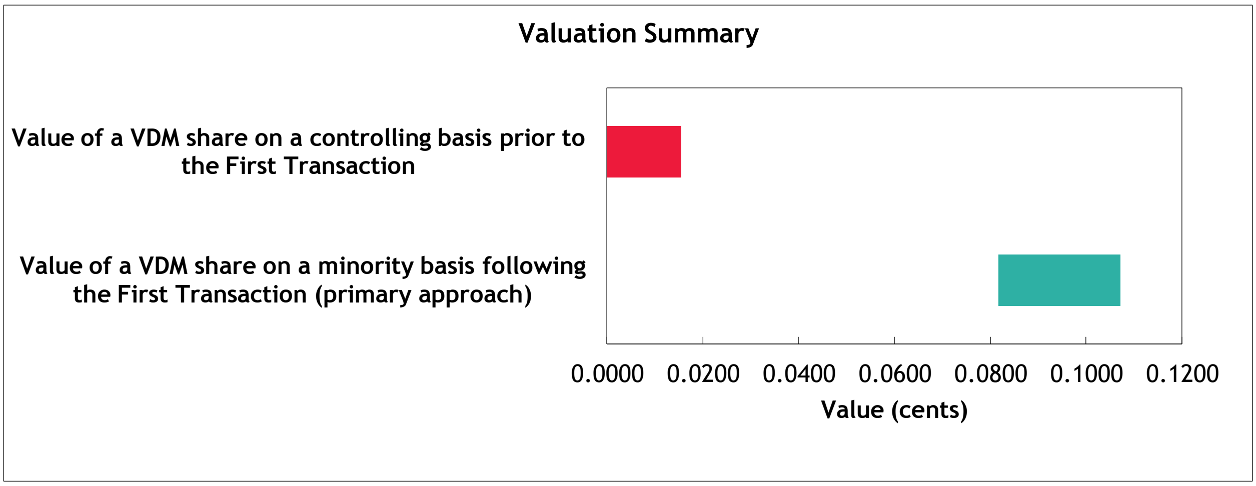
In section 12, we determined that the value of a VDM share prior to the Transactions on a controlling basis compares to the value of VDM share following the Transactions on a minority basis, as detailed below.

First Transaction

	Ref	Low cents	Mid cents	High cents
Value of a VDM share on a controlling basis prior to the First Transaction	10.1	nil	0.00113	0.01536
Value of a VDM share on a minority basis following the First Transaction (primary approach)	11.1	0.08166	0.09390	0.10709

Source: BDO analysis

This is illustrated graphically below:



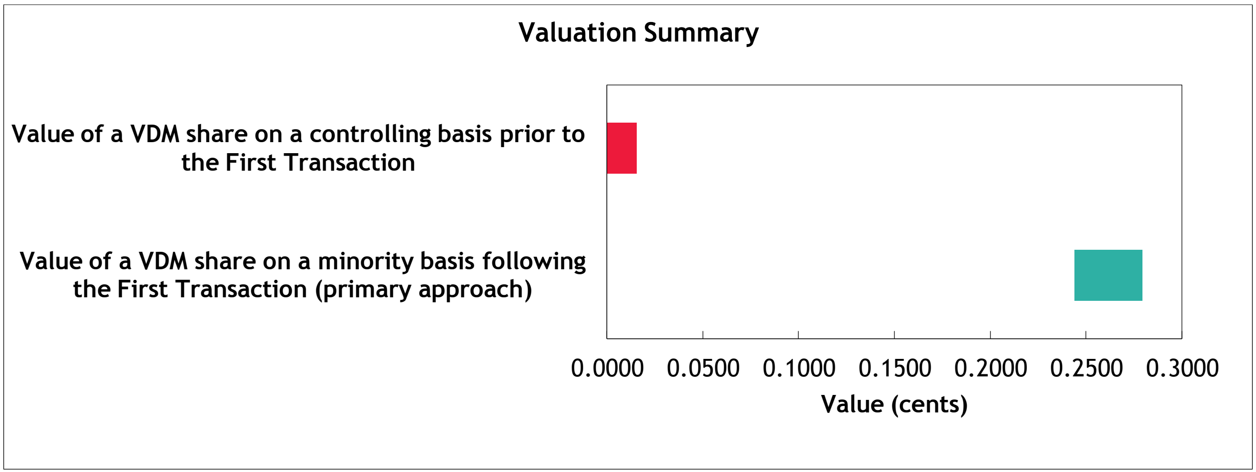
Source: BDO analysis

Second Transaction

	Ref	Low cents	Mid cents	High cents
Value of a VDM share on a controlling basis prior to the Second Transaction	10.1	nil	0.00113	0.01536
Value of a VDM share on a minority basis following the Second Transaction (primary approach)	11.1	0.24383	0.26085	0.27918

Source: BDO analysis

This is illustrated graphically below:



Source: BDO analysis

The above pricing indicates that, in the absence of any other relevant information and a superior offer, the:

- First Transaction is fair to Shareholders; and
- Second Transaction is fair to Shareholders.

2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both:

- advantages and disadvantages of the Transactions; and
- other considerations, including the position of Shareholders if the Transactions do not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Transactions are approved is more advantageous than the position if the Transactions are not approved as the:

- First Transaction is reasonable to Shareholders; and
- Second Transaction is reasonable to Shareholders.

Accordingly, in the absence of any other relevant information and/or a superior proposal, we believe that the Transactions are reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	**Advantages**	**Section**	**Disadvantages**
First Transaction			
13.1.1	The First Transaction is fair	13.2.1	Dilution of existing Shareholders' interests

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.1.2	VDM will be required to source funds, in a subdued capital market, required to repay the $4.5 million Convertible Loan if the First Transaction is not approved		
13.1.3	Conversion will put the Company under less cash flow strain		
13.1.4	Support from significant shareholder		
13.1.5	The ability of VDM to raise additional funds may increase		

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
Second Transaction			
13.1.1	The Second Transaction is fair	13.2.1	Dilution of existing Shareholders' interests
13.1.2	VDM will be required to source funds, in a subdued capital market, required to repay the $10 million Convertible Loan if the Second Transaction is not approved (but assuming that the First Transaction is approved)		
13.1.3	Conversion will put the Company under less cash flow strain		
13.1.4	Support from significant shareholder		
13.1.5	The ability of VDM to raise additional funds may increase		

Other key matters we have considered include:

Section	Description
13.3.1	Alternative proposals
13.3.2	The Transactions are unlikely to deter a takeover offer being received in the future
13.3.3	Kengkong is entitled to appoint the Chairman of the Board
13.3.4	Movements in VDM's share price following the announcement of the Transactions

3. Scope of the Report

3.1 Purpose of the Report

Section 611

Section 606 of the Act expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of VDM, by either:

- undertaking a detailed examination of the Transactions themselves, if they consider that they have sufficient expertise; or
- by commissioning an Independent Expert's Report.

The directors of VDM have commissioned this Independent Expert's Report to satisfy this obligation.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 prohibits an entity from issuing or agreeing to issue equity securities to a related party, or to a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained, unless shareholders' approval is obtained.

The proposed issue of shares is made to a related party and is therefore also subject to shareholders' approval pursuant to ASX Listing Rule 10.11.

3.2 Regulatory guidance

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

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Transactions are control transactions as defined by RG 111 and we have therefore assessed the Transactions as control transactions to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium.

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

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

- A comparison between the value of a VDM share prior to the Transactions on a controlling basis and the value of a VDM share following the Transactions on a minority basis (fairness – see Section 12 'Are the Transactions Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the Transactions, after reference to the value derived above (reasonableness – see Section 13 'Are the Transactions Reasonable?').

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

A Valuation Engagement is defined by APES 225 as follows:

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

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

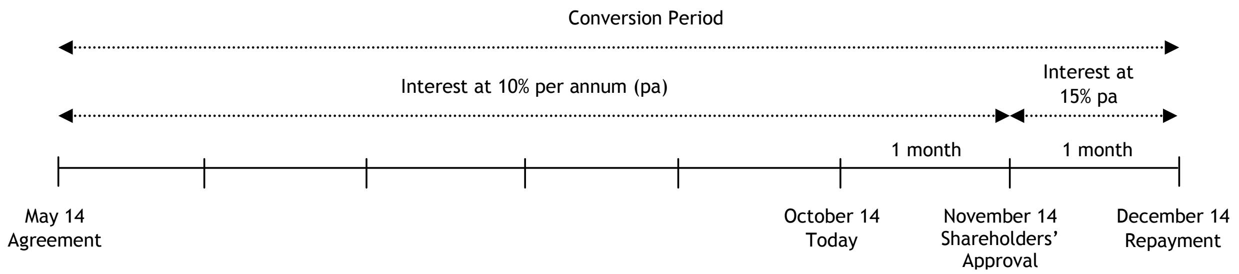
4. Outline of the Transactions

First Convertible Loan

On 6 May 2014, VDM announced the execution of an agreement with Kengkong to provide funding of $4.5 million by way of a convertible loan. Kengkong advanced $4.5 million to VDM on 6 May 2014 by way of an unsecured loan. The agreement with Kengkong provides that, subject to Shareholder approval, Kengkong will have the right to convert the $4.5 million Convertible Loan into 450 million ordinary shares in VDM at conversion price of $0.01 per share. This right will expire 30 business days after Shareholders' approval is obtained. Interest is payable on the $4.5 million Convertible Loan at the rate of 10% per annum until the date of the general meeting at which Shareholder approval will be sought.

If Shareholder approval is not obtained or Kengkong elects not to convert the loan into ordinary shares, then VDM must repay the loan in full by the date falling on 30 business days after the Shareholder meeting. In the event that Shareholders do not approve the First Transaction, resulting in Kengkong not being able exercise its right to convert under the $4.5 million Convertible Loan, then a fee of $45,000 is payable by VDM to Kengkong, and the interest rate on the $4.5 million Convertible Loan will increase to 15% per annum.

$4.5 million Convertible Loan



Following the conversion of the $4.5 million Convertible Loan under the First Transaction, Kengkong will hold 1.07 billion shares representing approximately 29.9% of the VDM shares on issue.

	Kengkong	Non-Associated Shareholders	Total
Ordinary shares on issue prior to the First Transaction	620,000,000	2,507,660,952	3,127,660,952
Percentage of issued shares prior to the First Transaction	19.82%	80.18%	100.00%
Additional shares to be issued under the First Transaction	450,000,000	-	450,000,000
Total number of shares following the First Transaction	1,070,000,000	2,507,660,952	3,577,660,952
Percentage of issued shares following the First Transaction	29.91%	70.09%	100.00%

Source: Transaction agreements, VDM's share register and BDO analysis

Second Convertible Loan

On 23 September 2014, VDM announced the execution of another agreement with Kengkong to provide further funding of $10 million by way of another unsecured convertible loan. The $10 million Convertible Loan will be advanced in three tranches as follows:

- $3,000,000 on Thursday, 25 September 2014;
- $3,000,000 on Tuesday, 14 October 2014; and
- $4,000,000 on Friday, 14 November 2014.

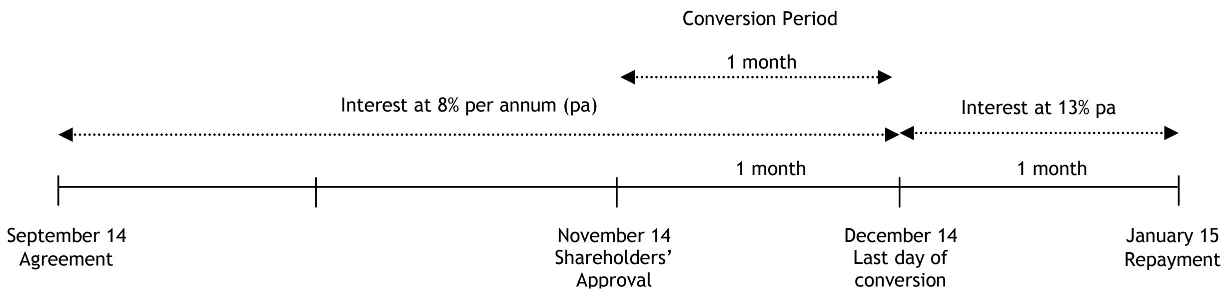
As at the date of this Report, $3 million of the $10 million Convertible Loan has been advanced by Kengkong to VDM.

The agreement with Kengkong provides that, subject to Shareholders' approval, Kengkong will have the right to convert the $10 million Convertible Loan into one billion ordinary shares in VDM at conversion price of $0.01 per share. This conversion right commences on the date that Shareholders' approval for the Second Transaction (which includes the First Transaction) is obtained and ending on one month after the Shareholders' approval for the Second Transaction is obtained.

Interest is payable on the $10 million Convertible Loan at the rate of 8% per annum until the end of the conversion period for the Second Convertible Loan (being one month after the Shareholders' approval for the Second Transaction is obtained).

If Shareholder approval is not obtained or Kengkong elects not to convert the loan into ordinary shares, then VDM must repay the loan in full by the later of four months after 22 September 2014 and 60 business days after the date that Shareholders' approval for the Second Transaction is obtained. In the event that Shareholders do not approve the Second Transaction, resulting in Kengkong not being able exercise its right to convert under the $10 million Convertible Loan, then a fee of $100,000 is payable by VDM to Kengkong, and the interest rate on the $10 million Convertible Loan will increase to 13% per annum.

$10 million Convertible Loan



Following the conversion of the $10 million Convertible Loan and the $4.5 million Convertible Loan under the Second Transaction, Kengkong will hold 2.07 billion shares representing approximately 45.22% of the VDM shares on issue.

	Kengkong	Non-Associated Shareholders	Total
Ordinary shares on issue prior to the Second Transaction	620,000,000	2,507,660,952	3,127,660,952
Percentage of issued shares prior to the Second Transaction	19.82%	80.18%	100.00%
Additional shares to be issued under the Second Transaction	1,450,000,000	-	1,450,000,000
Total number of shares following the Second Transaction	2,070,000,000	2,507,660,952	4,577,660,952
Percentage of issued shares following the Second Transaction	45.22%	54.78%	100.00%

Source: Transaction agreements, VDM's share register and BDO analysis

5. Profile of VDM

5.1 History

VDM is an Australian engineering and construction company that services the mining and resources, transport and civil infrastructure and urban development sectors. The original business of VDM was established in 1978 as Applied Design Pty Ltd, which grew steadily before a period of rapid expansion which began in 2004. VDM acquired two construction companies in Western Australia in that year, followed by further acquisitions of several Western Australian-based and Queensland-based engineering consultancies after listing on the ASX in 2006.

Major events of the Company's history are summarised in the following table.

Year	Events
2007	On 6 July 2007, VDM acquired a 100% interest in Como Engineers Pty Ltd for $13.3 million, made up of $6.7 million in cash and the balance in 2,392,782 VDM shares; with an additional 265,865 shares issued as part of the Como Engineers Performance Rights Plan. On 1 October 2007, the Company acquired a 100% interest in a business trading as Malavoca under the company VDM Earthmoving Pty Ltd for a total consideration of $49.6 million, made up of $17.7 million in cash and 12,000,000 VDM shares, and a further contingent consideration of $0.4 million. On 1 November 2007, VDM acquired a 100% interest in Bellero Constructions Pty Ltd for $26.9 million, made up of $12.4 million in cash and 4,970,678 VDM shares, and a further contingent consideration of $0.3 million. On 2 November 2007, the Company acquired a 100% interest in Kayano Nominees Pty Ltd trading as Rocktec Contracting, for a total consideration of $16.7 million, made up of $7.5 million in cash and 3,012,312 VDM shares, valued at $8.6 million, and a further contingent consideration of $0.6 million. On 16 November 2007, VDM issued 2,253,500 shares at $2.50 per share, to raise $5,633,750 pursuant to a share purchase plan.
2008	On 31 January 2008, the Company acquired the remaining 50% interest in Van Der Meer Consulting Vietnam Co Ltd, which it paid a total of $40,000 in cash. On 31 January 2008, the Company also offered all senior employees the right to participate in a long term incentive share option scheme to reward senior employees in a manner that aligns remuneration with the creation of shareholder wealth. 1,710,000 options were taken up at an exercise price of $2.25 per share. On 4 July 2008, VDM acquired a 100% interest in BCA Consultants Pty Ltd for $5.145 million, made up of $3.281 million in cash and 1,312,900 VDM shares valued at approximately $1.42 per share.
2009	Rocktec (in joint venture) secured a $241 million project at Cape Preston for Sino Iron late in the 2009 financial year. VDM obtained a bank waiver for certain breaches of the Company's loan covenants and bank facilities were renegotiated by November 2009.

Year	Events
	On 23 October 2009, VDM announced a capital raising of $35 million via two placements and an entitlements offer where (i) 10 million shares were allotted at $0.50 per share on 28 October 2009 (ii) 60,075,758 shares were allotted at $0.42 per share on 30 November 2009 (iii) 10 million shares were allotted at $0.475 per share on 15 December 2009. Effective 1 July 2009, VDM acquired the remaining 55% shareholding of Anagan Pty Ltd for no consideration with the fair value of the identifiable assets and liabilities of $0.2 million net liability.
2010	VDM acquired the remaining 25% minority interest in Cape Crushing & Earthmoving Contractors Pty Ltd with effective from 1 January 2010 for $2.5 million, made up of $2 million in cash and 1,052,632 VDM shares at $0.475 per share. VDM sold the surplus business assets of Civmec Construction and Engineering Pty Ltd for $2.3 million as part of its restructuring and consolidation exercise, including the retirement of $1.5 million in interest bearing debt.
2011	VDM accepted an offer of $11.82 million for the sale of its Osborne Park premises in September 2011. On 24 June 2011, VDM announced its intention to raise up to $52.2 million via a 5 for 1 entitlements rights issue priced at $0.05 per new share. VDM completed the capital raising in October 2011 and eventually raised $36.2 million. Simultaneous to the capital raising process, VDM also undertook a strategic review of the Company which determined that the business should focus on its core engineering, design and construct strengths in two primary geographic markets, namely Western Australia and Queensland. On 23 December 2011, VDM announced that it had entered into a heads of agreement to sell Cape Crushing & Earthmoving Contractors Pty Ltd as it was a business that did not fit with the Company's core strengths of design and construct of civil and process infrastructure.
2012	Chief Executive Officer Andrew Broad was appointed to the Board of Directors as Managing Director on 16 January 2012 following his appointment as Chief Executive Officer ten months previous. Neil Barker was appointed as Company Secretary following the resignation of Nevenka Jackson as Company Secretary on 15 February 2012. On 20 March 2012, the Company announced that David Coyne was appointed Chief Financial Officer of VDM replacing Neil Barker as interim CFO. VDM announced the completion of the sale of Cape Crushing and Earthmoving Contractors (Cape) to CFC Group on 19 April 2012 for a total consideration of $45.85 million. VDM divested its interest in its Northern Territory consulting business as part of a management buy-out by the incumbent management. It also divested certain assets and liabilities in its New South Wales and Victorian consulting businesses to the incumbent management. This resulted in VDM exiting these states. Refocussed the business in October 2012 with a strategy to simplify the business to a construction focus and reduce operating costs and engaged Azure Capital to assist VDM in the evaluation corporate opportunities which had arisen.

Year	Events
2013	On 13 March 2013, VDM signed a binding agreement to sell Como Engineers and completed this divestment on 10 April 2013. The consideration offered for this transaction was $5.45 million. VDM announced on 15 May 2013 the resignation of David Coyne as Chief Financial Officer. On 29 May 2013, VDM announced that the Company had entered into a binding share subscription agreement under which H&H had agreed to subscribe for 600 million new fully paid ordinary VDM shares at 2.5 cents per share to raise $15 million. On 9 August 2013, VDM completed the sale of its shares in Quartz South Hedland Pty Ltd for $1.35 million. A shareholders' meeting of VDM was held on 16 August 2013 approving the aforementioned binding share subscription agreement with H&H. On 23 August 2013, VDM announced the termination of Andrew Broad as Managing Director and Chief Executive officer, and Michael Perrott AM remained as Acting Chief Executive Officer until Dr Hua Dongyi commenced his appointment on 9 September 2013. On 27 August 2013, VDM announced that it was involved in a dispute with a major customer with respect to a material contract regarding the status of the contract. The Dispute resulted in VDM being removed from the site. As a consequence, the binding share subscription agreement, announced on 29 May 2013 and approved by shareholders on 16 August 2013, was terminated. On 28 August 2013, VDM entered into a new funding arrangement with H&H to immediately provide approximately $6.4 million in funding through (i) a placement of 140,080,961 shares at 1.0 cent per share to raise $1,400,809.61; and (ii) a convertible loan of $5 million with a conversion price of 1.0 cent per share, the conversion of which is subject to shareholders' approval. On 11 September 2013, VDM announced that 40 redundancies have been made to date and further redundancies are expected. The restructured VDM will specialise in Engineering, Procurement, Construction (EPC) and Mining. On 20 September 2013, VDM announced its intention to divest its VDM Construction (Eastern Operations) business for a cash consideration of $2.75 million by way of share purchase agreement to an outside party. The sale was completed on 7 October 2013. On 28 November 2013, VDM announced that it had divested the majority of its Consulting businesses via a series of management buy-outs. The remaining consulting business is expected to be wound down. On 10 December 2013, VDM lodged a Prospectus in relation to a one for one pro-rata non-renounceable entitlement offer of 1,792,975,335 new fully paid ordinary shares at an issue price of $0.01 per share to raise up to $17.9 million. VDM also made a share placement of 75,000,000 fully paid ordinary shares in the Company to a private investor, at $0.01 per share to raise $750,000.

Year	Events
2014	VDM closed the Rights Issue Prospectus on Friday 17 January 2014. Shareholder acceptance and shares taken up by the underwriter and sub-underwriter comprise 1.21 billion shares, raising $12.1 million, comprising 68 per cent of the Offer. On 3 February 2014, VDM announced the resignation of Mr Xiangyang Ru as Director, and Mr Velko Jakovich's appointment as Non-Executive Director effective 1 February 2014. On 12 February 2014, Mr Padraig O'Donoghue was appointed as Chief Financial Officer & Company Secretary subsequent to the resignation of Ms Samantha Drury. On 19 March 2014, VDM raised $1.2 million following the issue of 120 million fully paid ordinary shares in the capital of the Company under the Shortfall Offer contained in VDM's prospectus dated 10 December 2013. On 21 March 2014, Mr Luk Hiuming was appointed as non-executive director of VDM. VDM executed an agreement with Australia Kengkong Investments Co Pty Ltd on 5 May 2014 (announced on 6 May 2014) to provide funding of $4.5 million via a convertible loan. VDM plans to use the funding for general working capital purposes in the ordinary course of business. On 24 June 2014, VDM announced that it had signed a letter of intent with SANY Heavy Machinery to establish an Australian joint venture company for the purpose of leases, sales and services of construction heavy equipment. On 7 August 2014, Mr Michael Perrott resigned as director of VDM. VDM executed an agreement with Australia Kengkong Investments Co Pty Ltd on 23 September 2014 to provide funding of $10 million via a convertible loan. VDM plans to use the funding for working capital purposes in the ordinary course of business and project development proposals approved by Kengkong.

5.2 Historical Balance Sheet

Statement of Financial Position	Audited as at 30-Jun-14 $000s	Audited as at 30-Jun-13 $000s	Audited as at 30-Jun-12 $000s
CURRENT ASSETS			
Cash and cash equivalents	3,366	11,857	10,029
Security deposits	1,242	5,238	13,568
Trade and other receivables	990	12,319	48,736
Contracts in progress	49	7,848	19,656
Inventory	150	308	952
Development properties	3,389	4,061	5,529
Investment in joint venture	-	1,350	-
Non-current assets classified as held for sale	-	900	1,295
Other assets	36	621	2,342
TOTAL CURRENT ASSETS	9,222	44,502	102,107
NON-CURRENT ASSETS			
Trade and other receivables	-	258	-
Security deposits	3,584	-	-
Property, plant and equipment	3,320	6,359	12,847
Deferred tax assets	-	-	16,156
Intangible assets and goodwill	99	307	23,154
TOTAL NON-CURRENT ASSETS	7,003	6,924	52,157
TOTAL ASSETS	16,225	51,426	154,264
CURRENT LIABILITIES			
Trade and other payables	5,506	26,219	48,896
Amounts due to customers from contract work	49	7,200	3,546
Current tax liabilities	858	3,152	3,145
Deferred tax liabilities	-	-	918
Interest bearing loans and borrowings	4,760	1,782	2,468
Provisions	3,066	10,493	7,519
TOTAL CURRENT LIABILITIES	14,239	48,846	66,492
NON-CURRENT LIABILITIES			
Interest bearing loans and other borrowings	49	299	128
Lease incentive liability	175	-	-
Provisions	1,128	244	495
TOTAL NON-CURRENT LIABILITIES	1,352	543	623
TOTAL LIABILITIES	15,591	49,389	67,115
NET ASSETS	634	2,037	87,149

Statement of Financial Position	Audited as at 30-Jun-14 $000s	Audited as at 30-Jun-13 $000s	Audited as at 30-Jun-12 $000s
EQUITY			
Contributed equity	268,509	248,286	248,612
Reserves	636	884	967
Accumulated losses	(268,511)	(247,133)	(162,430)
TOTAL UNIT HOLDERS EQUITY	634	2,037	87,149

Source: Annual report for the financial years ended 30 June 2012, 30 June 2013 and 30 June 2014.

VDM's annual report for the period to 30 June 2014 was prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. This takes into consideration the following:

- VDM was advanced $4.5 million on 6 May 2014 under a convertible loan agreement with Kengkong. On 22 September 2014, VDM entered into a second separate convertible loan agreement with Kengkong for a further $10 million to be advanced in three tranches across the period 25 September 2014 to 14 November 2014;
- the successful implementation of the new VDM Group business strategy as outlined in the Directors' Report contained in the annual report;
- raising working capital and growth financing for the new VDM Group business strategy; and
- VDM Group will have sufficient insurance cover and counterclaims to largely offset significant legal claims.

In accordance with VDM's annual report for the period to 30 June 2014, there may be material uncertainty whether VDM will continue as going concern if it does not realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The sale of VDM Construction (Eastern Operations) Pty Ltd on 7 April 2013 for $2.75 million and the divestment of the majority of its consulting businesses on 28 November 2013 via a series of management buy-outs resulted in a $13.23 million reduction in assets and a $10.15 million reduction in liabilities.

Security deposits are not available for immediate use as they are held as security for the surety instruments issued in favour of VDM. The term deposits balance has reduced from $5.24 million at 30 June 2013 to $4.83 million at 30 June 2014 due to the return of bank guarantees on completed work and a reduction in new projects being undertaken.

Trade and other receivables and contracts in progress reduced significantly between 30 June 2013 and 30 June 2014. This is primarily due VDM's dispute with a major customer on a material contract which has resulted in VDM being removed from site. As a consequence of the dispute and in accordance with Australian Accounting Standards, VDM has not recognised the value of works performed prior to its removal from site for which it remains unpaid. Further, VDM exited a large number of active construction contracts and did not enter into any new construction contracts.

Non-current assets classified as held for sale relate to property acquired on settlement of a legacy contract. The property was reclassified to property, plant and equipment due to a change in VDM's decision to retain the property for rental instead.

Trade and other payables decreased from $26.22 million as at 30 June 2013 to $5.51 million as at 30 June 2014 and amounts due to customers from contract work also declined from $7.2 million as at 30 June 2013 to $0.05 million as at 30 June 2014. This is in line with the decrease in operations which saw revenue fall over the same period.

Over the period from 1 July 2013 to 30 June 2014, interest bearing loans and borrowings increased from $1.78 million as at 30 June 2013 to $4.76 million as at 30 June 2014. On 29 October 2013, VDM entered into a $4 million secured loan facility with H&H with interest of 8 per cent per annum calculated daily. The loan was subsequently repaid on 28 January 2014. However, on 6 May 2014, VDM announced the execution of an agreement with Kengkong to provide funding of $4.5 million by way of a convertible loan, subject to shareholder approval.

Contributed equity increased by $20.223 million from 30 June 2013 to 30 June 2014 following the:

- issue of approximately 140 million shares to H&H Holdings Australia Pty Ltd at $0.01 per share to raise $1.4 million;
- issue of 500 million conversion shares to H&H Holdings Australia Pty Ltd at $0.01 per share to a value of $5 million;
- issue of approximately 144 million shares to Jimblebar creditors at $0.01 per share to a value of $1.44 million;
- the private placement of 75 million shares issued at $0.01 per share to raise $0.75 million;
- a non renounceable entitlement offer of approximately 1,215 million new fully paid ordinary shares at an issue price of $0.01 per share to raise $12.147 million;
- issue of 120 million fully paid ordinary shares at an issue price of $0.01 per share to raise $1.2 million; and
- after capital raising costs of $1.717 million.

5.3 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Audited for the year ended 30-Jun-14 $	Audited for the year ended 30-Jun-13 $	Audited for the year ended 30-Jun-12 $
Revenue			
Rendering of services	24,406	127,069	229,713
Other income	184	755	1,022
Total revenue	24,590	127,824	230,735
Cost of services	(23,859)	(148,433)	(241,430)
Gross profit (loss)	731	(20,609)	(10,695)
Expenses			
Administration expenses	(17,039)	(20,141)	(15,176)
Financing costs	(245)	(196)	(786)
Impairment charge	(101)	(17,598)	(3,161)
Equity based payments	248	90	(329)

Statement of Comprehensive Income	Audited for the year ended 30-Jun-14 $	Audited for the year ended 30-Jun-13 $	Audited for the year ended 30-Jun-12 $
Share of loss from joint venture	-	(98)	-
Loss from continuing operations before income tax	(16,406)	(58,552)	(30,147)
Income tax expense	1,706	(14,905)	3,127
Loss from continuing operations after income tax	(14,700)	(73,457)	(27,020)
(Loss)/profit from discontinued operations	(6,678)	(10,951)	(27,792)
Total comprehensive loss for the year	(21,378)	(84,408)	(54,812)

Source: Annual report for the financial years ended 30 June 2012, 30 June 2013 and 30 June 2014.

Revenue declined significantly over the period from 30 June 2013 to 30 June 2014. The $102.66 million decline in revenue is reflective of the reduced construction activity within the industry generally, the exiting of the VDM Group from large active contracts and the disposal of VDM Construction (Eastern Operations) Pty Ltd and majority of its Consulting businesses.

Financing costs declined from $0.79 million in the financial year ended 30 June 2012 to $0.196 million year ended 30 June 2013 in line with the reduction in loans and borrowings from $2.47 million as at 30 June 2012 to 1.78 million as at 30 June 2013. With VDM entering into a $4 million secured loan facility with H&H on 29 October 2013, this cost has increased for the period ending 30 June 2014.

Impairment of $17.60 million for the year ended 30 June 2013 related mainly to the impairment of goodwill on VDM's Eastern and Western operations as a result of the volatility in the resources market in which VDM predominantly operates. No impairment of goodwill was recorded for the financial year ended 30 June 2014. The impairment charge of $0.10 million for the financial year ended 30 June 2014 related to the impairment of property, plant and equipment.

On 7 October 2013, VDM disposed of one of its wholly owned business units, VDM Construction (Eastern Operations) Pty Ltd, for $2.75 million and on 28 November 2013 it divested the majority of its Consulting businesses via a series of management buy-outs. This resulted in the recognition of a $6.678 million loss from discontinued operations at 30 June 2014. The loss from discontinued operations recognised for the period ended 30 June 2013 related to the sale of Como Engineers Pty Ltd, which was completed on 10 April 2013 for a consideration of $5.45 million.

5.4 Capital Structure

The share structure of VDM as at 25 September 2014 is outlined below:

	Number
Total ordinary shares on issue	3,127,660,952
Top 20 shareholders	2,517,826,293
Top 20 shareholders - % of shares on issue	80.50%

Source: VDM's share register

The range of shares held in VDM as at 31 August 2014 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	602	229,548	0.01%
1,001 - 5,000	798	2,252,378	0.07%
5,001 - 10,000	442	3,458,082	0.11%
10,001 - 100,000	1,433	59,428,233	1.90%
100,001 - and over	875	3,062,292,711	97.91%
TOTAL	**4,150**	**3,127,660,952**	**100.00%**

Source: VDM's share register

At 31 August 2014 there were 2,697 holders of unmarketable parcels being parcels representing a total of 25,138,974 shares.

The ordinary shares held by the most significant shareholders as at 25 September 2014 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
H&H and its associates	1,085,110,976	34.70%
Australia Kengkong Investments Co Pty Ltd	620,000,000	19.82%
Subtotal	1,705,110,976	54.52%
Others	1,422,549,976	45.48%
Total ordinary shares on Issue	**3,127,660,952**	**100.00%**

Source: VDM's share register

6. Profile of Australia Kengkong Investments Co Pty Ltd

Australia Kengkong Investments Co Pty Ltd is a private investment vehicle ultimately controlled by Mr Luk Hiu Ming. It is an Australian incorporated proprietary company with its registered office in Kingsford, New South Wales. Its parent entity is Osmonix Co Ltd, a company registered in the British Virgin Islands which is controlled by Mr Luk Hiu Ming.

The directors of Kengong are Mr Luk Hiu Ming and Zhao Wu.

7. Economic analysis

Growth in the global economy is continuing at a moderate pace. China's growth has generally been in line with policymakers' objectives, though some data suggest a slowing in recent months. Weakening property markets there, present a challenge in the near term. Commodity prices in historical terms remain high, but some of those important to Australia have declined further in recent months.

Volatility in some financial markets has picked up in recent weeks. Overall, however, financial conditions remain very accommodative. Long-term interest rates and risk spreads remain very low. Markets still appear to be attaching a low probability to any rise in global interest rates or other adverse event over the period ahead.

In Australia, most data are consistent with moderate growth in the economy. Resources sector investment spending is starting to decline significantly, while some other areas of private demand are seeing expansion, at varying rates. Public spending is scheduled to be subdued. Overall, the Reserve Bank of Australia (‘**RBA**’) still expects growth to be a little below trend for the next several quarters.

Labour market data have been unusually volatile of late. The RBA’s assessment remains that although some forward indicators of employment have been firming this year, the labour market has a degree of spare capacity and it will probably be some time yet before unemployment declines consistently. Growth in wages has declined noticeably and is expected to remain relatively modest over the period ahead, which should keep inflation consistent with the target even with lower levels of the exchange rate.

Monetary policy remains accommodative. Interest rates are very low and have continued to edge lower over recent months as competition to lend has increased. Investors continue to look for higher returns in response to low rates on safe instruments. Credit growth is moderate overall, but with a further pick-up in recent months in lending to investors in housing assets.

Dwelling prices have continued to rise over recent months. The exchange rate has declined recently, in large part reflecting the strengthening US dollar, but remains high by historical standards, particularly given the further declines in key commodity prices in recent months. It is offering less assistance than would normally be expected in achieving balanced growth in the economy.

Looking ahead, continued accommodative monetary policy should provide support to demand and help growth to strengthen over time. Inflation is expected to be consistent with the 2–3 per cent target over the next two years.

Source: www.rba.gov.au *Statement by Glenn Stevens, Governor: Monetary Policy Decision, 7 October 2014*

8. Industry analysis

The Australian construction sector is largely broken into three areas; construction for the mining industry, public sector construction (for example rail and roads) and other non-residential construction. The strength and size of Australia's mining sector means a large portion of construction revenue has been derived from mining investment.

Revenue growth in the industry over the period 2008 – 2013 was 8.3% (annualised), however this trend already appears to have slowed with revenue in FY13 of approximately $68.5 billion, a 4.9% decrease from FY12. Revenue in the industry is forecast to continue to decline at an annualised rate of 3.0% over the five years through 2018-19 in response to the scaling back of investment into energy and mineral projects and the absence of the Federal Government's stimulus spending.

The major driver of growth in the industry is capital expenditure in the mining and oil & gas sectors. However, with a number of high profile projects recently being abandoned, postponed or recently completed, activity in the mining industry is slowing. Analysts forecast a decrease in mining sector activity in the five years to 2019 which will have a direct impact on growth in the construction industry.

Capital expenditure commitments in the public sector also provide a source of growth for the industry. Expenditure from the public sector usually centres on road, rail and harbour infrastructure, urban development, hospitals and education.

Public sector spending is largely driven by population growth. As the population grows, demand for infrastructure such as roads, schools and hospitals increases, thereby opening opportunities for construction contracts to be won.

Politics also has an impact on growth in the industry with a significant amount of revenue being generated for the industry after the announcement of the National Broadband Network and the announcement of the carbon tax. The introduction of the carbon tax saw a shift in demand from 'dirty' energy sources such as coal to 'cleaner' sources such as gas. This saw investment in gas pipelines and other infrastructure increase.

Looking forward, the level of revenue generated from the mining industry will decrease but revenue will still be generated from record investment in telecommunications infrastructure (the National Broadband Network), other public sector spending pledged in the 2013/14 federal budget ($24 billion), increased demand for investment in 'greener' energy sources such as hydroelectric and wind and the continued investment in infrastructure to recycle water (e.g. desalination plants).

Annual revenues are expected to fall in the period to 2018 by 4.3% (annualised) which will lead to an anticipated 11% decline in employment numbers within the industry.

Source: IBIS World Industry Report

9. Valuation approach adopted

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

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

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

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of VDM shares, we have chosen to employ the NAV (primary) and QMP (secondary) methodologies.

We have chosen these methodologies for the following reasons:

- there is a lack of reliable long term forecasts available for a DCF approach to be undertaken as VDM’s contracts are typically short term contracts of approximately three to six months;
- the FME approach is not appropriate as the Company has been operating at a loss in the last three financial years, meaning that we do not have reasonable grounds on which to base a forecast future maintainable earnings figure;
- VDM has made a number of asset disposals over the past three years, undertaken a strategic review to re-focus its business and has had irregular profitability over the past five years;
- in accordance with VDM’s audited full year report to 30 June 2014, there may be material uncertainty whether VDM will continue as going concern if it does not achieve certain milestones as set out in VDM’s annual report 2014 and on this basis, we consider the NAV methodology to be an appropriate valuation approach to undertake;
- however, it should be noted that asset based methods ignore the possibility that the entity’s value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. This is particularly significant if the growth potential of a company is substantial;
- alternatively, if the company is making losses and earnings are deteriorating, asset based methods ignore the deteriorating financial performance of a company, which may result in the entity’s value trading below the realisable value of its assets; and
- the QMP basis is a relevant methodology to consider as VDM’s shares are listed on the ASX. This means there is a regulated and observable market where VDM’s shares can be traded. However, in order for the QMP methodology to be considered appropriate, the company’s shares should be liquid and the market should be fully informed as to VDM’s activities. We have considered these factors in section 10.2 of our Report.

We have provided two alternative valuation approaches in assessing the NAV of a VDM share following the Transactions i.e. following the conversion of the Convertible Loan. The value of a VDM share following the Transactions using our primary approach will involve the following items:

- the value of VDM prior to the Transactions;

- incorporate the effects of the Transactions in the context of VDM's other assets and liabilities on a NAV basis; and
- the number of shares on issue will incorporate the shares to be issued upon conversion of the Convertible Loan inclusive of any accrued interest amounts.

The value of a VDM share following the Transactions using our secondary approach will involve:

- the value of VDM prior to the Transactions;
- incorporate the effects of the Transactions on VDM's equity value; and
- incorporate the effects of the Transactions on VDM's level of debt.

10. Valuation of VDM

10.1 Net Asset Valuation of VDM

In arriving at our net asset values, we made the following adjustments to VDM's balance sheet as at 30 June 2014, taking into account only material changes between 30 June 2014 and 31 August 2014:

Statement of Financial Position	Note	Audited as at 30-Jun-14 $'000	Adjustments $'000	Adjusted Net Asset Value $'000
CURRENT ASSETS				
Cash and cash equivalents	(a)	3,366	(2,429)	937
Security deposits	(b)	1,242	-	1,242
Trade and other receivables	(c)	990	-	990
Contracts in progress	(d)	49	-	49
Inventory	(e)	150	-	150
Development properties	(f)	3,389	-	3,389
Other assets	(g)	36	421	457
TOTAL CURRENT ASSETS		9,222	(2,008)	7,214
NON-CURRENT ASSETS				
Security deposits	(b)	3,584	-	3,584
Property, plant and equipment	(h)	3,320	(79)	3,241
Intangible assets and goodwill		99	-	99
TOTAL NON-CURRENT ASSETS		7,003	(79)	6,924
TOTAL ASSETS		16,225	(2,087)	14,138
CURRENT LIABILITIES				
Trade and other payables	(i)	5,506	-	5,506
Amounts due to customers for contract work	(i)	49	-	49
Current tax liabilities	(j)	858	(295)	563
Interest bearing loans and borrowings	(k)	4,760	79	4,839
Provisions	(l)	3,066	(222)	2,844
TOTAL CURRENT LIABILITIES		14,239	(438)	13,801

Statement of Financial Position	Note	Audited as at 30-Jun-14 $'000	Adjustments $'000	Adjusted Net Asset Value $'000
NON-CURRENT LIABILITIES				
Interest bearing loans and other borrowings		49	(34)	15
Lease liability		175	-	175
Provisions	(l)	1,128	(128)	1,000
TOTAL NON-CURRENT LIABILITIES		1,352	(162)	1,190
TOTAL LIABILITIES		15,591	(600)	14,991
NET ASSETS		634	(1,487)	(853)

Source: VDM Half Year Report and Accounts, VDM management, BDO analysis

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

Net asset value per share	Note	Low $'000	Mid $'000	High $'000
NET ASSETS		**(853)**	**(853)**	**(853)**
Adjustments for PP&E:				
Book value at 31 August 2014		(3,241)	(3,241)	(3,241)
Fair value	(h)	3,686	4,132	4,577
ADJUSTED NET ASSETS		**(408)**	**38**	**483**
Number of shares on issue (pre transaction) ('000)		3,127,661	3,127,661	3,127,661
Net asset value per share ($)		**(0.00013)**	**0.00001**	**0.00015**
Net asset value per share (cents)		**(0.01310)**	**0.00113**	**0.01536**
Valuation on a net asset value per share basis (cents)		**-**	**0.00113**	**0.01536**

Source: VDM Half Year Report and Accounts, VDM management, BDO analysis

We have not undertaken a review of VDM's financial position as at 31 August 2014 in accordance with Australian Auditing and Assurance Standard 2405 "Review of Historical Financial Information" and do not express an opinion on this financial information. However nothing has come to our attention as a result of our procedures that would suggest that the financial information derived from the material adjustments made, has not been prepared on a reasonable basis.

We were subsequently provided with VDM's unaudited financial position as at 30 September 2014 and confirm that it has no material impact on our valuation and on our opinion.

The following adjustments were made to the net assets of VDM as at 30 June 2014 in arriving at our valuation. The table above indicates the net asset value of a VDM share is between nil and 0.01536 cents with a midpoint of 0.00113 cents.

Note a: Cash and cash equivalents

The cash held by VDM is used for working capital purposes. This portion of cash is not encumbered. The adjusted cash balance is based on VDM's bank balance as at 31 August 2014, which decreased by more than $2.4 million since 30 June 2014. The majority of this cash was utilised for expenses, as well as $0.4 million in insurance prepayments and $0.3 million to meet instalments of tax liabilities. Cash balance as at 31 August 2014 already includes funds of $4.5 million received from Kengkong via the Convertible Loan.

Note b: Security deposits

VDM is required to place on deposit amounts for the surety instruments issued in favour of VDM. The cash placed on deposit is not available for immediate use and has therefore been placed as term deposits. Management confirmed that there were no material changes in security deposits since 30 June 2014.

Note c: Trade and other receivables

Trade and other receivables reduced by materially the same amount as trade and other payables. As there was no material change in the net receivables and payables position, we have used the balance as at 30 June 2014. The reduction in trade and other receivables largely reflects the gradual collection of payments over the period between 30 June 2014 and 31 August 2014 as no new active projects have been undertaken by VDM over this period other than only one active project remaining, which is nearing completion.

The basis for the provisioning of VDM's trade and other receivables has been reviewed by the Company's auditors for its audited full year report for the period ended 30June 2014. Therefore, we have no reason to consider that the net recoverability of VDM's trade and other receivables is materially different from their market value.

Note d: Contracts-in-progress

Contracts-in-progress represents the difference between recognised revenue and the cumulative claims made. Recognised revenue is based on the estimated revenue for each contract in progress including approved and unapproved contract variations. Revenue is recognised in accordance with AASB 111.

Management confirmed that there were no material changes in contracts-in-progress since 30 June 2014. The small reduction in contracts-in-progress largely reflects the gradual completion of active projects over time between 30 June 2014 and 31 August 2014 as no new active projects have been undertaken by VDM over this period other than only one active project remaining, which is nearing completion. Therefore, we have used the balance as at 30 June 2014.

Note e: Inventory

Inventory relates to tools, parts and equipment on hand and is valued at cost. Management has confirmed that there has been no material movement in inventory since 30 June 2014. No independent valuation was carried out to revalue this inventory to indicate if its value is above cost. In the absence of further information, we have no reason to consider that the book value of inventory is materially different from its fair market value.

Note f: Development properties

The carrying value of VDM's development properties was $3.389 million as at 30 June 2014 and the management of VDM has confirmed that there has been no major movement in development properties since 30 June 2014.

Note g: Other assets

Other assets comprise mostly prepayments. This balance increased $0.421 million since 30 June 2014 as VDM makes insurance premium payments over a six-month period and are front-end weighted.

Note h: Property, plant and equipment

Property, plant and equipment was carried at $3.320 million as at 30 June 2014. The balance of property, plant and equipment was estimated to be $3.241 million as at 31 August 2014.

VDM provided information on the history of plant and equipment disposals between July 2012 and August 2014 which totalled 431 transactions. We performed an analysis of the transactions based on the multiple of proceeds received over the written down values of each plant and equipment sold ("**Disposal Multiple**") by category and over time. Our analysis shows that the:

- monthly Disposal Multiples ranged from 0.4 times to 10.9 times between July 2012 and August 2014;
- average Disposal Multiple on 431 transactions was approximately 2.1 times; and
- average Disposal Multiple for major categories of plant and equipment was also 2.1 times.

We have also considered the following matters in the context of the above analysis:

- VDM was able to be selective in the timing of the plant and equipment disposals to achieve the best possible prices for these assets in the past; and
- the weighted average Disposal Multiple of 2.4 times in the recent past 12 months was higher than that achieved historically.

Based on our analysis and considerations above, we applied a Disposal Multiple of between 1.25 times and 1.75 times to plant and equipment as follows:

Plant and Equipment	Low value $'000	Mid value $'000	High value $'000
Plant and Equipment	1,781	1,781	1,781
Disposal Multiple	1.25	1.50	1.75
Fair market value	2,226	2,672	3,117
Add: Leasehold improvements	1,460	1,460	1,460
Total Property, Plant & Equipment	**3,686**	**4,132**	**4,577**

Source: VDM's management and BDO analysis

Note i: Trade and other payables

Trade payables arise from VDM subcontracting certain work packages on construction contracts such as electrical, hydraulic, asphalting, civil works and some concrete works.

Trade and other payables reduced by materially the same amount as trade and other receivables. As there was no material change in the net receivables and payables position, we have used the balance as at 30 June 2014. The reduction in trade and other payables reflects the gradual payment of its payables over the period between 30 June 2014 and 31 August 2014 as no new active projects have been undertaken by VDM over this period other than only one active project remaining, which is nearing completion.

Management confirmed that there was no material change in the amounts due to customers for contract work since 30 June 2014.

Note j: Current tax liabilities

Tax assessments on the rights to future income liability relates to the refund that VDM will need to make as a result of the change in legislation on the immediate deduction claimable based on legislation enacted on 12 May 2010. At that time, VDM received a tax refund of $3.867 million but the legislation was subsequently changed to remove this right, and as a result, the Company may have to repay the full value of the refund. This tax liability was $1.956 million as at 31 December 2013.

Between the period from 31 December 2013 and 31 May 2014, the Company reversed an earlier provision of $0.658 million, resulting in an adjusted tax liability of $1.298 million.

During March 2014, VDM commenced its payment arrangement for the outstanding tax liability of $1.298 million through monthly instalments of approximately $0.147 million over 8 months with a final instalment of approximately $0.121 million on 21 December 2014.

The reduction in current tax liabilities between 30 June 2014 and 31 August 2014 was $0.295 million, reflecting the monthly instalments made over the two month period.

Note k: Interest bearing loans and borrowings

On 5 May 2014, VDM executed the agreement with Kengkong to provide funding of $4.5 million via a convertible loan, the subject of this approval. The balance of interest bearing loans and borrowings as at 30 June 2014 already reflected the drawdown of the $4.5 million advance.

The overall increase in this balance reflects the amount of capitalised interest on these loans.

Note l: Provisions

Reduction in provisions was largely accounted for by the reduction of $0.327 million in onerous leases between 30 June 2014 and 31 August 2014. Reduction in onerous leases reflects revision to provision estimate as the remaining term of the monthly rental obligation for onerous leases is decreased by two months.

Management confirmed that there were no other material changes in provisions since 30 June 2014.

10.2 Quoted Market Prices for VDM Securities

To provide a comparison to the valuation of VDM in Section 10.1, we have also assessed the quoted market price for a VDM share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;

- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

While Kengkong will not be obtaining 100% of VDM, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

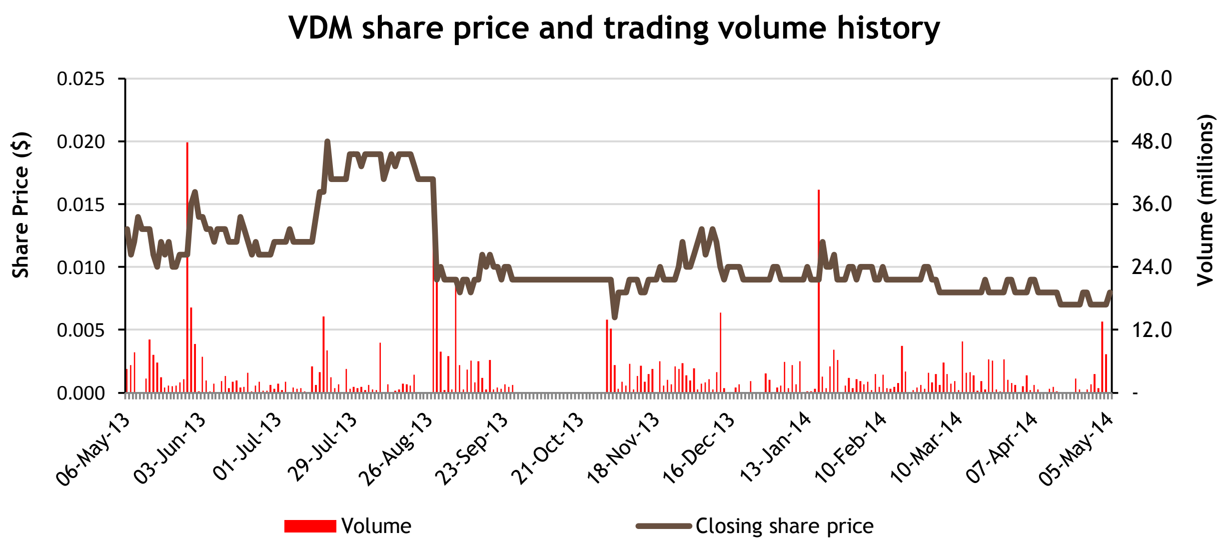
Therefore, our calculation of the quoted market price of a VDM share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of a VDM share is based on the pricing prior to the announcement of the Transactions. This is because the value of a VDM share after the announcement may include the affects of any change in value as a result of the Transactions. However, we have considered the value of a VDM share following the announcement when we have considered reasonableness in Section 13.

First Transaction

Information on the First Transaction was announced to the market on 6 May 2014. Therefore, the following chart provides a summary of the share price movement over the 12 months to 5 May 2014 which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of VDM shares from 6 May 2013 to 5 May 2014 ranged from a low of $0.006 on 12 March 2014 to a high of $0.021 on 19 July 2013. The share price of VDM experienced a sharp decline following the announcement on 27 August 2013 and has not shown signs of recovery over the subsequent trading days. During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement $ (movement)			Closing Share Price Three Days After Announcement $ (movement)		
28/02/2014	Appendix 4D & Half Yearly Report and Accounts	0.009	▶	0.0%	0.008	▼	11.1%
24/12/2013	VDM Supplementary Prospectus	0.009	▶	0.0%	0.009	▶	0.0%
24/12/2013	Company Update	0.009	▶	0.0%	0.009	▶	0.0%
19/12/2013	Trading Halt	0.009	▼	10.0%	0.009	▶	0.0%
11/12/2013	Non-Renounceable Issue Prospectus	0.010	▼	16.7%	0.010	▶	0.0%
11/12/2013	Placement & Non-Renounceable Issue	0.010	▼	16.7%	0.010	▶	0.0%
28/11/2013	Company Update - Sale of Consulting Businesses	0.010	▼	16.7%	0.012	▲	20.0%
12/11/2013	Company Update	0.008	▼	11.1%	0.009	▲	12.5%
30/10/2013	Reinstatement to Official Quotation - 31/10/13 - Amended	0.009	▶	0.0%	0.008	▼	11.1%
30/10/2013	VDM Company Update	0.009	▶	0.0%	0.008	▼	11.1%
29/10/2013	Reinstatement to Official Quotation - 31/10/13	0.009	▶	0.0%	0.006	▼	33.3%
1/10/2013	Suspension from Official Quotation	0.009	▶	0.0%	0.009	▶	0%
26/09/2013	Trading Halt	0.009	▶	0.0%	0.009	▶	0%
20/09/2013	Sale of VDM Construction (Eastern Operations) Pty Ltd	0.009	▼	10%	0.009	▶	0%
30/08/2013	Appendix 4E	0.009	▼	10%	0.009	▶	0%
30/08/2013	VDM Company Update	0.009	▼	10%	0.009	▶	0%
28/08/2013	Update on Contractual Matter and Revised Capital Raising	0.009	▼	47%	0.009	▶	0%
28/08/2013	Reinstatement to Official Quotation	0.009	▼	47%	0.009	▶	0%
26/08/2013	Suspension from Official Quotation	0.017	▶	0.0%	0.010	▼	41%
22/08/2013	Trading Halt	0.017	▶	0.0%	0.017	▶	0%
29/05/2013	VDM Announces new Strategic Investor	0.015	▲	36%	0.014	▼	7%

Source: Bloomberg, BDO analysis

On 11 December 2013, VDM lodged a Prospectus in relation to a one for one pro-rata non-renounceable entitlement offer of 1,792 million new fully paid shares at an issue price of $0.01 per share to raise up to $17.9 million. The company also made a placement of 75 million fully paid ordinary shares to a private investor at $0.01 per share and raised $750,000. VDM's share price decreased 16.7% on the day of the announcement.

On 28 November 2013, VDM announced it had divested the majority of its Consulting Businesses via a series of management buy-outs. The market viewed this negatively with the share price of VDM decreasing by 16.7% following the announcement.

On 12 November 2013, VDM announced it had been awarded and had received approximately $4 million for the value of works performed prior to its removal from site following the dispute with a major customer. The share price of VDM decreased 11.1% following the announcement.

On 20 September 2013, VDM announced its intention to divest its VDM Construction (Eastern Operations) business for a cash consideration of $2.75 million. The market viewed this negatively with the share price of VDM decreasing by 10% following the announcement.

On 30 August 2013, VDM announced it would be reporting a statutory Net Loss after Tax of $84.4 million for the full financial year ending 30 June 2013. As a consequence of the dispute and in accordance with Australian Accounting Standards the Company did not recognise the value of works performed prior to its removal from site for which it remained unpaid, resulting in VDM's share price decreasing by 10% on the day of the announcement.

On 28 August 2013, VDM released an announcement regarding a dispute with a major customer on material contract regarding the status of the contract. The material nature of the dispute cased the share price of the Company to plummet 47% on the day of the announcement.

On 29 May 2013, VDM announced that the Company had entered into a binding share subscription agreement under which H&H had agreed to subscribe for 600 million new fully paid ordinary VDM shares at 2.5 cents per share to raise $15 million. VDM's share price increased 36% on the day of the announcement. This may reflect the positive sentiment of investors towards the Company increasing its financial capacity.

To provide further analysis of the market prices for a VDM share, we have also considered the weighted average market price (**"VWAP"**) for 10, 30, 60 and 90 day periods to 5 May 2014.

Share Price per unit	5-May-14	10 Days	30 Days	60 Days	90 Days
Closing price	$0.008				
Volume weighted average price (VWAP)		$0.007	$0.008	$0.008	$0.009

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the First Transaction, to avoid the influence of any increase in price of VDM shares that has occurred since the First Transaction was announced.

An analysis of the volume of trading in VDM shares for the twelve months to 5 May 2014 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	$0.007	$0.008	7,288,582	0.23%
10 Days	$0.007	$0.008	30,801,984	0.98%
30 Days	$0.007	$0.009	53,159,108	1.70%
60 Days	$0.006	$0.010	138,773,117	4.44%
90 Days	$0.006	$0.012	245,072,755	7.84%
180 Days	$0.006	$0.017	510,859,897	16.33%
1 Year	$0.006	$0.021	772,157,362	24.69%

Source: Bloomberg, BDO analysis

This table indicates that VDM's shares display a low level of liquidity, with 24.7% of the Company's current issued capital being traded in a twelve month period.

For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

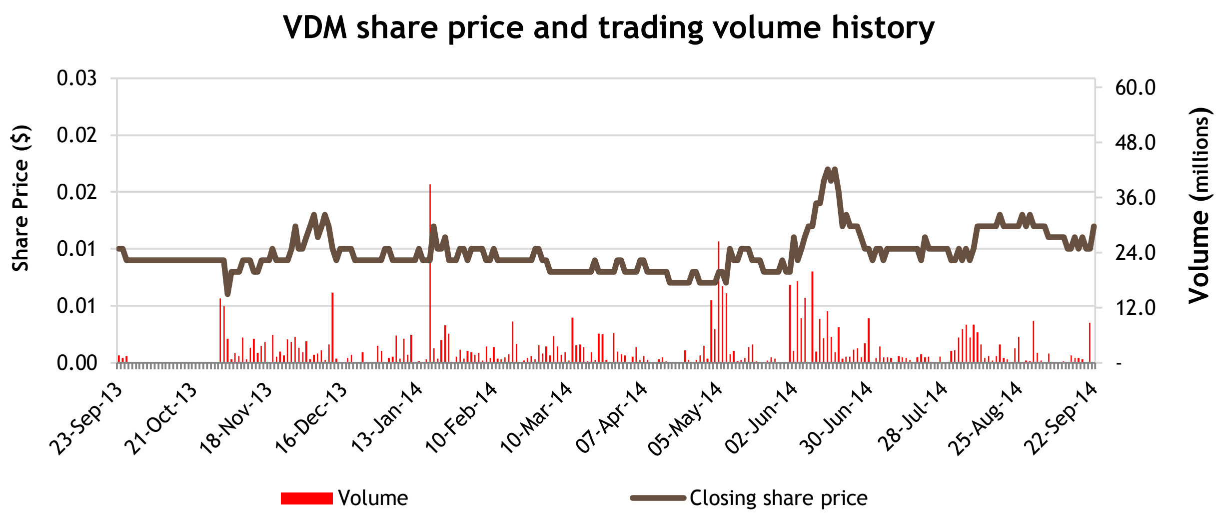
A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of VDM, we do not consider there to be a deep market for the shares as a low percentage of the Company's issued capital was traded over the entire measurement period. This is also supported by our analysis of the market's reaction to VDM's announcements over the past twelve months.

Our assessment is that a range of values for VDM shares based on market pricing, after disregarding post announcement pricing, is between $0.007 and $0.009 per share with a midpoint value of $0.008 per share.

Second Transaction

Information on the Second Transaction was announced to the market on 23 September 2014. Therefore, the following chart provides a summary of the share price movement over the 12 months to 22 September 2014 which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of VDM shares from 23 September 2013 to 22 September 2014 has ranged from a low of $0.006 on 12 March 2014 to a high of $0.017 on 18 June 2014. During this period, a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement $ (movement)			Closing Share Price Three Days After Announcement $ (movement)		
29/08/2014	2014 Appendix 4E Preliminary Final Report	0.012	▼	7.7%	0.012	►	0.0%
11/08/2014	Response to Media Speculation	0.012	►	0.0%	0.012	►	0.0%
24/06/2014	LOI for SANY-VDM JV	0.012	►	0.0%	0.010	▼	16.7%
06/05/2014	$4.5 Million Capital Raising	0.008	►	0.0%	0.009	▲	12.5%
28/02/2014	Appendix 4D & Half Yearly Report and Accounts	0.009	►	0.0%	0.008	▼	11.1%
24/12/2013	VDM Supplementary Prospectus	0.009	►	0.0%	0.009	►	0.0%
24/12/2013	Company Update	0.009	►	0.0%	0.009	►	0.0%
19/12/2013	Trading Halt	0.009	▼	10.0%	0.009	►	0.0%
11/12/2013	Non-Renounceable Issue Prospectus	0.010	▼	16.7%	0.010	►	0.0%
11/12/2013	Placement & Non-Renounceable Issue	0.010	▼	16.7%	0.010	►	0.0%
28/11/2013	Company Update - Sale of Consulting Businesses	0.010	▼	16.7%	0.012	▲	20.0%
12/11/2013	Company Update	0.008	▼	11.1%	0.009	▲	12.5%
30/10/2013	Reinstatement to Official Quotation - 31/10/13 - Amended	0.009	►	0.0%	0.008	▼	11.1%
30/10/2013	VDM Company Update	0.009	►	0.0%	0.008	▼	11.1%
29/10/2013	Reinstatement to Official Quotation - 31/10/13	0.009	►	0.0%	0.006	▼	33.3%
1/10/2013	Suspension from Official Quotation	0.009	►	0.0%	0.009	►	0%
26/09/2013	Trading Halt	0.009	►	0.0%	0.009	►	0%

Source: Bloomberg, BDO analysis

On 29 August 2014, VDM released the Preliminary Final Report for the financial year ended 30 June 2014, announcing a loss of $21.378 million for the period. VDM' share price decreased 7.7% on the day of the announcement.

To provide further analysis of the market prices for a VDM share, we have also considered the VWAP for 10, 30, 60 and 90 day periods to 22 September 2014.

Share Price per unit	22-Sep-14	10 Days	30 Days	60 Days	90 Days
Closing price	$0.012				
Volume weighted average price (VWAP)		$0.011	$0.012	$0.011	$0.012

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Second Transaction, to avoid the influence of any increase in price of VDM shares that has occurred since the Second Transaction was announced.

An analysis of the volume of trading in VDM shares for the twelve months to 22 September 2014 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	$0.010	$0.012	8,703,257	0.28%
10 Days	$0.010	$0.012	13,213,207	0.42%
30 Days	$0.010	$0.013	50,616,279	1.62%
60 Days	$0.009	$0.014	125,859,551	4.02%
90 Days	$0.008	$0.017	268,527,408	8.59%
180 Days	$0.006	$0.017	560,867,671	17.93%
1 Year	$0.006	$0.017	723,620,310	23.14%

Source: Bloomberg, BDO analysis

This table indicates that VDM's shares display a low level of liquidity, with 23.14% of the Company's current issued capital being traded in a twelve month period. Analogous to the conclusion reached on the First Transaction, we do not consider there to be a deep market for the shares as a low percentage of the Company's issued capital was traded over the entire measurement period.

Our assessment is that a range of values for VDM shares based on market pricing, after disregarding post announcement pricing, is between $0.011 and $0.012 with a midpoint value of $0.0115.

Control Premium

We have reviewed the control premiums paid by acquirers of companies listed on the ASX. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (AU$m)	Average Control Premium (%)
2014	16	632.80	20.04
2013	39	194.10	47.97
2012	49	357.36	40.41
2011	66	777.45	45.82
2010	67	756.42	37.33
2009	65	317.39	44.63
2008	43	753.31	39.47
2007	84	1008.24	21.79
2006	96	647.74	22.95
	Mean	**604.98**	**35.60**
	Median	**647.74**	**39.47**

Source: Bloomberg

We note that observed control premiums can vary due to the:

- nature and magnitude of non-operating assets;
- nature and magnitude of discretionary expenses;
- perceived quality of existing management;
- nature and magnitude of business opportunities not currently being exploited;
- ability to integrate the acquiree into the acquirer's business;
- level of pre-announcement speculation of the transaction; and
- level of liquidity in the trade of the acquiree's securities.

Based on our analysis of control transactions observed on the ASX as captured in the table above, we consider a reasonable control premium to apply to a VDM share is between 30% and 40%.

Quoted market price including control premium

First Transaction

The value of a VDM share prior to the announcement of the First Transaction, after applying a control premium for control, is between $0.009 and $0.013 with a midpoint value of $0.011 as follows:

	Low $	Mid $	High $
Quoted market price value	0.007	0.008	0.009
Control premium	30%	35%	40%
Quoted market price valuation including a premium for control	**0.009**	**0.011**	**0.013**

Source: Bloomberg

Second Transaction

The value of a VDM share prior to the announcement of the Second Transaction, after applying a control premium for control, is between $0.014 and $0.017 with a midpoint value of $0.016 as follows:

	Low $	Mid $	High $
Quoted market price value	0.011	0.0115	0.012
Control premium	30%	35%	40%
Quoted market price valuation including a premium for control	**0.014**	**0.016**	**0.017**

Source: Bloomberg

10.3 Assessment of VDM's Value

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

	Low cents	Mid cents	High cents
Net asset value (Section 10.1)	-	0.00113	0.01536
ASX market prices (Section 10.2) - First Transaction	0.9	1.1	1.3
ASX market prices (Section 10.2) - Second Transaction	1.4	1.6	1.7

Source: BDO analysis

We consider the controlling value of a VDM share prior to the Transactions determined under the net asset value methodology is appropriate for the following reasons:

- There is a material uncertainty regarding VDM's ability to continue operating as a going concern; and
- As outlined in section 10.2, the market for VDM's shares over the analysed periods has not been sufficiently liquid for a reliable value to be obtained under the QMP methodology.

Based on the results above, we consider the value of a VDM share to be in the range of nil to 0.01536 cents with a midpoint value of 0.00113 cents.

11. Valuation of VDM following the Transactions

11.1 Primary approach

The value of VDM shares on a net assets basis following the Transactions is set out below:

First Transaction

	Notes	Low value $'000	Mid value $'000	High value $'000
Net assets of VDM prior to the First Transaction		(408)	38	483
Cash received from the issue of the First Convertible Loan	1	-	-	-
Debt liability extinguished by the conversion of First Convertible Loan	1	4,500	4,500	4,500
Net assets of VDM after the First Transaction (control basis)		4,092	4,538	4,983
Discount for minority interest	2	28.57%	25.93%	23.08%
Adjusted net assets of VDM on a minority interest basis		**2,923**	**3,361**	**3,833**
Shares on issue ('000)	3	3,577,661	3,577,661	3,577,661
Value per share ($)		**0.00082**	**0.00094**	**0.00107**
Value per share under the primary approach (cents)		**0.08166**	**0.09390**	**0.10709**

Source: BDO analysis

The table above indicates the net asset value of a VDM share following the First Transaction is between 0.08166 cents and 0.10709 cents with a midpoint value of 0.09390 cents. In arriving at this value, the following adjustments were made to the net assets of VDM following the First Transaction.

Note 1: Adjustment for cash received and debt liability extinguished

Cash from the loan of $4.5 million advanced by Kengkong was received by the Company on 6 May 2014. The net asset position as at 30 June 2014 already includes the cash advanced. Therefore, no further adjustment was made to the net assets of VDM for the cash received. However, the debt liability, which has already been recorded in the net asset position as at 30 June 2014, will be extinguished through the conversion of the First Convertible Loan.

Note 2: Minority discount

The net asset value of a VDM share following the First Transaction is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an individual influence in the operations and value of that company. Therefore, if the First Transaction is approved, Shareholders may become minority interest shareholders in VDM as Kengkong could hold a controlling interest, meaning that their individual holding will not be considered significant enough to have an individual influence in the operations and value of the Company.

Therefore, we have adjusted our valuation of a VDM share following the First Transaction, to reflect a minority interest holding. A minority interest discount is the inverse of a premium for control and is calculated using the formula 1 – (1/1+control premium). As discussed in section 10.2, we consider an appropriate control premium for VDM to be in the range of 30% to 40%, giving rise to a minority interest discount in the range of 23% to 29% (or 23.08% to 28.57% including two decimal places).

Note 3: Number of shares on issue

We adjusted the number of shares on issue to incorporate the 450 million shares that will be issued to Kengkong if Kengkong decides to convert the First Convertible Loan into shares. This is set out as follows:

Number of Shares on Issue after the First Transaction	Ref	Ordinary Shares ('000)
Number of shares on issue prior to the First Transaction	5.4	3,127,661
Number of new shares issued on conversion of the First Convertible Loan		450,000
Number of shares on issue after the First Transaction		3,577,661

Source: BDO analysis

Second Transaction

	Notes	Low value $'000	Mid value $'000	High value $'000
Net assets of VDM prior to the Second Transaction		(408)	38	483
Cash received from the issue of the First Convertible Loan	4	-	-	-
Debt liability extinguished by the conversion of First Convertible Loan	4	4,500	4,500	4,500
Cash received from the issue of the Second Convertible Loan	4	10,000	10,000	10,000
Net assets of VDM after the Second Transaction (control basis)		14,092	14,538	14,983
Discount for minority interest	5	28.57%	25.93%	23.08%
Adjusted net assets of VDM on a minority interest basis		**10,066**	**10,768**	**11,525**
Shares on issue ('000)	6	4,127,661	4,127,661	4,127,661
Value per share ($)		**0.00244**	**0.00261**	**0.00279**
Value per share under the primary approach (cents)		**0.24383**	**0.26085**	**0.27918**

Source: BDO analysis

The table above indicates the net asset value of a VDM share following the Transactions is between 0.24383 cents and 0.27918 cents with a midpoint value of 0.26085 cents. In arriving at this value, the following adjustments were made to the net assets of VDM following the Transactions.

Note 4: Adjustment to cash received

The Second Transaction requires Shareholders' approval for the conversion of 450 million shares under the First Convertible Note and the conversion of one billion shares under the Second Convertible Note. As per note 1 above, the net asset position as at 30 June 2014 is only adjusted for the debt liability that will be extinguished by the conversion of the First Convertible Loan and not the cash received.

As the net asset position as at 30 June 2014 has not incorporated the drawdown of the Second Convertible Note, we adjust for the increase in the Company's net assets by the full amount of $10 million advanced to the Company under the Second Convertible Loan.

Note 5: Minority discount

As per note 2 above, we have applied a minority interest discount in the range of 23% to 29%.

Note 6: Number of shares on issue

We have adjusted the number of shares on issue to incorporate the 450 million shares that will be issued to Kengkong if Kengkong decides to convert the First Convertible Loan into shares and another one billion shares that will be issued to Kengkong if Kengkong decides to convert the Second Convertible Loan, set out as follows:

Number of Shares on Issue after the Second Transaction	Ref	Ordinary Shares ('000)
Number of shares on issue prior to the Second Transaction	5.4	3,127,661
Number of new shares issued on conversion of the First Convertible Loan		450,000
Number of new shares issued on conversion of the Second Convertible Loan		1,000,000
Number of shares on issue after the Second Transaction		4,127,661

Source: BDO analysis

11.2 Secondary approach

Under Australian Accounting Standards, the fair value of a convertible note/loan is apportioned between debt and equity. The debt component of a convertible note/loan that converts into a fixed number of shares is valued at the present value of its cash flows (coupons and principal). The discount rate used in the present value calculation is the interest rate that the issuer could obtain from the market on a similar debt instrument without the conversion feature. The equity component of the convertible note/loan is the residual between the face value of the note/loan and the value of the debt.

Similarly, for a convertible note/loan that is convertible to a variable number of shares, the fair value of the instrument is apportioned between debt and equity. However, the valuation methodology differs in that the equity component of the instrument is fair valued, with the residual between the face value and the value of the equity being classified as debt.

Although the Convertible Loan has a fixed conversion price we do not consider it is appropriate to present value the coupon and principal repayments. In order to perform this present value calculation, we need to determine the interest rate which VDM could borrow funds in the market without a conversion feature. Given the material uncertainty surrounding VDM's ability to continue operating as a going concern, we do not consider that any lenders would extend funds to VDM without having the ability to convert those funds into shares.

Therefore, we have valued the Convertible Loan using the Black Scholes Pricing Model to value the equity, with the residual between the equity value and the face value being classified as debt.

First Transaction

The $4.5 million Convertible Loan to be approved under the First Transaction is convertible at a conversion price of $0.01 per share. Based on a principal amount of $4.5 million, the First Convertible Loan would be convertible to 450 million shares.

The key inputs used in our Black Scholes equity value are detailed below:

- **Underlying share price**

We have used an underlying share price of $0.0115, being our midpoint value of a VDM share prior to 30 September 2014 as determined under the QMP methodology on a minority interest basis in section 10.2.

We have used this value as our underlying share price as a result of the conversion price being based on the trading price of a VDM share.

- **Exercise price**

The exercise price is the conversion price of the First Convertible Loan being $0.01 per share.

- **Life of the Convertible Loans**

The maturity date for the First Convertible Loan is the later of 5 September 2014 and 30 business days after the date on which Shareholders' approval is obtained to convert the loan into 450 million shares. As the conversion period for the First Convertible Loan is from the date of the agreement, being 5 May 2014, to 30 days after Shareholders' approval is obtained, we have assumed the life of the First Convertible Loan to be 90 days (the period from 30 September 2014 to 30 days after Shareholders' approval is obtained on or around 28 November 2014).

- **Volatility**

Recent volatility of the share price of VDM shares was calculated over a one year period, using data extracted from Bloomberg. We expect the annual share price volatility of a VDM share to be approximately 135% over the term of the First Convertible Loan.

- **Risk-free rate of interest**

We have used the one-year Australian Government Bond Rate at 30 September 2014 of 2.61% as a proxy for the risk free rate.

- **Dividend Expected on the Shares**

VDM is currently unlikely to pay a dividend during the life of the First Convertible Loan.

- **Number of equity instruments granted**

The number of equity instruments input to our option pricing model is derived by dividing the principal amount of the First Convertible Loan by the conversion price. Based on this calculation, the Company will issue 450 million shares under the First Convertible Loan.

- **Conclusion**

We set out below our conclusion as to the values of the equity component of First Convertible Loan.

Item	First Convertible Loan
Underlying share price	$0.0115
Exercise price	$0.010
Life of the Convertible Loan	90 days
Volatility (%)	135%
Risk-free rate of interest (%)	2.61%
Dividends expected on the shares (%)	-
Number of instruments	450 million
Valuation per instrument	$0.00369
Valuation of Equity	$1,660,500

Source: BDO analysis

Based on our analysis above, the value of the debt and equity component of the First Convertible Loan is set out in the table below.

Item	First Convertible Loan $'000
Value of Equity	1,660
Value of Debt	2,840
Face value of First Convertible Loan	4,500

Source: BDO analysis

These debt and equity values are reflected in our secondary valuation approach set out as follows:

	Notes	Low value $'000	Mid-point value $'000	High value $'000
Net Assets of VDM prior to the First Transaction		(408)	38	483
Cash received from the issue of the First Convertible Loan	1	-	-	-
Debt liability recorded in the financial statements of VDM	1	4,645	4,645	4,645
Debt component of the First Convertible Loan	1	(2,840)	(2,840)	(2,840)
Present value of interest on the First Convertible Loan	2	(133)	(133)	(133)
Net Assets of VDM following the First Transaction		1,262	1,710	2,155
Discount for minority interest		28.57%	25.93%	23.08%
Adjusted net assets of VDM on a minority interest basis		**901**	**1,267**	**1,658**
Adjustment for embedded call option value of First Convertible Loan	3	(1,660)	(1,660)	(1,660)
Ordinary shareholder value		**(759)**	**(393)**	**(2)**
Shares on issue (number)	4	3,127,661	3,127,661	3,127,661
Value per share ($)		**(0.00024)**	**(0.00013)**	**(0.00000)**
Value per share under the secondary approach (cents)		**-**	**-**	**-**

Source: BDO analysis

The table above indicates the net asset value of a VDM share following the First Transaction under the secondary valuation approach is nil.

Note 1: Cash received and debt component of the First Convertible Loan

Cash received from the issue of the First Convertible Loan and the debt components of the First Convertible are already reflected in the net assets of VDM as at 30 June 2014. We adjusted the debt liability recorded in the financial statements of VDM as at 31 August 2014 by the value of debt calculated in the embedded call option valuation above.

Note 2: Present value of interest payable on the First Convertible Loan

The First Convertible Loan has a coupon interest rate of 10% per annum increasing to 15% per annum following the date of Shareholders' approval. We calculated the net present value of the interest payable on the First Convertible Loan to be $0.133 million, assuming the First Convertible Loan is not repaid or converted into shares until the end of the conversion period, being approximately 90 days from the date of our valuation.

Note 3: Adjustment for embedded call option value of the First Convertible Loan

We adjusted the ordinary shareholder value for the value of the embedded call option component of the First Convertible Loan. Refer to preceding section for the valuation of the embedded call option.

Note 4: Shares on issue

We have not increased the number of shares on issue for the conversion of the First Convertible Loan as this is reflected through the reduction in equity as a result of the call option value and the increase in liabilities arising from the debt component of the First Convertible Loan.

Second Transaction

The $10 million Convertible Loan to be approved under the Second Transaction is convertible at a conversion price of $0.01 per share. Based on a principal amount of $10 million, the Second Convertible Loan would be convertible to one billion shares.

The key inputs used in our Black Scholes equity value are detailed below:

- **Underlying share price**

We have used an underlying share price of $0.0115, being our midpoint value of a VDM share prior to the proposal determined under the QMP methodology on a minority interest basis in section 10.2.

- **Exercise price**

The exercise price is the conversion price of the Second Convertible Loan being $0.01 per share.

- **Life of the Convertible Loans**

The maturity date for the Second Convertible Loan is 30 business days after the date on which shareholder approval is obtained to convert the loan into one billion shares. As the conversion period for the Second Convertible Loan is the period commencing on the date of Shareholders' approval for the Second Transaction to one month after Shareholders' approval is obtained, we have assumed the life of the Second Convertible Loan to be 30 days.

- **Volatility**

Recent volatility of the share price of VDM shares was calculated over a one year period, using data extracted from Bloomberg. We expect the annual share price volatility of a VDM share to be approximately 135% over the term of the Second Convertible Loan.

- **Risk-free rate of interest**

We have used the one-year Australian Government Bond Rate at 30 September of 2.61% as a proxy for the risk free rate.

- **Dividend Expected on the Shares**

VDM is currently unlikely to pay a dividend during the life of the Second Convertible Loan.

- **Number of equity instruments granted**

Based on this calculation, the Company will issue one billion shares under the Second Convertible Loan.

- **Conclusion**

We set out below our conclusion as to the values of the equity component of Second Convertible Loan.

Item	Second Convertible Loan
Underlying share price	$0.0115
Exercise price	$0.010
Life of the Convertible Loan	30 days
Volatility (%)	135%
Risk-free rate of interest (%)	2.61%
Dividends expected on the shares (%)	-
Number of instruments	1,000 million
Valuation per instrument	$0.00254
Valuation of Equity	$2,540,000

Source: BDO analysis

Based on our analysis above, the value of the debt and equity component of the Second Convertible Loan is set out in the table below.

Item	Second Convertible Loan $'000
Value of Equity	2,540
Value of Debt	7,460
Face value of Second Convertible Loan	10,000

Source: BDO analysis

These debt and equity values are reflected in our secondary valuation approach set out as follows:

	Notes	Low value $'000	Mid-point value $'000	High value $'000
Net Assets of VDM prior to the Second Transaction		(408)	38	483
Cash received from the issue of the First Convertible Loan		-	-	-
Debt liability recorded in the financial statements of VDM		4,645	4,645	4,645
Debt component of the First Convertible Loan		(2,840)	(2,840)	(2,840)
Present value of interest on the First Convertible Loan		(133)	(133)	(133)
Cash received from the issue of the Second Convertible Loan	5	10,000	10,000	10,000
Debt component of the Second Convertible Loan	5	(7,460)	(7,460)	(7,460)
Present value of interest on the Second Convertible Loan	6	(314)	(314)	(314)
Net Assets of VDM following the Second Transaction		3,490	3,936	4,381
Discount for minority interest		28.57%	25.93%	23.08%
Adjusted net assets of VDM on a minority interest basis		**2,493**	**2,915**	**3,370**
Adjustment for embedded call value of First Convertible Loan		(1,661)	(1,661)	(1,661)
Adjustment for embedded call value of Second Convertible Loan	7	(2,540)	(2,540)	(2,540)
Ordinary shareholder value		**(1,708)**	**(1,286)**	**(831)**
Shares on issue (number)	8	3,127,661	3,127,661	3,127,661
Value per share ($)		**(0.00055)**	**(0.00041)**	**(0.00027)**
Value per share under the secondary approach (cents)		**-**	**-**	**-**

Source: BDO analysis

The table above indicates the net asset value of a VDM share following the Second Transaction is nil.

Note 5: Debt component of the Second Convertible Loan

We adjusted the net assets of VDM for the cash received from the Second Convertible Note and the value of the debt component of the Second Convertible Note embedded call option valuation above.

Note 6: Present value of interest payable on the Second Convertible Loan

The Second Convertible Loan has a coupon interest rate of 8% per annum increasing to 13% per annum following the last day of conversion which is 30 days after Shareholders' approval is obtained. We calculated the net present value of the interest payable on the Second Convertible Loan to be $0.314 million, assuming the Second Convertible Loan is not repaid or converted into shares until repayment date which is 60 days from the date that Shareholders' approval is obtained.

Note 7: Adjustment for embedded call option value of the Second Convertible Loan

We adjusted the ordinary shareholder value for the value of the embedded call option component of the Second Convertible Loan. See above for the valuation of the embedded call option.

Note 8: Shares on issue

We have not increased the number of shares on issue for the conversion of the Convertible Loans as this is reflected through the reduction in equity as a result of the call option value and the increase in liabilities arising from the debt components of the Convertible Loans.

11.3 Valuation of VDM following the Transactions

We note that the values of a VDM share under the secondary approach for both the First Transaction and the Second Transaction are lower than the values of a VDM share under the primary approach for both the First Transaction and the Second Transaction.

Given the short life of the Convertible Loans, we consider the value of a VDM share derived under the primary to be more appropriate as this more accurately reflects the substance of the instrument being closer to a near term placement than to a longer life debt instrument. Therefore, in our assessment of the fairness of the Transactions, we have considered the value of a VDM share following the Transactions as determined under the primary approach.

12. Are the Transactions fair?

The value of a VDM share prior to the Transactions on a controlling basis and the value of a VDM share following the Transactions on a minority interest basis are compared below:

First Transaction

	Ref	Low cents	Mid cents	High cents
Value of a VDM share on a controlling basis prior to the First Transaction	10.1	nil	0.00113	0.01536
Value of a VDM share on a minority basis following the First Transaction	11.1	0.08166	0.09390	0.10709

Source: BDO analysis

We note from the table above that the value of a VDM share on a minority interest following the First Transaction is higher than the value of a VDM share on a controlling basis prior to the First Transaction. Therefore, we consider that the First Transaction is fair.

Second Transaction

	Ref	Low cents	Mid cents	High cents
Value of a VDM share on a controlling basis prior to the Second Transaction	10.1	nil	0.00113	0.01536
Value of a VDM share on a minority basis following the Second Transaction	11.1	0.24383	0.26085	0.27918

Source: BDO analysis

We note from the table above that the value of a VDM share on a minority interest following the Second Transaction is higher than the value of a VDM share on a controlling basis prior to the Second Transaction. Therefore, we consider that the Second Transaction is fair.

13. Are the Transactions reasonable?

13.1 Advantages of Approving the Transactions

We have considered the following advantages when assessing whether the Transactions are reasonable.

13.1.1 The Transactions are fair

In section 12, we determined that the First Transaction and the Second Transaction are both fair. RG 111 states that a transaction is reasonable if it is fair.

13.1.2 Alternative funding options if the Transactions are not approved

If the Transactions are not approved, the Company will be required to source additional funds in order to repay the Convertible Loans. In the Company's annual report for the financial year ended 30 June 2014, the auditors included an emphasis of matter in their audit report, drawing attention to the significant uncertainty as to whether VDM will be able to continue operating as a going concern. The directors believe the use of the going concern basis of accounting is appropriate as they anticipate being able to source the necessary funding required to satisfy the Company's working capital needs.

The Transactions represent a source of funding for the Company. If the Transactions are not approved, the options available to VDM to raise funds to repay the Convertible Loans remain very limited due to the current state of equity capital markets. It is also likely that any capital raising required to be undertaken would be performed at a discount to VDM's current market price. The Transactions seek to approve the ability for conversion of the Convertible Loans at a premium to VDM's current share price. We consider it extremely unlikely that VDM would be able to complete a $14.5 million capital raising at a premium to its share price.

13.1.3 Conversion will put the Company under less cash flow strain

The conversion of the Convertible Loans will result in the issue of up to an additional 1,450 million shares. Upon conversion, the Convertible Loans will be deemed as having been repaid. Accordingly, the Company will not have to repay these facilities in cash, which puts the Company under less cash flow strain.

If the Transactions are not approved, the Company will be required to repay the First Convertible Loan in cash by the later of 5 September 2014 and 30 business days after the date of Shareholders' meeting. VDM will also be required to repay the Second Convertible Loan in cash by the later of four months after 22 September 2014 and 60 business days after the date that Shareholders' approval for the Second Transaction is obtained.

In addition, the First Convertible Loan is currently incurring interest at a rate of 10% per annum. If the First Transaction is not approved, the interest rate on the First Convertible Loan will increase to 15% per annum and a $45,000 fee will be payable by the Company. The Second Convertible Loan is incurring interest rate at 8% per annum. If the Second Transaction is not approved, interest rate on the Second Convertible Loan will increase to 13% per annum and a fee of $100,000 will be payable by the Company.

This increase in interest rates and the fees payable will place further cash flow pressure on the Company.

As at 31 August 2014, the Company's cash reserves are not sufficient to repay the Convertible Loans. Therefore, if the Transactions are not approved, the Company may need to seek an alternative source of funds from which to repay the Convertible Loans. As stated in section 13.1.2 above, alternative sources of funds may be on terms that are less advantageous to the Company than the Convertible Loans.

13.1.4 Support from a significant shareholder

As at the date of our Report, Kengkong holds 19.82% of the shares of VDM. The Transactions may result in Kengkong increasing its shareholding up to 29.91% with the approval of the First Transaction or up to 45.22% with the approval of the Second Transaction, which accordingly, is likely to increase its support of VDM in the future.

13.1.5 The ability of VDM to raise additional funds may increase

If the Transactions are approved and Kengkong elects to convert the Convertible Loans into shares, the level of the Company's borrowings will fall. The reduced level of gearing and strengthening of the Company's net asset balance may increase the Company's ability to raise additional funds that may be required to fund the Company's long term development strategy.

13.2 Disadvantages of Approving the Transactions

If the Transactions are approved, in our opinion, the potential disadvantages to Shareholders include the following.

13.2.1 Dilution of existing Shareholders' interests

If the Transactions are approved and Kengkong elects to convert the Convertible Loans into 1,450 million VDM shares, Kengkong's interest in the Company may increase from 19.82% up to 29.91% with the approval of the First Transaction or up to 45.22% with the approval of the Second Transaction. Existing Shareholders' interests may be diluted from 80.18% to as low as 54.78%. This dilution will give Kengkong the power to block special resolutions and will reduce Shareholders' collective influence on the operations of the Company.

13.3 Other considerations

13.3.1 Alternative proposals

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

13.3.2 The Transactions are unlikely to deter a takeover offer being received in the future

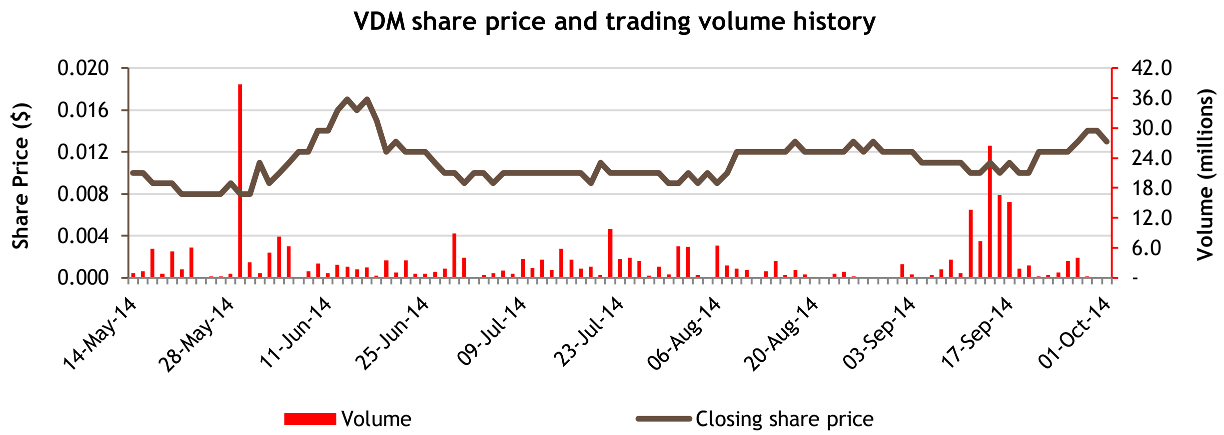
Kengkong is a financial investor rather than an investor who is interested in obtaining off-take or access to synergies. The primary goal of Kengkong is to generate a return on their investments which we consider to be consistent with a shareholders' primary goal. Therefore, although it is likely that any offer to acquire the Company would require Kengkong's acceptance, we do not consider that an increase in their investment, as a result approving the Transactions, will deter a takeover offer being made or accepted by the Company if an acceptable offer is made.

13.3.3 Kengkong is entitled to procure a director to be appointed as Board Chairman

Under the terms of the Convertible Loans, if the Transactions are approved, and if Kengkong elects to convert the Convertible Loans, Kengkong will be entitled to procure a director of the Board to be appointed as Board Chairman.

13.3.4 Post-announcement pricing

We have analysed movements in VDM's share price since the Proposal was announced. A graph of VDM's share price since the announcement is set out below.



Source: Bloomberg and BDO analysis

The closing price of VDM's shares on 7 May 2014 following the announcement of the First Transaction was $0.007 and on 24 September 2014 following the announcement of the Second Transaction was $0.012. As at 30 September 2014, VDM's share price closed at $0.0133. Given the above analysis, it is possible that if the Proposal is not approved, then VDM's share price may decline back to the pre-announcement prices.

14. Conclusion

We have considered the terms of the Transactions as outlined in the body of this report and have concluded that, in the absence of a superior offer, the:

- First Transaction is fair and reasonable to Shareholders; and
- Second Transaction is fair and reasonable to Shareholders.

15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- The terms of the Convertible Loan;
- Audited financial statements of VDM for the years ended 30 June 2012, 30 June 2013 and 30 June 2014;
- Unaudited management accounts of VDM for the period ended 31 August 2014;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of VDM.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of approximately $28,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

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

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

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

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

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of

Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

17. Qualifications

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

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

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

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

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 15 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

18. Disclaimers and consents

This report has been prepared at the request of directors of VDM for inclusion in the Explanatory Memorandum which will be sent to all VDM Shareholders. VDM engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider whether or not the conversion of the Convertible Loans into 1,450 million ordinary shares in VDM is fair and reasonable to the non associated shareholders of VDM.

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

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

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

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

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

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

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

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Sherif Andrawes

Director

Adam Myers

Director

Appendix 1 – Glossary of Terms

Reference	Definition
$4.5 million Convertible Loan	$4.5 million unsecured convertible loan convertible into 450 million ordinary shares in VDM; also referred to as the First Convertible Loan
$10 million Convertible Loan	$10 million unsecured convertible loan convertible into one billion ordinary shares in VDM; also referred to as the Second Convertible Loan
The Act	The Corporations Act 2001 Cth; also referred to as the Corporations Act
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
BDO	BDO Corporate Finance (WA) Pty Ltd
The Company	VDM Group Limited
Convertible Loans	The First Convertible Loan and the Second Convertible Loan collectively
Corporations Act	The Corporations Act 2001 Cth; also referred to as the Act
DCF	Discounted Future Cash Flows
Disposal Multiple	Multiple of proceeds received over the written down values of each plant and equipment sold over time
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
First Convertible Loan	$4.5 million unsecured convertible loan convertible into 450 million ordinary shares in VDM; also referred to as the $4.5 million Convertible Loan
First Transaction	Conversion of the $4.5 million Convertible Loan into 450 million ordinary shares in VDM
FME	Future Maintainable Earnings
Kengkong	Australia Kengkong Investments Co Pty Ltd
NAV	Net Asset Value
Our Report	This Independent Expert's Report prepared by BDO

Reference	Definition
QMP	Quoted market price
RG 74	Acquisitions approved by Members (December 2011
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Second Convertible Loan	$10 million unsecured convertible loan convertible into one billion ordinary shares in VDM; also referred to as the $10 million Convertible Loan
Second Transaction	Conversion of the $10 million Convertible Loan into one billion ordinary shares in VDM and the conversion of the $4.5 million Convertible Loan into 450 million ordinary shares in VDM
The Transactions	The First Transaction and the Second Transaction collectively
Shareholders	Non-associated shareholders of VDM Group Limited
VDM	VDM Group Limited
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price

Appendix 2 – Valuation Methodologies

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

1 *Net asset value ('NAV')*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

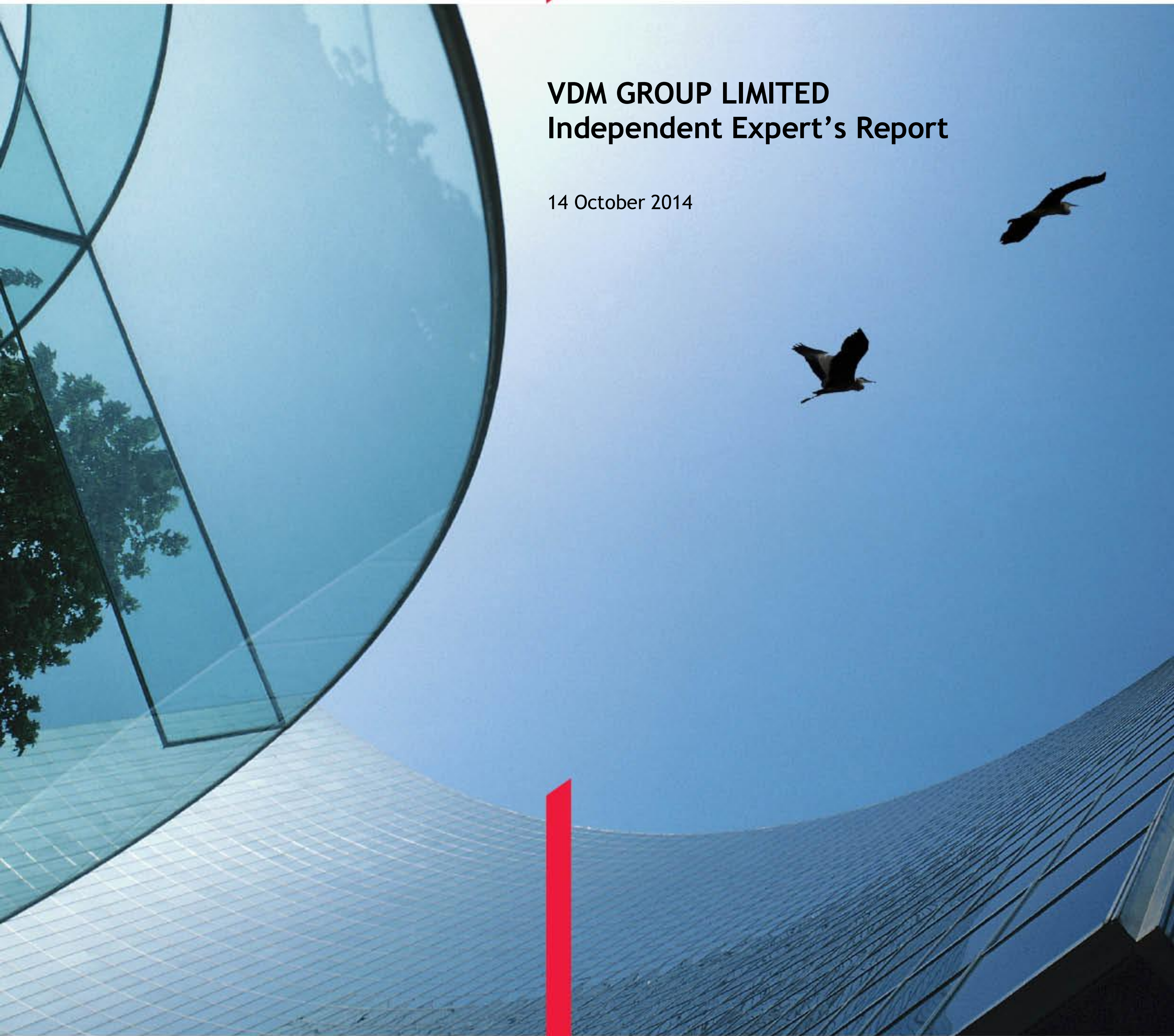
A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

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

5 *Market Based Assessment*

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

Appendix B – Copper Project Independent Expert's Report



VDM GROUP LIMITED
Independent Expert's Report

14 October 2014

BDO

Financial Services Guide

14 October 2014

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 (‘**we**’ or ‘**us**’ or ‘**ours**’ as appropriate) has been engaged by VDM Group Limited (‘**VDM**‘) to provide an independent expert’s report on the proposal to acquire a 65% interest in the Cachoeiras do Binga copper exploration project located in the Republic of Angola. You will be provided with a copy of our report as a retail client because you are a shareholder of VDM.

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

This FSG includes information about:

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

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

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

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

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

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

Fees, commissions and other benefits that we may receive
We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately $35,000.

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

Other Assignments – We prepared an independent expert's report in June 2013 for the issue of 600 million shares to H&H Holdings Australia Pty Ltd at $0.025 per share to raise $15 million, for a fee of approximately $40,000. We also prepared an independent expert's report in October 2013 for the conversion of a $5 million convertible loan, for a fee of approximately $25,000. We have also valued the performance rights intended to be issued following the AGM in May 2012 for a fee of $2,000.

We have prepared an independent expert report in relation to two other resolutions to be considered at this general meeting. The resolutions relate to the conversion of two convertible loans which have been advanced by Australia KengKong Investments Co Pty Ltd ('**Kengkong**'). The first convertible loan is for an amount of $4.5 million which can be converted into 450 million shares. The second convertible loan relates to an amount of $10 million which can be converted into 10 billion shares. The fee for the assignment is approximately $28,000.

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

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

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

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

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

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

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

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Australia

14 October 2014

The Directors
VDM Group Limited
Level 1
Fortescue Centre
30 Terrace Road
EAST PERTH, WA 6004

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On or around the date of our report, VDM Group Limited (‘**VDM**’ or ‘**the Company**’) announced the proposal to acquire a 65% participating interest in the Cachoeiras do Binga copper exploration project (‘**Project**’) located in the Republic of Angola as part of a joint venture agreement with Pebric Mining and Consulting, LDA (‘**Pebric**’) and Seabank Resources, LDA (‘**Seabank**’).

The Project is currently owned by Seabank (70%) and Pebric (30%). VDM will acquire its interest in the Project from Seabank. The consideration payable to Seabank will comprise:

- $4.875 million in cash (‘**Cash Consideration**’); and
- 650 million VDM shares (‘**Consideration Shares**’);

together (‘**Consideration**’)

2. Summary and Opinion

2.1 Purpose of the report

The directors of VDM have requested that BDO Corporate Finance (WA) Pty Ltd (‘**BDO**’) prepare an independent expert's report (‘**our Report**’) to express an opinion as to whether or not the proposal to acquire the Project for the Consideration (‘**the Transaction**’) is fair and reasonable for non associated shareholders (‘**Shareholders**’).

Shareholders approval is required to issue the shares, as the number of shares to be issued to Seabank exceeds the threshold of 15% of issued capital referred to under ASX Listing Rule 7.1. There is no requirement under ASX listing rules or Corporations Act for VDM to provide Shareholders with an independent expert's report. Notwithstanding this, VDM has engaged BDO to prepare this report for provision to Shareholders to assist them in deciding whether to accept or reject the Transaction.

2.2 Approach

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

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

- How the value of the asset being acquired compares to the value of the consideration to be paid for the asset;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Transaction; and
- The position of Shareholders should the Transaction not proceed.

2.3 Opinion

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

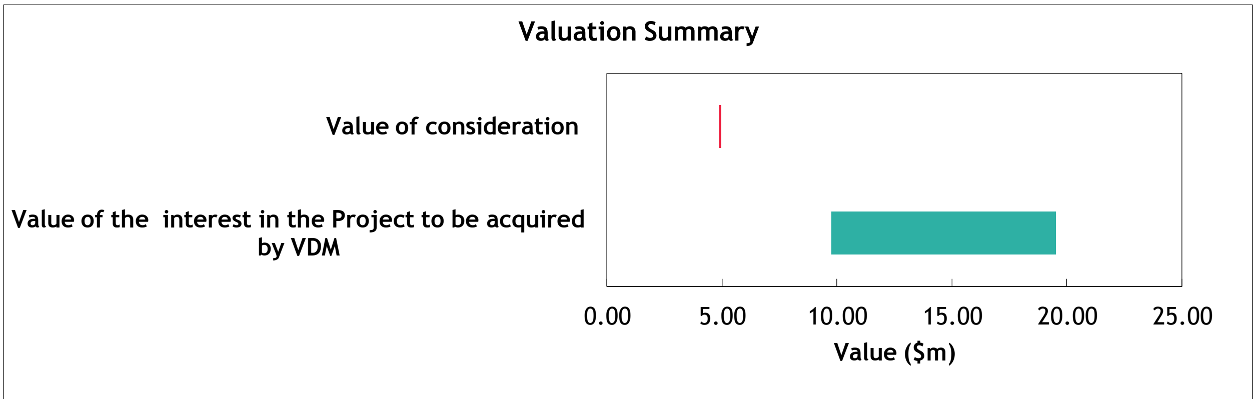
2.4 Fairness

In section 12 we determined that the Transaction consideration compares to the value of the interest to be acquired by VDM in the project, as detailed below.

	Ref	Low $'m	Preferred $'m	High $'m
Value of consideration	10.4	4.875	4.880	4.952
Value of the interest in the Project to be acquired by VDM	11.2	9.750	14.625	19.500

Source: BDO analysis

The above valuation ranges are graphically presented below:



Source: BDO analysis

The above pricing indicates that, in the absence of any other relevant information, the Transaction is fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both:

- advantages and disadvantages of the Transaction; and
- other considerations, including the position of Shareholders if the Transaction does not proceed and the consequences of not approving the Transaction.

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

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.1.1	The Transaction is Fair	13.2.1	Dilution of Shareholders' interests
13.1.2	The Transaction supports the Company's strategy		
13.1.3	Exploration funding strategy		

Other key matters we have considered include:

Section	Description
13.3.1	15% of Pebric's participation will be financially carried by Seabank and VDM which will result in VDM carrying approximately 79% of the Project's funding requirement during this phase
13.3.2	The Agreement is conditional upon the parties entering into a Mineral Investment Contract with the Angolan State
13.3.3	The interests of Shareholders may be further diluted by the conversion of convertible notes if the conversion is approved by Shareholders

3. Scope of the Report

3.1 Purpose of the Report

ASX Listing Rule 7.1 requires that a listed entity must obtain shareholders' approval before it issues or agrees to issue equity securities exceeding 15% of the issued capital of a company.

There is no requirement under Listing Rule 7.1 for the Notice of Meeting for shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the Transaction is fair and reasonable to Shareholders. The Directors have, however, chosen to obtain an opinion on the fairness and reasonableness of the Transaction in order to assist them in determining their recommendation to Shareholders.

3.2 Regulatory guidance

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

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

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

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. RG 111 states that when considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. However, as stated in Section 3.2 we do not consider the Transaction to be a control transaction. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

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

- A comparison between the value of the asset being acquired and the value of the Consideration (fairness – see Section 12 'Is the Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness – see Section 13 'Is the Transaction Reasonable?').

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

A Valuation Engagement is defined by APES 225 as follows:

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

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

4. Outline of the Transaction

VDM has entered into a conditional agreement (‘**Agreement**’) with Pebric and Seabank to acquire a 65% participating interest in the Cachoeiras do Binga copper exploration project (‘**Acquisition**’) located in the Republic of Angola.

The Acquisition is conditional on:

- VDM obtaining all necessarily approvals of its shareholders in relation to the Acquisition; and
- VDM, Pebric and Seabank agreeing and executing a Mineral Investment Contract with the Angolan State Government under the new Angolan Mining Code.

(together, ‘**the Conditions**’)

Subject to the satisfaction or waiver of the Conditions, VDM will:

- Pay $4.875 million cash to Seabank (‘**Cash Consideration**’)
- Allot and issue 650 million VDM shares to Seabank (‘**Consideration Shares**’)

Pebric and Seabank, both of which are privately owned Angolan companies, are participants in a joint venture for the prospection and exploitation of minerals in respect to Cachoeiras do Binga (‘**JV**’). Under the JV, Pebric and Seabank’s participating interests in the JV, and the Mineral Investment Contract for the Cachoeiras do Binga mineral concession are:

- Pebric (15%) and Seabank (85%); during reconnaissance, prospection, evaluation and appraisal (‘**Prospection Phase**’); and
- Pebric (30%) and Seabank (70%), after discovery of economically viable deposit(s) and Angolan state approval of a relevant Technical and Viability Study(ies) (‘**TEVS**’) and issue of a mining title (‘**Mining Phase**’)

The Agreement provides that, subject to the Conditions and in consideration for the Cash Consideration and the Consideration Shares, Seabank assigns part of its participating interest in the JV to VDM so that the participating interests of Pebric, Seabank and VDM in the JV and the Mineral Investment Contract (as relevant) for Cachoeiras do Binga will be VDM (65%), Pebric (30%) and Seabank (5%) during both the Prospection Phase and the Mining Phase.

The Angolan mining code provides for a minimum of 10% Angolan State participation in mining projects through either direct ownership in the mining project company or an in-specie participation in the mining product. It is expected that the terms for Angolan State participation in the Cachoeiras do Binga, including the Angolan State’s funding obligations during the Prospection and Mining Phases, will be determined during the negotiations of the Mineral Investment Contract with the Angolan State’s Ministry of Geology.

VDM’s acquisition of its participating interest and the payment of the consideration are subject to the satisfaction or waiver of the Conditions. If either of the Conditions are not satisfied or waived by VDM within six calendar months of the execution of the Agreement, then any party may terminate the agreement.

The execution of the Mineral Investment Contract will perfect the JV’s rights in respect of the prospecting title relating to the Cachoeiras do Binga and authorise the JV to commence exploration activities.

Pebric’s 30% participating interest will be free carried as to 15% during the Prospection Phase. As such, from completion of the Acquisition, and assuming that VDM’s participating interest does not change, VDM will be responsible for funding approximately 79% of the project costs during the Prospection Phase. Upon the approval of a TEVS and issue of a mining title in respect of the Cachoeiras do Binga, VDM's funding obligations will reduce to its participating interest at that time, being 65%.

Should VDM fail to meet its funding obligations, it will be in breach of the JV agreement and, in the event that Pebric or Seabank elect to provide funding in lieu of VDM, VDM will be required to enter into a loan agreement with the funding party or transfer a percentage no higher than 15% of its participating interest to the funding party.

5. Profile of VDM

5.1 History

VDM is an Australian engineering and construction company that has historically serviced the mining and resources, transport and civil infrastructure and urban development sectors. The original business of VDM was established in 1978 as Applied Design Pty Ltd, which grew steadily before a period of rapid expansion which began in 2004. VDM acquired two construction companies in Western Australia in that year, followed by further acquisitions of several Western Australian-based and Queensland-based engineering consultancies after listing on the ASX in 2006.

Since September 2013, the Company has been working towards the implementation of a new business strategy. The strategy is focussed under VDM's four operating divisions:

- VDM Construction: EPC including modular and steel construction;
- VDM Equipment: equipment hire, sales, service and parts;
- VDM Trading: procuring quality Asian products for Australia; and
- VDM Mining: bringing Australian mining practices to Africa and Latin America.

Major events of the Company's history are summarised in the following table.

Year	Events
2007	On 6 July 2007, VDM acquired a 100% interest in Como Engineers Pty Ltd for $13.3 million, made up of $6.7 million in cash and the balance in 2,392,782 VDM shares; with an additional 265,865 shares issued as part of the Como Engineers Performance Rights Plan. On 1 October 2007, the Company acquired a 100% interest in a business trading as Malavoca under the company VDM Earthmoving Pty Ltd for a total consideration of $49.6 million, made up of $17.7 million in cash and 12,000,000 VDM shares, and a further contingent consideration of $0.4 million. On 1 November 2007, VDM acquired a 100% interest in Bellero Constructions Pty Ltd for $26.9 million, made up of $12.4 million in cash as 4,970,678 VDM shares, and a further contingent consideration of $0.3 million. On 2 November 2007, the Company acquired a 100% interest in Kayano Nominees Pty Ltd trading as Rocktec Contracting, for a total consideration of $16.7 million, made up of $7.5 million in cash and 3,012,312 VDM shares, valued at $8.6 million, and a further contingent consideration of $0.6 million.

Year	Events
	On 16 November 2007, VDM issued 2,253,500 shares at $2.50 per share, to raise $5,633,750 pursuant to a share purchase plan.
2008	On 31 January 2008, the Company acquired the remaining 50% interest in Van Der Meer Consulting Vietnam Co Ltd, which it paid a total of $40,000 in cash. On 31 January 2008, the Company also offered all senior employees the right to participate in a long term incentive share option scheme to reward senior employees in a manner that aligns remuneration with the creation of shareholder wealth. 1,710,000 options were taken up at an exercise price of $2.25 per share. On 4 July 2008, VDM acquired a 100% interest in BCA Consultants Pty Ltd for $5.145 million, made up of $3.281 million in cash and 1,312,900 VDM shares valued at approximately $1.42 per share.
2009	Rocktec (in joint venture) secured a $241 million project at Cape Preston for Sino Iron late in the 2009 financial year. VDM obtained a bank waiver for certain breaches of the Company's loan covenants and bank facilities were renegotiated by November 2009. On 23 October 2009, VDM announced a capital raising of $35 million via two placements and an entitlements offer where (i) 10 million shares were allotted at $0.50 per share on 28 October 2009 (ii) 60,075,758 shares were allotted at $0.42 per share on 30 November 2009 (iii) 10 million shares were allotted at $0.475 per share on 15 December 2009. Effective 1 July 2009, VDM acquired the remaining 55% shareholding of Anagan Pty Ltd for no consideration with the fair value of the identifiable assets and liabilities of $0.2 million net liability.
2010	VDM acquired the remaining 25% minority interest in Cape Crushing & Earthmoving Contractors Pty Ltd with effective from 1 January 2010 for $2.5 million, made up of $2 million in cash and 1,052,632 VDM shares at $0.475 per share. VDM sold the surplus business assets of Civmec Construction and Engineering Pty Ltd for $2.3 million as part of its restructuring and consolidation exercise, including the retirement of $1.5 million in interest bearing debt.
2011	VDM accepted an offer of $11.82 million for the sale of its Osborne Park premises in September 2011. On 24 June 2011, VDM announced its intention to raise up to $52.2 million via a 5 for 1 entitlements rights issue priced at $0.05 per new share. VDM completed the capital raising in October 2011 and eventually raised $36.2 million. Simultaneous to the capital raising process, VDM also undertook a strategic review of the Company which determined that the business should focus on its core engineering, design and construct strengths in two primary geographic markets, namely Western Australia and Queensland. On 23 December 2011, VDM announced that it had entered into a heads of agreement to sell Cape Crushing & Earthmoving Contractors Pty Ltd as it was a business that did not fit with the Company's core strengths of design and construct of civil and process infrastructure.

Year	Events
2012	Chief Executive Officer Andrew Broad was appointed to the Board of Directors as Managing Director on 16 January 2012 following his appointment as Chief Executive Officer ten months previously. Neil Barker was appointed as Company Secretary following the resignation of Nevenka Jackson as Company Secretary on 15 February 2012. On 20 March 2012, the Company announced that David Coyne was appointed Chief Financial Officer of VDM replacing Neil Barker as interim CFO. VDM announced the completion of the sale of Cape Crushing and Earthmoving Contractors (Cape) to CFC Group on 19 April 2012 for a total consideration of $45.85 million. VDM divested its interest in its Northern Territory consulting business as part of a management buy-out by the incumbent management. It also divested certain assets and liabilities in its New South Wales and Victorian consulting businesses to the incumbent management. This resulted in VDM exiting these states. Refocussed the business in October 2012 with a strategy to simplify the business to a construction focus and reduce operating costs and engaged Azure Capital to assist VDM in the evaluation corporate opportunities which had arisen.
2013	On 13 March 2013, VDM signed a binding agreement to sell Como Engineers and completed this divestment on 10 April 2013. The consideration offered for this transaction was $5.45 million. VDM announced on 15 May 2013 the resignation of David Coyne as Chief Financial Officer. On 29 May 2013, VDM announced that the Company had entered into a binding share subscription agreement under which H&H had agreed to subscribe for 600 million new fully paid ordinary VDM shares at 2.5 cents per share to raise $15 million. On 9 August 2013, VDM completed the sale of its shares in Quartz South Hedland Pty Ltd for $1.35 million. A shareholders' meeting of VDM was held on 16 August 2013 approving the aforementioned binding share subscription agreement with H&H. On 23 August 2013, VDM announced the termination of Andrew Broad as Managing Director and Chief Executive officer, and Michael Perrott AM remained as Acting Chief Executive Officer until Dr Hua Dongyi commenced his appointment on 9 September 2013. On 27 August 2013, VDM announced that it was involved in a dispute with a major customer with respect to a material contract regarding the status of the contract. The Dispute resulted in VDM being removed from the site. As a consequence, the binding share subscription agreement, announced on 29 May 2013 and approved by shareholders on 16 August 2013, was terminated. On 28 August 2013, VDM entered into a new funding arrangement with H&H to immediately provide approximately $6.4 million in funding through (i) a placement of 140,080,961 shares at 1.0 cent per share to raise $1,400,809.61; and (ii) a convertible loan of $5 million with a conversion price of 1.0 cent per share, the conversion of which is subject to shareholders' approval. On 11 September 2013, VDM announced that 40 redundancies have been made to date and further redundancies were expected. The restructured VDM will specialise in Engineering, Procurement, Construction (EPC) and Mining.

Year	Events
	On 20 September 2013, VDM announced its intention to divest its VDM Construction (Eastern Operations) business for a cash consideration of $2.75 million by way of share purchase agreement to an outside party. The sale was completed on 7 October 2013. On 28 November 2013, VDM announced that it had divested the majority of its Consulting businesses via a series of management buy-outs. The remaining consulting business is expected to be wound down. On 10 December 2013, VDM lodged a Prospectus in relation to a one for one pro-rata non-renounceable entitlement offer of 1,793 million new fully paid ordinary shares at an issue price of $0.01 per share to raise up to $17.9 million. VDM also made a share placement of 75 million fully paid ordinary shares in the Company to a private investor, at $0.01 per share to raise $750,000.
2014	VDM closed the Rights Issue Prospectus on Friday 17 January 2014. Shareholder acceptance and shares taken up by the underwriter and sub-underwriter comprise 1.21 billion shares, raising $12.1 million, comprising 68 per cent of the Offer. On 3 February 2014, VDM announced the resignation of Mr Xiangyang Ru as Director, and Mr Velko Jakovich's appointment as Non-Executive Director effective 1 February 2014. On 12 February 2014, VDM announced the appointment of Mr Padraig O'Donoghue as Chief Financial Officer & Company Secretary subsequent to the resignation of Ms Samantha Drury. On 19 March 2014, VDM raised $1.2 million following the issue of 120 million fully paid ordinary shares in the capital of the Company under the Shortfall Offer contained in VDM's prospectus dated 10 December 2013. On 21 March 2014, VDM announced the appointment of Mr Luk Hiuming as non-executive director of VDM. VDM executed an agreement with Australia Kengkong Investments Co Pty Ltd on 6 May 2014 to provide funding of $4.5 million via a convertible loan. On 23 September 2014, VDM announced the execution of another agreement with Kengkong to provide further funding of $10 million by way of an unsecured convertible loan which is convertible into one billion ordinary shares in VDM at a conversion price of $0.01 per share

5.2 Historical Balance Sheet

Statement of Financial Position	Audited as at 30-Jun-14 $000s	Audited as at 30-Jun-13 $000s	Audited as at 30-Jun-12 $000s
CURRENT ASSETS			
Cash and cash equivalents	3,366	11,857	10,029
Term deposit	1,242	5,238	13,568
Trade and other receivables	990	12,319	48,736
Contracts in progress	49	7,848	19,656
Inventory	150	308	952
Development properties	3,389	4,061	5,529
Investment in joint venture	-	1,350	
Non current assets classified as held for sale	-	900	1,295
Other assets	36	621	2,342
TOTAL CURRENT ASSETS	9,222	44,502	102,107
NON-CURRENT ASSETS			
Trade and other receivables	-	258	-
Security deposits	3,584	-	-
Property, plant and equipment	3,320	6,359	12,847
Deferred tax assets	-	-	16,156
Intangible assets and goodwill	99	307	23,154
TOTAL NON-CURRENT ASSETS	7,003	6,924	52,157
TOTAL ASSETS	16,225	51,426	154,264
CURRENT LIABILITIES			
Trade and other payables	5,506	26,219	48,896
Amounts due to customers from contract work	49	7,200	3,546
Current tax liabilities	858	3,152	3,145
Deferred tax liabilities	-	-	918
Interest bearing loans and borrowings	4,760	1,782	2,468
Provisions	3,066	10,493	7,519
TOTAL CURRENT LIABILITIES	14,239	48,846	66,492
NON-CURRENT LIABILITIES			
Interest bearing loans and other borrowings	49	299	128
Lease incentive liability	175	-	-
Provisions	1,128	244	495
TOTAL NON-CURRENT LIABILITIES	1,352	543	623
TOTAL LIABILITIES	15,591	49,389	67,115
NET ASSETS	634	2,037	87,149

Statement of Financial Position	Audited as at 30-Jun-14 $000s	Audited as at 30-Jun-13 $000s	Audited as at 30-Jun-12 $000s
EQUITY			
Contributed equity	268,509	248,286	248,612
Reserves	636	884	967
Accumulated losses	(268,511)	(247,133)	(162,430)
TOTAL UNIT HOLDERS EQUITY	634	2,037	87,149

Source: Annual report for the financial years ended 30 June 2012, 30 June 2013 and 30 June 2014.

VDM's annual report for the period to 30 June 2014 was prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. This takes into consideration the following:

- VDM was advanced $4.5 million on 6 May 2014 under a convertible loan agreement with Kengkong. On 22 September 2014, VDM entered into a second separate convertible loan agreement with Kengkong for a further $10 million to be advanced in three tranches across the period 25 September 2014 to 14 November 2014;
- the successful implementation of the new VDM Group business strategy as outlined in the Directors' Report contained in the annual report;
- raising working capital and growth financing for the new VDM Group business strategy; and
- VDM Group will have sufficient insurance cover and counterclaims to largely offset significant legal claims.

In accordance with VDM's annual report for the period to 30 June 2014, there may be material uncertainty whether VDM will continue as going concern if it does not realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The sale of VDM Construction (Eastern Operations) Pty Ltd on 7 April 2013 for $2.75 million and the divestment of the majority of its consulting businesses on 28 November 2013 via a series of management buy-outs resulted in a $13.23 million reduction in assets and a $10.15 million reduction in liabilities.

Security deposits are not available for immediate use as they are held as security for the surety instruments issued in favour of VDM. The term deposits balance has reduced from $5.24 million at 30 June 2013 to $4.83 million at 30 June 2014 due to the return of bank guarantees on completed work and a reduction in new projects being undertaken.

Trade and other receivables and contracts in progress reduced significantly between 30 June 2013 and 30 June 2014. This is primarily due VDM's dispute with a major customer on a material contract which resulted in VDM being removed from site. As a consequence of the dispute and in accordance with Australian Accounting Standards, VDM has not recognised the value of works performed prior to its removal from site for which it remains unpaid. Further, VDM exited a large number of active construction contracts and did not enter into any new construction contracts.

Non-current assets classified as held for sale relate to property acquired on settlement of a legacy contract. The property was reclassified to property, plant and equipment due to a change in VDM's decision to retain the property for rental instead.

Trade and other payables decreased from $26.22 million as at 30 June 2013 to $5.51 million as at 30 June 2014 and amounts due to customers from contract work also declined from $7.2 million as at 30 June 2013 to $0.05 million as at 30 June 2014. This is in line with the decrease in operations which saw revenue fall over the same period.

Over the period from 1 July 2013 to 30 June 2014, interest bearing loans and borrowings increased from $1.78 million as at 30 June 2013 to $4.76 million as at 30 June 2014. On 29 October 2013, VDM entered into a $4 million secured loan facility with H&H with interest of 8 per cent per annum calculated daily. The loan was subsequently repaid on 28 January 2014. However, on 6 May 2014, VDM announced the execution of an agreement with Kengkong to provide funding of $4.5 million by way of a convertible loan, subject to Shareholder approval.

Contributed equity increased by $20.223 million from 30 June 2013 to 30 June 2014 following the:

- issue of approximately 140 million shares to H&H Holdings Australia Pty Ltd at $0.01 per share to raise $1.4 million;
- issue of 500 million conversion shares to H&H Holdings Australia Pty Ltd at $0.01 per share to a value of $5 million;
- issue of approximately 144 million shares to Jimblebar creditors at $0.01 per share to a value of $1.44 million;
- the private placement of 75 million shares issued at $0.01 per share to raise $0.75 million;
- a non renounceable entitlement offer of approximately 1,215 million new fully paid ordinary shares at an issue price of $0.01 per share to raise $12.147 million;
- Issue of 120 million fully paid ordinary shares at an issue price of $0.01 per share to raise $1.2 million; and
- after capital raising costs of $1.717 million.

5.3 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Audited for the year ended 30-Jun-14 $	Audited for the year ended 30-Jun-13 $	Audited for the year ended 30-Jun-12 $
Revenue			
Rendering of services	24,406	127,069	229,713
Other income	184	755	1,022
Total revenue	24,590	127,824	230,735
Cost of services	(23,859)	(148,433)	(241,430)
Gross profit (loss)	731	(20,609)	(10,695)
Expenses			
Administration expenses	(17,039)	(20,141)	(15,176)
Financing costs	(245)	(196)	(786)
Impairment charge	(101)	(17,598)	(3,161)
Equity based payments	248	90	(329)

Statement of Comprehensive Income	Audited for the year ended 30-Jun-14 $	Audited for the year ended 30-Jun-13 $	Audited for the year ended 30-Jun-12 $
Share of loss from joint venture	-	(98)	-
Loss from continuing operations before income tax	(16,406)	(58,552)	(30,147)
Income tax expense	1,706	(14,905)	3,127
Loss from continuing operations after income tax	(14,700)	(73,457)	(27,020)
(Loss)/profit from discontinued operations	(6,678)	(10,951)	(27,792)
Total comprehensive loss for the year	(21,378)	(84,408)	(54,812)

Source: Annual report for the financial years ended 30 June 2012, 30 June 2013 and 30 June 2014.

Revenue declined significantly over the period from 30 June 2013 to 30 June 2014. The $102.66 million decline in revenue is reflective of the reduced construction activity within the industry generally, the exiting of the VDM Group from large active contracts and the disposal of VDM Construction (Eastern Operations) Pty Ltd and majority of its consulting businesses.

Financing costs declined from $0.79 million in the financial year ended 30 June 2012 to $0.196 million year ended 30 June 2013 in line with the reduction in loans and borrowings from $2.47 million as at 30 June 2012 to $1.78 million as at 30 June 2013. With VDM entering into a $4 million secured loan facility with H&H on 29 October 2013, this cost has increased for the period ending 30 June 2014.

Impairment of $17.60 million for the year ended 30 June 2013 related mainly to the impairment of goodwill on VDM's Eastern and Western operations as a result of the volatility in the resources market in which VDM predominantly operates. No impairment of goodwill was recorded for the financial year ended 30 June 2014. The impairment charge of $0.10 million for the financial year ended 30 June 2014 related to the impairment of property, plant and equipment.

On 7 October 2013, VDM disposed of one of its wholly owned business units, VDM Construction (Eastern Operations) Pty Ltd, for $2.75 million and on 28 November 2013 it divested the majority of its consulting businesses via a series of management buy-outs. This resulted in the recognition of a $6.678 million loss from discontinued operations at 30 June 2014. The loss from discontinued operations recognised for the period ended 30 June 2013 related to the sale of Como Engineers Pty Ltd, which was completed on 10 April 2013 for a consideration of $5.45 million.

5.4 Capital Structure

The share structure of VDM as at 25 September 2014 is outlined below:

	Number
Total ordinary shares on issue	3,127,660,952
Top 20 shareholders	2,517,826,293
Top 20 shareholders - % of shares on issue	80.50%

Source: VDM's share register

The range of shares held in VDM as at 31 August 2014 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	602	229,548	0.01%
1,001 - 5,000	798	2,252,378	0.07%
5,001 - 10,000	442	3,458,082	0.11%
10,001 - 100,000	1,433	59,428,233	1.90%
100,001 - and over	875	3,062,292,711	97.91%
TOTAL	**4,150**	**3,127,660,952**	**100.00%**

Source: VDM's share register

At 31 August 2014 there were 2,697 holders of unmarketable parcels being parcels representing a total of 25,138,974 shares.

The ordinary shares held by the most significant shareholders as at 25 September 2014 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
H&H and its associates	1,085,110,976	34.70%
Australia Kengkong Investments Co Pty Ltd	620,000,000	19.82%
Subtotal	1,705,110,976	54.52%
Others	1,422,549,976	45.48%
Total ordinary shares on Issue	**3,127,660,952**	**100.00%**

Source: VDM's share register

6. Cachoeiras do Binga

Cachoeiras do Binga is located in the province of South Cuanza, immediately east of the regional capital of Sumbe on the central-west coast of Angola, adjacent to a reconstructed highway route to the Angolan capital of Luanda. It is approximately 385 km south of Luanda.

The tenement covers an area of 3,854 km2, and is approximately 32 km from east to west and 129 km from north to south.

Access to the Project is provided by the coastal highway. The Project is located close to the regional capital, Sumbe, which has a population of approximately 26,000 and has an airport and port. The major harbour of Port Lobito is located approximately 150km to the south.

Historical exploration programmes undertaken on Cachoeiras do Binga have estimated that the Project contains significant copper mineralisation. In 1973 a polygonal estimate was undertaken by the Angolan Institute of Geology ('**IGEO**'), although the estimate does not provide categories of mineralisation as per any known reporting code. The table below outlines the estimate, however it should be noted that it is not reported in accordance with the JORC code.

Cachoeiras Block	Tonnes (MT)	Grade (Cu%)	Contained Copper (Tonnes)
1	0.29	2.17%	6,200
2	1.57	1.54%	23,600
3	5.34	2.24%	119,700
Total	**7.19**	**2.08%**	**149,500**

There has been no detailed exploration program undertaken on the Project since 1973, however in 1983 the copper potential was re-evaluated through the United Nations Development Program ('**UNDP**'), which verified IGEO's 1973 estimation for blocks 1, 2 and 3. UNDP's results of supplementary prospecting work included 2 lines of drilling in two adjacent blocks which indicated that the copper deposits extended in both westward and northward directions of the area.

The Prospecting Licence associated with the project ('**Licence**') is held by Pebric and is valid for a term of five years from 15 May 2012. AMC Consultants Pty Ltd ('**AMC**') has been appointed as independent technical specialist to prepare an independent technical specialist's report ('**ITSR**') on the Project. The documentation provided by VDM to AMC indicates that the Licence is valid for ferrous and non-ferrous minerals, and outlines the conditions that need to be met with respect to the Licence. On the basis of this documentation AMC has concluded that the Licence is valid but the rights associated with it may only be exercised after execution of a Mining Investment Contract with the Angolan Government.

The AMC report outlines the key characteristics of the mineralisation occurring within the Project, including:

- Where present, the mineralisation is between 0.2m and 6m thick, but averaging less than 2m;
- Overburden varies from absent to over 50m thick;
- Copper grades range from 1% to 5% and are typically around 2% CU;
- The copper minerals present are chalcopyrite, bornite, chalcocite, idaite, malachite and native copper;
- There are minor amounts of gold and silver associated with the copper; and
- Metallurgical testwork on oxide mineralisation indicates that 97% of the copper is in acid soluble form.

7. Economic analysis

Growth in the global economy is continuing at a moderate pace. China's growth has generally been in line with policymakers' objectives, though some data suggest a slowing in recent months. Weakening property markets there, present a challenge in the near term. Commodity prices in historical terms remain high, but some of those important to Australia have declined further in recent months.

Volatility in some financial markets has picked up in recent weeks. Overall, however, financial conditions remain very accommodative. Long-term interest rates and risk spreads remain very low. Markets still appear to be attaching a low probability to any rise in global interest rates or other adverse event over the period ahead.

In Australia, most data are consistent with moderate growth in the economy. Resources sector investment spending is starting to decline significantly, while some other areas of private demand are seeing expansion, at varying rates. Public spending is scheduled to be subdued. Overall, the Reserve Bank of Australia ('**RBA**') still expects growth to be a little below trend for the next several quarters.

Labour market data have been unusually volatile of late. The RBA's assessment remains that although some forward indicators of employment have been firming this year, the labour market has a degree of spare capacity and it will probably be some time yet before unemployment declines consistently. Growth in wages has declined noticeably and is expected to remain relatively modest over the period ahead, which should keep inflation consistent with the target even with lower levels of the exchange rate.

Monetary policy remains accommodative. Interest rates are very low and have continued to edge lower over recent months as competition to lend has increased. Investors continue to look for higher returns in response to low rates on safe instruments. Credit growth is moderate overall, but with a further pick-up in recent months in lending to investors in housing assets.

Dwelling prices have continued to rise over recent months. The exchange rate has declined recently, in large part reflecting the strengthening US dollar, but remains high by historical standards, particularly given the further declines in key commodity prices in recent months. It is offering less assistance than would normally be expected in achieving balanced growth in the economy.

Looking ahead, continued accommodative monetary policy should provide support to demand and help growth to strengthen over time. Inflation is expected to be consistent with the 2–3 per cent target over the next two years.

Source: www.rba.gov.au *Statement by Glenn Stevens, Governor: Monetary Policy Decision, 7 October 2014*

8. Industry analysis

Copper

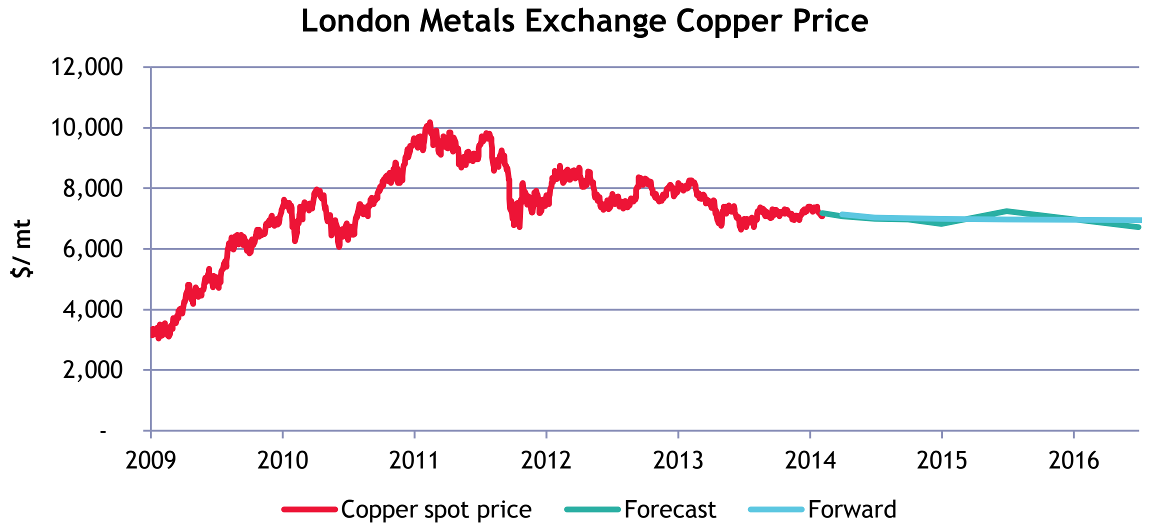
Copper is a soft malleable, ductile metal used primarily for its excellent electrical and thermal conductive properties and its resistance to corrosion. As well as electrical and electronic applications, copper is utilised extensively as an alloy. Copper is produced from an oxide or sulphide ore from which it is converted to copper metal.

The majority of copper ore bodies can be classified as either porphyries (where copper occurs in igneous rock), strata bound ore bodies (sedimentary rock), and volcanic hosted massive sulphide deposits (volcanic rock along with other base metal sulphides). In these deposits copper is mined in very low concentrations and consequently is a volume intensive process. For this reason open pit mining is the preferred method of extraction, however underground mining and leach mining are also used in limited circumstances.

Prices

Copper is a global commodity and, as such, prices are determined by global supply and demand factors. Due to this, copper prices have historically reflected global economic cycles and experienced major fluctuations reflecting equity market movements.

At the beginning of 2008, supply concerns, falling inventories and increased demand from emerging economies provoked a significant and accelerated rise in the copper price. As with most commodities, prices fell during the GFC. Prices have since overtaken the increases which occurred in 2008, occurring during the latter half of 2010 and throughout the beginning of 2011, reaching a peak of just over US$10,000/Mt in February 2011. Since that peak, prices have stabilised at around $7,000 per tonne and are expected stay at approximately $7,000 for the rest of 2014.



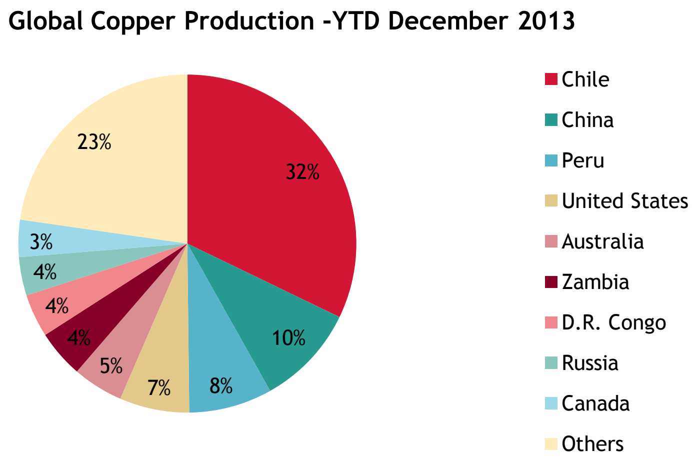
Source: Bloomberg, Consensus Economics and BDO analysis

Outlook

Over the next five years, industry revenue is expected to increase as a result of increases in copper production, the decline in the value of the Australian dollar, rising US dollar copper prices along with growing global demand. Overall, the industry revenue in Australia is expected to grow by an annualised 2.0% over the next five years through to 2018-2019. Industry revenue for 2014-2015 is forecasted to increase by 1.2%. The slight drop in revenue growth, is mainly due to a large proportion of the copper projects are engaged in construction and expansionary stages rather than production.

Production and Usage

Most of the world's copper comes from South and Central America, particularly in Chile and Peru. In 2013, Chile and Peru account for 40% of the world's copper production. The graph below shows the split between the different country's productions for the year to December 2013:



Source: Bloomberg

According to the International Copper Study Group, in 2013, world apparent usage is estimated to have increased by 4% to 21.2 million metric tonnes compared with that in 2012. Chinese demand increased by 7% within the last year, with United States being the second largest country by demand with an increase of 3.6% for the year to December 2013.

World refined production is estimated to have increased by approximately 4.5% to 21 million metric tonnes compared to refined production in 2012. Primary production increased by 4%, while secondary production (from scrap) increased by 6.5%. The main contributors to this growth were China, Brazil, Democratic Republic of Congo and Zambia. Refined copper production in Chile, the world's largest producer, declined due to smelter maintenance and temporary shutdowns.

Source: International Copper Study Group, IBIS World

9. Valuation approach adopted

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

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

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

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

We have chosen these methodologies for the following reasons:

- there is a lack of reliable long term forecasts available for a DCF approach to be undertaken as VDM's contracts are typically short term contracts of approximately three to six months;
- the FME approach is not appropriate as the Company has been operating at a loss in the last three financial years, meaning that we do not have reasonable grounds on which to base a forecast future maintainable earnings figure;
- VDM has made a number of asset disposals over the past three years, undertaken a strategic review to re-focus its business and has had irregular profitability over the past five years;
- in accordance with VDM's audited full year report to 30 June 2014, there may be material uncertainty whether VDM will continue as going concern if it does not achieve certain milestones as set out in VDM's annual report 2014 and on this basis, we consider the NAV methodology to be an appropriate valuation approach to undertake;
- however, it should be noted that asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. This is particularly significant if the growth potential of a company is substantial;

- alternatively, if the company is making losses and earnings are deteriorating, asset based methods ignore the deteriorating financial performance of a company, which may result in the entity's value trading below the realisable value of its assets; and
- the QMP basis is a relevant methodology to consider as VDM's shares are listed on the ASX. This means there is a regulated and observable market where VDM's shares can be traded. However, in order for the QMP methodology to be considered appropriate, the company's shares should be liquid and the market should be fully informed as to VDM's activities. We have considered these factors in section 10.2 of our Report.

10. Valuation of VDM

10.1 Net Asset Valuation of VDM

In arriving at our net asset values, we have made the following adjustments to VDM's balance sheet as at 30 June 2014, taking into account only material changes between 30 June 2014 and 31 August 2014:

Statement of Financial Position	Note	Audited as at 30-Jun-14 $'000	Adjustments $'000	Mid Net Asset Value $'000
CURRENT ASSETS				
Cash and cash equivalents	(a)	3,366	(2,429)	937
Security deposits	(b)	1,242	-	1,242
Trade and other receivables	(c)	990	-	990
Contracts in progress	(d)	49	-	49
Inventory	(e)	150	-	150
Development properties	(f)	3,389	-	3,389
Other assets	(g)	36	421	457
TOTAL CURRENT ASSETS		9,222	(2,008)	7,214
NON-CURRENT ASSETS				
Security deposits	(b)	3,584	-	3,584
Property, plant and equipment	(h)	3,320	(79)	3,241
Intangible assets and goodwill		99	-	99
TOTAL NON-CURRENT ASSETS		7,003	(79)	6,924
TOTAL ASSETS		16,225	(2,087)	14,138
CURRENT LIABILITIES				
Trade and other payables	(i)	5,506	-	5,506
Amounts due to customers for contract work	(i)	49	-	49
Current tax liabilities	(j)	858	(295)	563
Interest bearing loans and borrowings	(k)	4,760	79	4,839
Provisions	(l)	3,066	(222)	2,844
TOTAL CURRENT LIABILITIES		14,239	(438)	13,801

Statement of Financial Position	Note	Audited as at 30-Jun-14 $'000	Adjustments $'000	Mid Net Asset Value $'000
NON-CURRENT LIABILITIES				
Interest bearing loans and other borrowings		49	(34)	15
Lease liability		175	-	175
Provisions	(l)	1,128	(128)	1,000
TOTAL NON-CURRENT LIABILITIES		1,352	(162)	1,190
TOTAL LIABILITIES		15,591	(600)	14,991
NET ASSETS		634	(1,487)	(853)

Source: VDM Half Year Report and Accounts, VDM management, BDO analysis

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

Net asset value per share	Note	Low $'000	Mid $'000	High $'000
NET ASSETS		**(853)**	**(853)**	**(853)**
Adjustments for PP&E:				
Book value at 31 August 2014		(3,241)	(3,241)	(3,241)
Fair value	(h)	3,686	4,131	4,576
ADJUSTED NET ASSETS		**(408)**	**38**	**483**
Discount for minority interest	(m)	28.57%	25.93%	23.08%
Adjusted net assets of VDM on a minority interest basis		(527)	26	370
Number of shares on issue (pre Transaction) ('000)		3,127,661	3,127,661	3,127,661
Net asset value per share ($)		**(0.00017)**	**0.00001**	**0.00012**
Net asset value per share (cents)		**(0.0685)**	**0.00083**	**0.01183**
Valuation on a net asset value per share basis (cents)		**-**	**0.00083**	**0.01183**

Source: VDM Half Year Report and Accounts, VDM management, BDO analysis

We have not undertaken a review of VDM's financial position as at 31 August 2014 in accordance with Australian Auditing and Assurance Standard 2405 "Review of Historical Financial Information" and do not express an opinion on this financial information. However nothing has come to our attention as a result of our procedures that would suggest that the financial information derived from the material adjustments made, has not been prepared on a reasonable basis.

We were subsequently provided with VDM's unaudited financial position as at 30 September 2014 and confirm that it has no material impact on our valuation and on our opinion.

The following adjustments were made to the net assets of VDM as at 30 June 2014 in arriving at our valuation. The table above indicates the net asset value of a VDM share is between nil and 0.01183 cents with a midpoint of 0.00083 cents.

Note a: Cash and cash equivalents

The cash held by VDM is used for working capital purposes. This portion of cash is not encumbered. The adjusted cash balance is based on VDM's bank balance as at 31 August 2014, which decreased by more than $2.4 million since 30 June 2014. The majority of this cash was utilised for expenses, as well as $0.4 million in insurance prepayments and $0.3 million to meet instalments of tax liabilities. The cash balance as at 31 August 2014 already includes funds of $4.5 million received from Kengkong via a Convertible Loan which was advanced in May 2014.

Note b: Security deposits

VDM is required to place on deposit amounts for the surety instruments issued in favour of VDM. The cash placed on deposit is not available for immediate use and has therefore been placed as term deposits. Management confirmed that there were no material changes in security deposits since 30 June 2014.

Note c: Trade and other receivables

Trade and other receivables reduced by materially the same amount as trade and other payables. As there was no material change in the net receivables and payables position, we have used the balance as at 30 June 2014. The reduction in trade and other receivables largely reflects the gradual collection of payments over the period between 30 June 2014 and 31 August 2014 as no new active projects have been undertaken by VDM over this period other than only one active project remaining, which is nearing completion.

The basis for the provisioning of VDM's trade and other receivables has been reviewed by the Company's auditors for its audited full year report for the period ended 30June 2014. Therefore, we have no reason to consider that the net recoverability of VDM's trade and other receivables is materially different from their market value.

Note d: Contracts-in-progress

Contracts-in-progress represents the difference between recognised revenue and the cumulative claims made. Recognised revenue is based on the estimated revenue for each contract in progress including approved and unapproved contract variations. Revenue is recognised in accordance with AASB 111.

Management confirmed that there were no material changes in contracts-in-progress since 30 June 2014. The small reduction in contracts-in-progress largely reflects the gradual completion of active projects over time between 30 June 2014 and 31 August 2014 as no new active projects have been undertaken by VDM over this period other than only one active project remaining, which is nearing completion. Therefore, we have used the balance as at 30 June 2014.

Note e: Inventory

Inventory relates to tools, parts and equipment on hand and is valued at cost. Management has confirmed that there has been no material movement in inventory since 30 June 2014. No independent valuation was carried out to revalue this inventory to indicate if its value is above cost. In the absence of further information, we have no reason to consider that the book value of inventory is materially different from its fair market value.

Note f: Development properties

The carrying value of VDM's development properties was $3.389 million as at 30 June 2014 and the management of VDM has confirmed that there has been no major movement in development properties since 30 June 2014.

Note g: Other assets

Other assets comprise mostly prepayments. This balance increased $0.421 million since 30 June 2014 as VDM makes insurance premium payments over a six-month period and are front-end weighted.

Note h: Property, plant and equipment

Property, plant and equipment was carried at $3.320 million as at 30 June 2014. The balance of property, plant and equipment was estimated to be $3.241 million as at 31 August 2014.

VDM provided information on the history of plant and equipment disposals between July 2012 and August 2014 which totalled 431 transactions. We performed an analysis of the transactions based on the multiple of proceeds received over the written down values of each plant and equipment sold ("**Disposal Multiple**") by category and over time. Our analysis shows that the:

- monthly Disposal Multiples ranged from 0.4 times to 10.9 times between July 2012 and August 2014;
- average Disposal Multiple on 431 transactions was approximately 2.1 times; and
- average Disposal Multiple for major categories of plant and equipment was also 2.1 times.

We have also considered the following matters in the context of the above analysis:

- VDM was able to be selective in the timing of the plant and equipment disposals to achieve the best possible prices for these assets in the past; and
- the weighted average Disposal Multiple of 2.4 times in the recent past 12 months was higher than that achieved historically.

Based on our analysis and considerations above, we applied a Disposal Multiple of between 1.25 times and 1.75 times to plant and equipment as follows:

Plant and Equipment	Low value $'000	Mid value $'000	High value $'000
Plant and Equipment	1,781	1,781	1,781
Disposal Multiple	1.25	1.50	1.75
Fair market value	2,226	2,672	3,117
Add: Leasehold improvements	1,460	1,460	1,460
Total Property, Plant & Equipment	**3,686**	**4,132**	**4,577**

Source: VDM's management and BDO analysis

Note i: Trade and other payables

Trade payables arise from VDM subcontracting certain work packages on construction contracts such as electrical, hydraulic, asphalting, civil works and some concrete works.

Trade and other payables reduced by materially the same amount as trade and other receivables. As there was no material change in the net receivables and payables position, we have used the balance as at 30 June 2014. The reduction in trade and other payables reflects the gradual payment of its payables over the period between 30 June 2014 and 31 August 2014 as no new active projects have been undertaken by VDM over this period other than only one active project remaining, which is nearing completion.

Management confirmed that there was no material change in the amounts due to customers for contract work since 30 June 2014.

Note j: Current tax liabilities

Tax assessments on the rights to future income liability relates to the refund that VDM will need to make as a result of the change in legislation on the immediate deduction claimable based on legislation enacted on 12 May 2010. At that time, VDM received a tax refund of $3.867 million but the legislation was subsequently changed to remove this right, and as a result, the Company may have to repay the full value of the refund. This tax liability was $1.956 million as at 31 December 2013.

Between the period from 31 December 2013 and 31 May 2014, the Company reversed an earlier provision of $0.658 million, resulting in an adjusted tax liability of $1.298 million.

During March 2014, VDM commenced its payment arrangement for the outstanding tax liability of $1.298 million through monthly instalments of approximately $0.147 million over 8 months with a final instalment of approximately $0.121 million on 21 December 2014.

The reduction in current tax liabilities between 30 June 2014 and 31 August 2014 was $0.295 million, reflecting the monthly instalments made over the two month period.

Note k: Interest bearing loans and borrowings

On 5 May 2014, VDM executed the agreement with Kengkong to provide funding of $4.5 million via a convertible loan, the subject of this approval. The balance of interest bearing loans and borrowings as at 30 June 2014 already reflected the drawdown of the $4.5 million advance.

The overall increase in this balance reflects the amount of capitalised interest on these loans.

Note l: Provisions

Reduction in provisions was largely accounted for by the reduction of $0.327 million in onerous leases between 30 June 2014 and 31 August 2014. Reduction in onerous leases reflects revision to provision estimate as the remaining term of the monthly rental obligation for onerous leases is decreased by two months. Management confirmed that there were no other material changes in provisions since 30 June 2014.

Note m: Minority discount

The net asset value of a VDM share as outlined in the table above is reflective of a controlling interest. This suggests that Seabank would obtain an interest in the Company which would allow it to have an individual influence in the operations and value of the Company. Following the Transaction, Seabank will hold approximately 17.2% of the shares in VDM. We do not consider that this shareholding consititutes a controlling interest in the Company. There are other significant shareholders in the Company, including:

- H&H Holdings Australia Pty Ltd and its associates who currently hold 34.7% of the issued capital; and
- Australia Kengkong Investments Co Pty Ltd who currently hold 19.82% of the issued capital.

In addition, Australia Kengkong Investments Co Pty Ltd has advanced a total of $14.5 million in convertible loans to VDM, which, if converted prior to the issue of the Consideration Shares would increase its total shareholding to 45.2%. In light of the above, we believe the issue of the Consideration Shares to Seabank would not enable it to have an individual influence in the operations of the Company.

Therefore, we have adjusted our valuation of a VDM share on a net asset basis, to reflect a minority interest holding. A minority interest discount is the inverse of a premium for control and is calculated using the formula 1 – (1/1+control premium).

We have reviewed the control premiums paid by acquirers of companies listed on the ASX. Our findings are summarised below:

Year	Number of Transactions	Average Deal Value (AU$m)	Average Control Premium (%)
2014	16	632.80	20.04
2013	39	194.10	47.97
2012	49	357.36	40.41
2011	66	777.45	45.82
2010	67	756.42	37.33
2009	65	317.39	44.63
2008	43	753.31	39.47
2007	84	1008.24	21.79
2006	96	647.74	22.95
	Mean	**604.98**	**35.60**
	Median	**647.74**	**39.47**

Source: Bloomberg

We note that observed control premiums can vary due to the:

- nature and magnitude of non-operating assets;
- nature and magnitude of discretionary expenses;
- perceived quality of existing management;
- nature and magnitude of business opportunities not currently being exploited;
- ability to integrate the acquiree into the acquirer's business;
- level of pre-announcement speculation of the transaction; and
- level of liquidity in the trade of the acquiree's securities.

Based on our analysis of control transactions observed on the ASX as captured in the table above, we consider a reasonable control premium to apply to a VDM share is between 35% and 40%.
This equates to a minority interest discount in the range of 23% to 29%.

10.2 Quoted Market Prices for VDM Securities

To provide a comparison to the valuation of VDM in Section 10.1, we have also assessed the quoted market price for a VDM share.

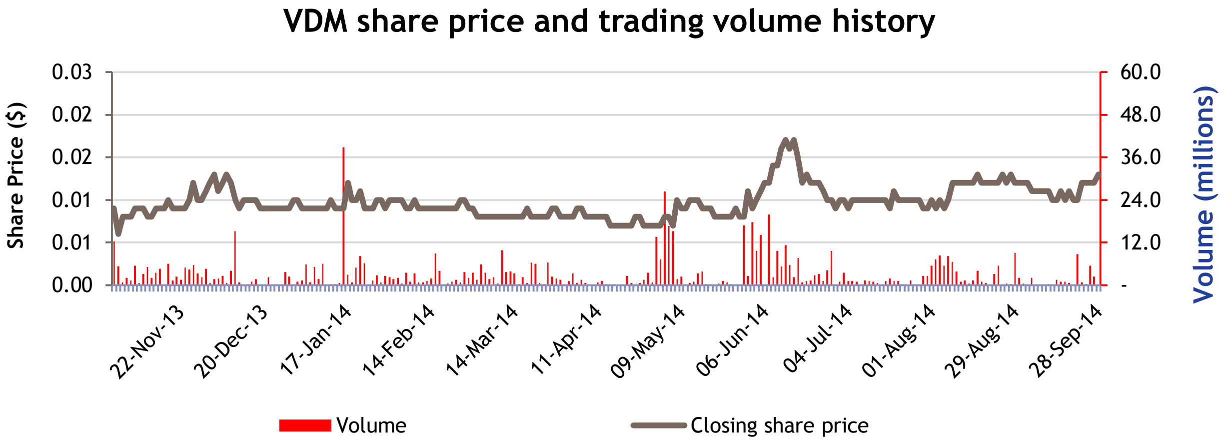
The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

Following the Transaction, Seabank will hold approximately 17.2% of the shares in VDM. We have not applied a premium for control to the quoted market price of the shares, as Seabank will not be acquiring a controlling interest in the Company, as outlined in section 10.1.

Quoted Market Price value

Our analysis of the quoted market price of a VDM share is based on the pricing prior to the announcement of the Transaction. This is because the value of a VDM share after the announcement may include the affects of any change in value as a result of the Transaction. However, we have considered the value of a VDM share following the announcement when we have considered reasonableness in Section 13.

Information on the Transaction was announced to the market on 29 September 2014. Therefore, the following chart provides a summary of the share price movement over the 12 months to 28 September 2014 which was the last trading day prior to the announcement.



Source: Bloomberg

The daily price of VDM shares from 29 September 2013 to 28 September 2014 has ranged from a low of $0.006 on 12 March 2014 to a high of $0.017 on 18 June 2014.During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement $ (movement)			Closing Share Price Three Days After Announcement $ (movement)		
23/09/2014	$10 Million Capital Raising	0.012	▶	0.0%	0.013	▲	8.3%
29/08/2014	2014 Appendix 4E Preliminary Final Report	0.012	▼	7.7%	0.012	▶	0.0%
11/08/2014	Response to Media Speculation	0.012	▶	0.0%	0.012	▶	0.0%
24/06/2014	LOI for SANY-VDM JV	0.012	▶	0.0%	0.010	▼	16.7%
06/05/2014	$4.5 Million Capital Raising	0.008	▶	0.0%	0.009	▲	12.5%
28/02/2014	Appendix 4D & Half Yearly Report and Accounts	0.009	▶	0.0%	0.008	▼	11.1%
24/12/2013	VDM Supplementary Prospectus	0.009	▶	0.0%	0.009	▶	0.0%
24/12/2013	Company Update	0.009	▶	0.0%	0.009	▶	0.0%
19/12/2013	Trading Halt	0.009	▼	10.0%	0.009	▶	0.0%
11/12/2013	Non-Renounceable Issue Prospectus	0.010	▼	16.7%	0.010	▶	0.0%
11/12/2013	Placement & Non-Renounceable Issue	0.010	▼	16.7%	0.010	▶	0.0%
28/11/2013	Company Update - Sale of Consulting Businesses	0.010	▼	16.7%	0.012	▲	20.0%

Date	Announcement	Closing Share Price Following Announcement $ (movement)			Closing Share Price Three Days After Announcement $ (movement)		
12/11/2013	Company Update	0.008	▼	11.1%	0.009	▲	12.5%
30/10/2013	Reinstatement to Official Quotation - 31/10/13 - Amended	0.009	►	0.0%	0.008	▼	11.1%
30/10/2013	VDM Company Update	0.009	►	0.0%	0.008	▼	11.1%
29/10/2013	Reinstatement to Official Quotation - 31/10/13	0.009	►	0.0%	0.006	▼	33.3%
1/10/2013	Suspension from Official Quotation	0.009	►	0.0%	0.009	►	0%

Source: Bloomberg, BDO analysis

On 23 September 2014, VDM executed an agreement with Australia KengKong Investments Co Pty Ltd to provide funding of $10 million via a convertible loan, convertible into fully paid ordinary shares. As per the terms of the loan, KengKong will advance $10 million to VDM in two tranches of $3 million and one tranche of $4 million during the period 25 September to 14 November 2014. VDM shares showed no reaction to the news on the day of the announcement. However, three days after the announcement was made, VDM shares increased by 8.3%.

On 29 August 2014 VDM released the Preliminary Final Report for the year ended 30 June 2014. VDM reported a decrease in revenue from ordinary activities by 80.8% to $24.59 million and a loss from ordinary activities of $21.38 million. As a result, VDM's share price decreased by 7.7% on the day of the announcement.

On 24 June 2014 the Company announced a letter of intent for a joint venture with Sany Heavy Machinery to establish an Australian joint venture company for the purpose of lease, sales and service of construction heavy equipment. The market reacted negatively to this announcement with the share price reducing by 16.7% following the announcement.

On 6 May 2014 the Company announced funding of $4.5 million via a convertible loan from Kengkong Investments Co Pty Ltd, resulting in a 12.5% increase in the share price following the announcement.

On 10 December 2013 VDM lodged a Prospectus in relation to a one for one pro-rata non-renounceable entitlement offer of 1,792 million new fully paid shares at an issue price of $0.01 per share to raise up to $17.9 million. The company also made a placement of 75 million fully paid ordinary shares to a private investor at $0.01 per share and raised $750,000. VDM's share price decreased 16.7% on the day of the announcement.

On 28 November 2013 VDM announced it had divested the majority of its Consulting Businesses via a series of management buy-outs. The market viewed this negatively with the share price of VDM decreasing by 16.7% following the announcement.

On 12 November 2013 VDM announced it had been awarded and had received approximately $4 million for the value of works performed prior to its removal from site following the dispute with a major customer. The market reacted negatively with the share price of VDM decreasing by 11.1% following the announcement.

To provide further analysis of the market prices for a VDM share, we have also considered the weighted average market price (**"VWAP"**) for 10, 30, 60 and 90 day periods to 28 September 2014.

Share Price per unit	28-Sep-14	10 Days	30 Days	60 Days	90 Days
Closing price	$0.013				
Volume weighted average price (VWAP)		$0.012	$0.012	$0.011	$0.012

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Transaction, to avoid the influence of any increase in price of VDM shares that has occurred since the Transaction was announced.

An analysis of the volume of trading in VDM shares for the twelve months to 28 September 2014 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	$0.013	$0.013	2,370,000	0.08%
10 Days	$0.010	$0.013	21,806,790	0.70%
30 Days	$0.010	$0.013	52,821,060	1.69%
60 Days	$0.009	$0.014	120,358,928	3.85%
90 Days	$0.008	$0.017	276,583,733	8.84%
180 Days	$0.006	$0.017	529,720,525	16.94%
1 Year	$0.000	$0.017	727,645,885	23.26%

Source: Bloomberg, BDO analysis

This table indicates that VDM's shares display a low level of liquidity, with 23.26% of the Company's current issued capital being traded in a twelve month period.

For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of VDM, we do not consider there to be a deep market for the shares as a low percentage of the Company's issued capital was traded over the entire measurement period. This is also supported by our analysis of the market's reaction to VDM's announcements over the past twelve months.

Our assessment is that a range of values for VDM shares based on market pricing, after disregarding post announcement pricing, is between $0.011 and $0.013 with a midpoint value of $0.012.

10.3 Assessment of VDM's Value

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

	Low cents)	Preferred cents	High cents
Net assets value (Section 10.1)	Nil	0.00083	0.01183
ASX market prices (Section 10.2)	1.1	1.2	1.3

Source: BDO analysis

We consider the minority interest value of a VDM share prior to the Transaction determined under the net asset value methodology is appropriate for the following reasons:

- There is a material uncertainty regarding VDM's ability to continue operating as a going concern; and
- As outlined in section 10.2, the market for VDM's shares over the analysed periods has not been sufficiently liquid for a reliable value to be obtained under the QMP methodology.

While there is a significant difference between the value of the shares on a NAV and QMP basis, which could have a material impact on our assessment of the value of the Consideration, we believe that it would be inappropriate to base the value on the QMP basis. In addition to the reasons outlined above, the number of shares being issued as consideration (650 million) constitutes 89.3% of the total number of shares traded in the past twelve months, therefore we believe that Seabank would not be in a position to realise the value of the shares through selling them on the open market, as the share value would be likely to experience a significant decline as a result of the shares becoming available for sale.

Based on the results above we consider the value of a VDM share to be in the range of nil to 0.01536 cents with a midpoint value of 0.00113 cents.

10.4 Valuation of Consideration

The Consideration for the Acquisition is 650 million VDM shares and $4.875 million in cash. The total value of the consideration is set out in the table below:

	Low $	Preferred $	High $
Value of one VDM share (Section 10.3)	Nil	0.0000083	0.000118
Value of Consideration Shares	Nil	5,395	76,700
Cash Consideration	4,875,000	4,875,000	4,875,000
Total Consideration	**4,875,000**	**4,880,395**	**4,951,700**

Source: BDO analysis

11. Valuation of Cachoeiras do Binga

11.1 Value of the Project

BDO has instructed AMC to undertake an independent specialist valuation on the value of the Project. While AMC would normally consider a number of different approaches, it was only able to use the comparable transaction method in valuing the Project, due to the early exploration status of the Project and the lack of appropriate details relating to exploration expenditure.

The comparable transaction method involves calculating a value per common attribute in a comparable transaction and applying that value to the subject asset. The common attribute that AMC has used is the size of the tenement, to arrive at a unit area value. AMC selected six recent transactions for advanced exploration area copper projects in Africa. The range of values calculated by AMC for the Project is outlined in the table below:

	Low $m	Preferred $m	High $m
Value of Cachoeiras do Binga	15.0	22.5	30.0

Source: AMC's ITSR

AMC has not considered sovereign risk in its assessment of the value of the Project and as such considers it to be a technical value rather than a market value. In all other respects the valuation methodology adopted by AMC will provide a market value of the Project. RG 111 requires the assessment of value to be on the basis of 'market value'. Value is described in paragraph 43 of the Valmin code as being comprised of two components, the underlying or 'technical' value and a premium or discount relating to market, strategic or other considerations. The countries in which the comparable transactions considered by AMC are located are:

- Zambia
- Botswana
- Democratic Republic of Congo
- Namibia

In considering the relative sovereign risk of these countries relative to Angola, we have considered the sovereign ratings applied by S&P and Moody's. These ratings range from an S&P rating of A- for Botswana to a B- for Democratic Republic of Congo. Angola's rating sits in the middle of the range, at BB-. We have therefore concluded that no discount or premium to the value derived from the comparable transactions is required to account for sovereign risk. As such, we have determined the market value to be equal to the technical value of the Project.

11.2 Value the interest being acquired

VDM is acquiring a 65% interest in the Project, which equates to a value range as set out below:

	Ref	Low $'m	Preferred $'m	High $'m
Value of 100% of the Project	11.1	15.0	22.5	30.0
Value of the interest in the Project to be acquired by VDM	11.2	9.75	14.625	19.5

12. Is the Transaction fair?

The value of the Consideration is compared to the value of the interest in the Project being acquired by VDM as shown below:

	Ref	Low $'m	Preferred $'m	High $'m
Value of consideration	10.4	4.875	4.880	4.952
Value of the interest in the Project to be acquired by VDM	11.2	9.75	14.625	19.5

Source: BDO analysis

We note from the table above that the value of the interest in the Project being acquired is higher than the value of the Consideration and as such, the Transaction is fair.

13. Is the Transaction reasonable?

13.1 Advantages of Approving the Transaction

13.1.1 The Transaction is fair

As set out in Section 12, the Transaction is fair. RG 111 states that a transaction is reasonable if it is fair.

13.1.2 The Transaction supports the Company's strategy

Since September 2013 VDM has been working towards the implementation of a new business strategy. The strategy is focussed under VDM's four operating divisions, one of which is VDM Mining. The rationale behind VDM Mining is to bring the advantages of Australia's knowledge, technology, mining practices, environmental practices and safety procedures in the mining industry, to projects in Africa and Latin America. The Cachoeiras do Binga Project will be the first mining project in which VDM will have an interest.

13.1.3 Exploration funding strategy

VDM has been in discussions with several large mining companies that have indicated an interest in partnering with VDM in the exploration and development of an African mining opportunity. If the Transaction is approved, VDM will be in a position to advance these discussions which may provide additional funding opportunities for this and other projects in which the Company may acquire an interest.

13.2 Disadvantages of Approving the Transaction

13.2.1 Dilution of existing shareholders interests

If the Transaction is approved, the interests of existing shareholders will be diluted to 82.8%.

13.3 Other considerations

13.3.1 Free Carry interest

As set out in Section 4 above, the JV agreement specifies that during the Prospection Phase 15% of Pebric's participation interest to be financially carried by Seabank and VDM. This will result in VDM carrying approximately 79% of the Project's funding requirement during this phase, but its interest in the Mining Phase will reduce to 65%.

13.3.2 Mineral investment contract and Angolan State participation

The Agreement is conditional on the parties executing the Mineral Investment Contract with the Angolan State. There is no guarantee that the Parties will be able to successfully negotiate and execute the Mineral Investment Contract.

If the parties are able to enter into the Mineral Investment Contract with the Angolan State, the terms of that Mineral Investment Contract, the Angolan Mining Code provides for a minimum of 10% Angolan State participation in mining projects, which may reduce VDM's interest in the Project.

13.3.3 Convertible loans

On 6 May 2014 the Company announced funding of $4.5 million via a convertible loan from Kengkong. On 23 September 2014 an agreement was executed with Kengkong relating to a convertible loan of $10 million. Approval for the conversion of these loans into 450 million shares and one billion shares respectively is being sought under two resolutions at the general meeting of the company at which the Transaction is being considered. While the resolutions are not interdependent, if the resolutions relating to the conversion are approved, and the loans are converted to equity, the interests of Shareholders will be diluted further, as outlined in the table below:

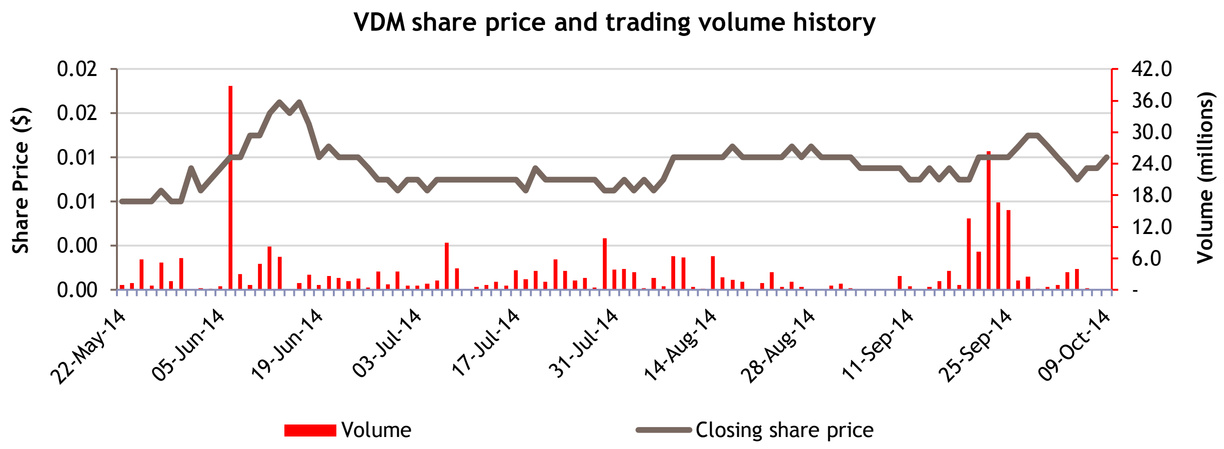
	Number of Shares on Issue	Existing Shareholders Interest
Current position	3,127,660,952	100%
Following issue of Consideration Shares	3,777,660,952	83%
Following conversion of the $4.5 million convertible loan	4,227,660,952	74%
Following conversion of the $10 million convertible loan	5,227,660,952	60%

Source: BDO analysis

13.4 Consequences of not Approving the Transaction

Potential impact on share price

We have analysed movements in VDM's share price since the Transaction was announced. A graph of VDM's share price since the announcement is set out below.



Source: Bloomberg and BDO analysis

The closing price of VDM's shares on 29 September 2014 following the announcement of the Transaction was $0.014. Since the announcement of the Transaction on 29 September 2014 the share price of VDM has decreased from $0.014 to $0.012 as at 8 October 2014. We note that the ASX All Ordinaries Index has declined over the post announcement period, therefore it is difficult to determine if the decline in VDM's share price is as a result of the announcement, or as a result of general market sentiment. As such, it is difficult to determine the potential impact on the Company's share price if the Transaction is not approved.

14. Conclusion

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

15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of VDM for the years ended 30 June 2014 and 30 June 2013 and 30 June 2012
- Unaudited management accounts of VDM for the period ended 31 August 2014;
- Independent Valuation Report of the Cachoieras do Binga project dated 13 October 2014 performed by AMC;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of VDM.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of $35,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

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

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

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

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

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

17. Qualifications

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

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

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

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 200 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 15 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

18. Disclaimers and consents

This report has been prepared at the request of the directors of VDM for inclusion in the Explanatory Memorandum which will be sent to all VDM Shareholders. VDM engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the issue of 650 million VDM shares and $4.875 cash as consideration for the acquisition of a 65% interest in the Project.

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

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

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

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

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

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations of the Project.

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

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

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

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Sherif Andrawes	**Adam Myers**
Director	Director

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act
Agreement	Condition agreement entered in by VDM with Pebric and Seabank
AMC	AMC Consultants Pty Ltd
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
Acquisition	VDM has entered into an agreement with Pebric and Seabank to acquire a 65% participating interest in the Cachoeiras do Bingo copper exploration project.
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Cash Consideration	$4.875 million
Consideration Shares	650 million VDM shares
Consideration	Cash consideration and consideration shares combined
The Company	VDM Group Limited
The Conditions	The Acquisitions is conditional on: • VDM obtaining all necessarily approvals of its shareholders in relation to the Acquisition; and • VDM, Pebric and Seabank agreeing and executing a Mineral Investment Contract with the Angolan State Government under the new Angolan Mining Code
DCF	Discounted Future Cash Flows
Disposal Multiple	Multiple of proceeds received over the written down values of each plant and equipment sold over time
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings

Reference	Definition
ITSR	Independent technical specialist’s report
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
JV	Pebric and Seabank are participants in a joint venture for the prospection and exploitation of minerals in respect to Cachoeiras do Binga.
Kengkong	Australia Kengkong Investments Co Pty Ltd
Licence	The Prospecting Licence associated with the project
Mineral Investment Contract	The contract to be negotiated between the government of the Republic of Angola and the JV, which will perfect the JV’s rights in respect of the Prospecting Licence
Mining Phase	Pebric (30%) and Seabank (70%), after discovery of economically viable deposit(s) and Angolan state approval of a relevant TEVS and issue of a mining title
NAV	Net Asset Value
Our Report	This Independent Expert’s Report prepared by BDO
Project	The Cachoeiras do Binga copper exploration project located in the Republic of Angola
Pebric	Pebric Mining and Consulting, LDA
Prospecting Licence	The Prospecting Licence held by Pebric relating to the exploration for ferrous and non-ferrous metals at Cachoeiras do Binga
Prospection Phase	Pebric (15%) and Seabank (85%) during reconnaissance, prospection, evaluation and appraisal.
QMP	Quoted market price basis
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
TEVS	Technical and Viability Study(ies)
The Transaction	The proposal to issue 650 million shares in VDM, and $4.875 cash to Seabank
UNDP	United Nations Development Program
Seabank	Seabank Resources, LDA
Shareholders	Shareholders of VDM not associated with Seabank

Reference	Definition
Valmin Code	The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VDM	VDM Group Limited
VWAP	Volume Weighted Average Price

Appendix 2 – Valuation Methodologies

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

1 *Net asset value ('NAV')*

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

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

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

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

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

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

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

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

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

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

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

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

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

4 *Discounted future cash flows (‘DCF’)*

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

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

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

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

5 *Market Based Assessment*

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

Appendix 3 – Independent Technical Specialist's Report

Appendix C - Independent Technical Report

AMC Consultants Pty Ltd
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Report

VDM Group Ltd - Independent Technical Specialist's Report

BDO Corporate Finance (WA) Pty Ltd

AMC Project 214037_3
20 October 2014

20 October 2014

BDO Corporate Finance (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Attention: Mr Sherif Andrawes, Chairman

Dear Sirs

VDM Group Limited
Independent Technical Specialist's Report

We have been advised that:

- The VDM Group Limited (VDM) is considering a transaction (Proposed Transaction) concerning the Cachoeiras do Binga project (Project) in Angola.
- VDM has appointed BDO Corporate Finance (WA) Pty Ltd (BDO) as independent expert (Expert) to prepare an independent expert's report (IER) in relation to the Proposed Transaction.

BDO has commissioned AMC Consultants Pty Ltd (AMC) as independent technical specialist to prepare an independent technical specialist's report (ITSR) to BDO, under instruction from BDO, on the Project. It is intended that this ITSR will be attached in full as an appendix to the IER. VDM has provided AMC with the information necessary to prepare the ITSR and indemnified AMC in relation to its preparation of the ITSR.

The ITSR has been prepared in accordance with the VALMIN Code[1] to the extent that the code is relevant to the assignment, and with due consideration of the JORC Code[2].

Principal sources of information considered by AMC in the preparation of the ITSR are shown in section 6 of the ITSR which follows.

For the purposes of preparing this report, AMC reviewed technical reports provided by VDM. A site visit was not conducted. Given the early stage of project development and the lack of recent exploration on the Project, AMC did not consider that additional material information would be gained from a site visit.

AMC has not audited the information provided to it, but has aimed to satisfy itself that all of the information has been prepared in accordance with proper industry standards and is based on data that AMC considers to be of acceptable quality and reliability. AMC has commented where it considers that information does not meet that standard.

The ITSR includes:

- A description of the Project.
- Valuation of the Project to the extent permitted by the information provided by VDM.
- Qualifications.

The ITSR, and the conclusions in it, are current as at the date of this report. Those conclusions may change in the future with changes in relevant metal prices, exploration and other technical developments in regard to the Project.

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[1] Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports. The VALMIN Code 2005 Edition, Prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector

[2] Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2012 Edition. Effective 20 December 2012 and mandatory from 1 December 2013. Prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australasian Institute of Geoscientists and Minerals Council of Australia (JORC).

All monetary figures in this report are expressed in Australian dollars (A$) unless otherwise noted.

Summary findings of the ITSR are:

Project description

The Project is located in the province of Cuanza Sul (South Cuanza) on the central-west coast of Angola. The Project prospecting right has a surface area of 3,854 km^2 and is approximately 32 km from east to west and 129 km from north to south.

Based on documentation provided by VDM, AMC concludes that the prospecting licence is valid but the rights associated with it may only be exercised after execution of a mining investment contract with the Angolan government.

Sediment-hosted stratiform copper mineralization occurs within the Project. Key characteristics include:

- The mineralization is located within the Cretaceous Upper Cuvo Formation (Gray Cuvo) at or near the contact with the Lower Cuvo Formation (Red Cuvo).
- Where present, the mineralization is between 0.2 m and 6 m thick.
- Mineralization can thicken within depressions on the contact.
- Copper grades are typically around 2% Cu.
- The copper minerals present are chalcopyrite, bornite, chalcocite, idaite, malachite, and native copper.
- Minor amounts of gold and silver occur with the copper mineralization.
- Overburden varies from absent to more than 50 m thick.
- Metallurgical testwork on oxide mineralization indicates 97% of the copper is in acid soluble form.

The majority of the exploration work on the Project has concentrated on an area 4 km north-south by 1.5 km east-west. Most of the host Upper Cuvo Formation remains under-explored. No detailed exploration programme has been undertaken on the Project since 1973.

Given the historic nature of the exploration data on the Project, AMC recommends that future exploration be undertaken with the aim of confirming the validity of the existing information. Other areas to address include:

- The impact of overburden on the commercial viability of the Project.
- Detailed metallurgical properties of the copper mineralization.

Valuation

Because valuation methods for pre-operating projects are relatively subjective, AMC normally applies a number of methods before concluding a final valuation. However, in this case, AMC was only able to use the comparable transactions valuation method due to the early exploration status of the Project and the lack of relevant details of exploration expenditure.

AMC has used regression analysis on data from comparable transactions to determine an appropriate unit area valuation range for the Project. Accordingly, AMC values the Project between A$15M and A$30M, with a preferred value of A$22.5M.

AMC has not, however, considered sovereign risk in its determination of value and, to that extent, considers its valuation approach to result in a Technical Value, rather than a Market Value as defined by the VALMIN Code.

Yours faithfully

D Carville
MAusIMM
General Manager, Geology

L J Gillett
FAusIMM (CP)
Director

Contents

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1 Introduction

The VDM Group Limited (VDM) is considering a transaction (Proposed Transaction) concerning the Cachoeiras do Binga project (Project) in Angola.

VDM has appointed BDO Corporate Finance (WA) Pty Ltd (BDO) as independent expert (Expert) to prepare an independent expert's report (IER) in relation to the Proposed Transaction.

BDO has commissioned AMC Consultants Pty Ltd (AMC) as independent technical specialist to prepare an independent technical specialist's report (ITSR) to BDO, under instruction from BDO, on the Project. It is intended that this ITSR will be attached in full as an appendix to the IER. VDM has provided AMC with the information necessary to prepare the ITSR and indemnified AMC in relation to its preparation of preparing the ITSR.

2 Scope of work and valuation method

2.1 Scope of work

The scope of work for AMC as specified by BDO was to prepare the ITSR on the Project in accordance with the VALMIN Code[3]. AMC has completed that scope of work in accordance with the VALMIN Code to the extent that the code is relevant to the assignment, and with due consideration of the JORC Code[4].

AMC has prepared the ITSR, which includes:

- A description of the Project.
- Valuation of the Project to the extent permitted by the information provided by VDM.

For the purposes of preparing this report, AMC reviewed technical reports provided by VDM.

Clause 65 of the VALMIN Code states:

> "Where inspection of a Material Mineral or Petroleum Asset or Tenement is likely to reveal information or data that is Material to a Report, the Expert, or, where relevant, the Specialist(s) must inspect it, providing it is practicable to do so. If an inspection is not made, the Expert or Specialist must be satisfied that there is sufficient current information available to allow an informed appraisal to be made without an inspection."

AMC has not visited the Project site. Given the early stage of project development and that there has been no recent exploration on the Project, AMC does not consider that additional material information would be gained by a site visit.

2.1.1 Currency, exchange rates and valuation date

Currencies stated in this report are in Australian Dollars (A$), unless otherwise specified.

Where currencies have been converted into A$, these have been calculated at the exchange rate on the day of the transaction announcement.

The valuation date that applies in this report is the date of this report unless otherwise stated.

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[3] Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports. The VALMIN Code 2005 Edition, Prepared by the VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral Industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.

[4] Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2012 Edition. Effective 20 December 2012 and mandatory from 1 December 2013. Prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australasian Institute of Geoscientists and Minerals Council of Australia (JORC).

2.2 Valuation method

Valuation of exploration assets is subjective and usually involves a judgment after application of several different commonly used methods. There are three main valuation approaches used by AMC. Within each of these approaches, there are specific valuation methods.

All of these approaches are used where applicable to help judge the value range for a particular tenement or project. That value is considered to represent a measure of future economic worth or of sale value to a hypothetical third party.

2.2.1 Market approach

The market valuation approach uses actual or comparable transactions as a basis to estimate a market value. A value is determined by reference to either the actual transaction for the property in question (actual transaction) or to recent transactions for projects considered to be similar to those under review (comparable transactions).

The following market-based valuation methods can be used when valuing mineral assets:

- Value per unit area of tenement: This method uses actual or comparable transactions in similar geological terrain to determine the implied value per km^2 of exploration title. Small mining leases with identified Mineral Resources usually transact at much higher unit area values than large exploration licences, other things being equal. Mature areas with obviously limited prospectivity usually transact at the lower end of the range. Areas of limited exploration testing but with evidence of good mineralization usually transact at the higher end.
- Joint Venture Terms method: Many transactions on exploration tenements are of a farm-in nature. This method determines a cash equivalent value from the deemed expenditure on the property at the time of the deal, discounted by a time and probability factor for the likelihood that the farm-in will complete its earning requirement.
- Yardstick Values: Use of value per unit of metal contained in Mineral Resources. These are based on actual or comparable transactions. It is most useful in valuing gold projects.

2.2.2 Cost approach

The cost approach is based on the principle that past activities contribute to value. The most common valuation method is the past expenditure method, which applies a judgment of effectiveness and prospectivity enhancement to past exploration expenditure. The assumption is that well-directed exploration adds value to the property. This is not always the case and exploration can also downgrade a property. Therefore, a ‘prospectivity enhancement multiplier’ (PEM), which commonly ranges from 0.5 to 3.0, is applied to the effective expenditure. The selection of the appropriate multiplier is a matter of experience and judgement. AMC applies a scale of PEM ranges as follows to the effective exploration expenditure (Table 2.1):

Table 2.1 PEM guidelines

PEM Value	Definition
0.5-1.0	Judgement that most expenditure has been ineffective and results have not enhanced prospectivity.
1.0	Judgement that expenditure has been useful, is recent, and has not significantly changed the view of prospectivity.
1.0-2.0	Judgement that expenditure has been useful and has enhanced prospectivity, with good quantifiable results – for example, good anomaly, drill intersections, or sampling results.
2.0-3.0	Judgement that expenditure has resulted in excellent results leading to likelihood of resource definition in near future.

2.2.3 Income approach

Under the income approach, an expected value is determined where there is sufficient information to enable an indicative net present value calculation or range of net present values. The value determined takes into account risk associated with the status of the project. This method usually requires Mineral Resources or Ore Reserves to have been estimated.

AMC considers the values derived using the income approach to be Technical Values as defined in the VALMIN Code. A Market Value is defined as one which is based on a Technical Value adjusted for a premium or discount relating to market, strategic or other considerations.

3 Cachoeiras do Binga

3.1 Location and tenements

The Project is located in the province of Cuanza Sul (South Cuanza) on the central-west coast of Angola. The Project is immediately east of the regional capital of Sumbe and approximately 385 km south of the Angolan capital city of Luanda. Refer to Figure 3.1.

Access to the Project is provided by the coastal highway. The town of Sumbe has a population of approximately 26,000 and has an airport and port.

Figure 3.1 Cachoeiras do Binga location

Source – Prospecting Licence (Right) – Cachoeiras do BINGA-tenement.docx

The word Cachoeiras in Portuguese means waterfall, and the Project name means waterfalls of Binga. This refers to a series of waterfalls on the Queve River where the main prospect is located. This Cachoeiras do Binga prospect is situated approximately midway between the towns of Gabela and Sumbe adjacent to a sealed road.

The Cachoeiras do Binga prospecting licence[5] is defined by the four corner locations shown in Table 3.1. The prospecting licence covers 3,854 km^2 and is approximately 32 km from east to west and 129 km from north to south.

Table 3.1 Cachoeiras do Binga prospecting licence coordinates

Corner Point	Latitude	Longitude
A	10º44'12" S	13º50'48" E
B	10º44'12" S	14º08'12" E
C	11º53'30" S	14º08'12" E
D	11º53'30" S	13º50'48" E

Source – Prospecting Licence (Right) – Cachoeiras do BINGA-tenement.docx

[5] Licence number 049/01/05/T.P/ANG-M.G.M.I/2012, Code number 09/72/PC/AB

Recent documentation provided by independent Angolan legal counsel (AVM Advogados, 6 August 2014) indicates that the Cachoeiras do Binga prospecting licence is valid for ferrous and non-ferrous minerals. The prospecting licence is under the name of Pebric Mining and Consulting LDA and is valid for five years from 15 May 2012. Pebric Mining and Consulting LDA entered into an association and participation contract with Seabank Resources LDA dated 15 April 2014 for mineral prospecting and exploration over the Cachoeiras do Binga prospecting licence.

The documentation provided by AVM Advogados outlines the status of the prospecting licence and conditions that need to be met with respect to the licence. AMC considers that the counsel's opinion is current, independent and based on appropriate enquiry. On the basis of this documentation, AMC concludes that the prospecting licence is valid but the rights associated to it may only be exercised after execution of a mining investment contract with the Angolan government and approved by the Ministry of Geology and Mines.

3.2 Geology

The geology of Angola, as described by Pinheiro (2010), can be divided into five main regional geological units:

- Quaternary and Tertiary sedimentary cover rocks comprised of sand, gravel and clay that extend over nearly half of Angola, including the entire eastern side of the country.
- Pleistocene to Cretaceous marine sediments located in a series of coastal basins on the western margin of Angola.
- Mesozoic to Palaeozoic sediments located mainly in the north-central and north-western region of Angola.
- Upper Proterozoic fold belts occur along the margins of Angola's Precambrian shield.
- Lower Proterozoic to Archean rocks present in south-central and south-western Angola consisting of granite-gneissic terrain, greenstone belts, and ultrabasic complexes.

The Project contains both Precambrian basement rocks and Mesozoic sediments. The Mesozoic sediments are thought to be mostly Cretaceous in age. These sediments consist of dolomitic sandstone, brecciated limestone of the Upper Cretaceous, and limestone, marl, and conglomerate of the Lower Cretaceous. Precambrian basement rocks in the Project consist of gneiss, schist, amphibolite, leptite, and quartzite.

The waterfalls after which the Project is named are located near the boundary between the Precambrian crystalline basement and the Cretaceous sediments. At the base of the Lower Cretaceous sediments, and the Kwanza sedimentary basin, is a thick conglomerate unit. This unit is generally called the Lower Cuvo Formation, or Red Cuvo Formation, and is found several tens of kilometres to the north and south of the waterfalls area.

The contact between the basement rocks and Lower Cretaceous sediments is often displayed as a small fault scarp. In some places in the waterfalls area, outcrops of volcanic rock occur in between the Precambrian and Cretaceous rocks. The volcanic rocks are comprised of volcanic ash, dolerite, and basalt and are considered to be Jurassic in age. A magnetic anomaly, shown in historic oil prospecting surveys, is thought to coincide with the buried volcanic rocks. At the base of the Lower Cretaceous Cuvo Formation, pebbles can be found of both the basement granitic rocks and the Jurassic volcanic rocks.

The Lower Cuvo Formation is typically composed of coarse, conglomeritic, red sandstone. This is overlain by the Upper Cuvo Formation, which consists of fine to coarse sandstones with some interbeds of dolomite, limestone, and finer-grained sediments. The Upper Cuvo Formation is commonly called the Gray Cuvo.

In the area of the waterfalls, the Upper Cuvo Formation is overlain by the Binga limestone, also Cretaceous in age.

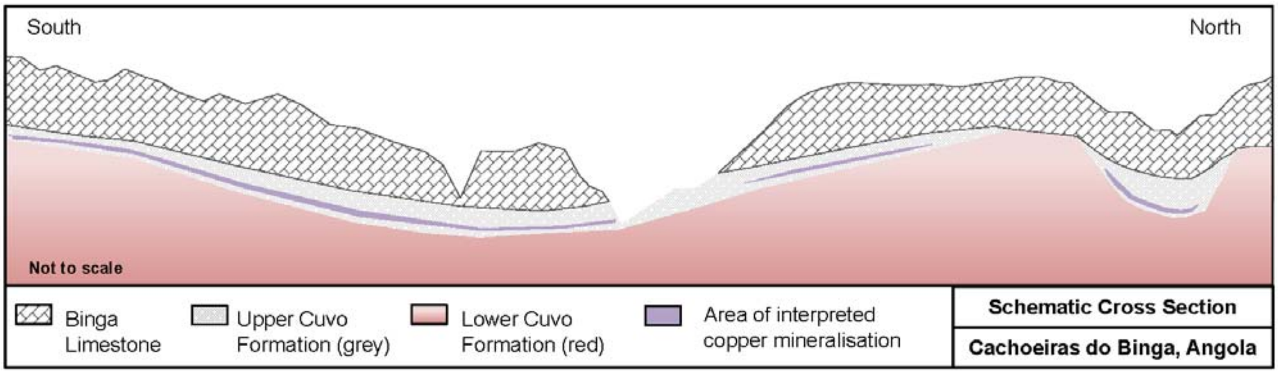
3.3 Mineralization

The copper mineralization at the Project forms part of the western copper belt of Angola, which extends over 500 km. The copper mineralization occurs within the Cretaceous Cuvo Formation.

Copper mineralization in the Project area is found at or near the base of the Upper Cuvo Formation. The mineralization often coincides with the presence of organic matter and is thought to be of syngenetic sedimentary origin. Copper rich solutions, produced from leaching the underlying rocks, are thought to have precipitated copper sulphide minerals at the reducing boundary of the Upper Cuvo Formation. The presence of copper mineralization is extensive at the base of the Upper Cuvo Formation. However, it is typically quite thin (less than 2 m thick). The copper mineralization is thickest in localized depressions in the contact between the Upper Cuvo and Lower Cuvo Formations where it can be up to 6 m thick.

Figure 3.2 is a north-south cross-section, looking west, through blocks 2 and 3 of the Cachoeiras do Binga prospect showing the stratigraphy and the location of the copper mineralization.

Figure 3.2 Cross-section through Cachoeiras 2 and 3



Source: Cachoeiras do Binga ESTUDO 2.1 – exploration report.pdf

The copper minerals present at Cachoeiras do Binga include chalcopyrite, bornite, chalcocite, idaite, malachite, and native copper. Copper mineralization ranges in grade from 1% Cu to 5% Cu. Minor amounts of gold (0.20 g/t Au to 0.35 g/t Au) and silver (2 g/t Ag to 15 g/t Ag) are associated with the copper mineralization.

An outcrop of the mineralization at Cachoeiras do Binga is shown in Figure 3.3.

Figure 3.3 Copper mineralization outcrop

Source – Geological descriptions of deposits-1.doc

The Project is also thought to be prospective for iron ore deposits. Iron deposits are known to occur in the upper metamorphic volcanic-sedimentary rocks that overlie metamorphic basic volcanic rocks. The main iron minerals are magnetite and hematite.

Minor lead and zinc mineralization has also been noted within the Cachoeiras do Binga tenement area.

3.4 Exploration

There have been three exploration phases at the Project:

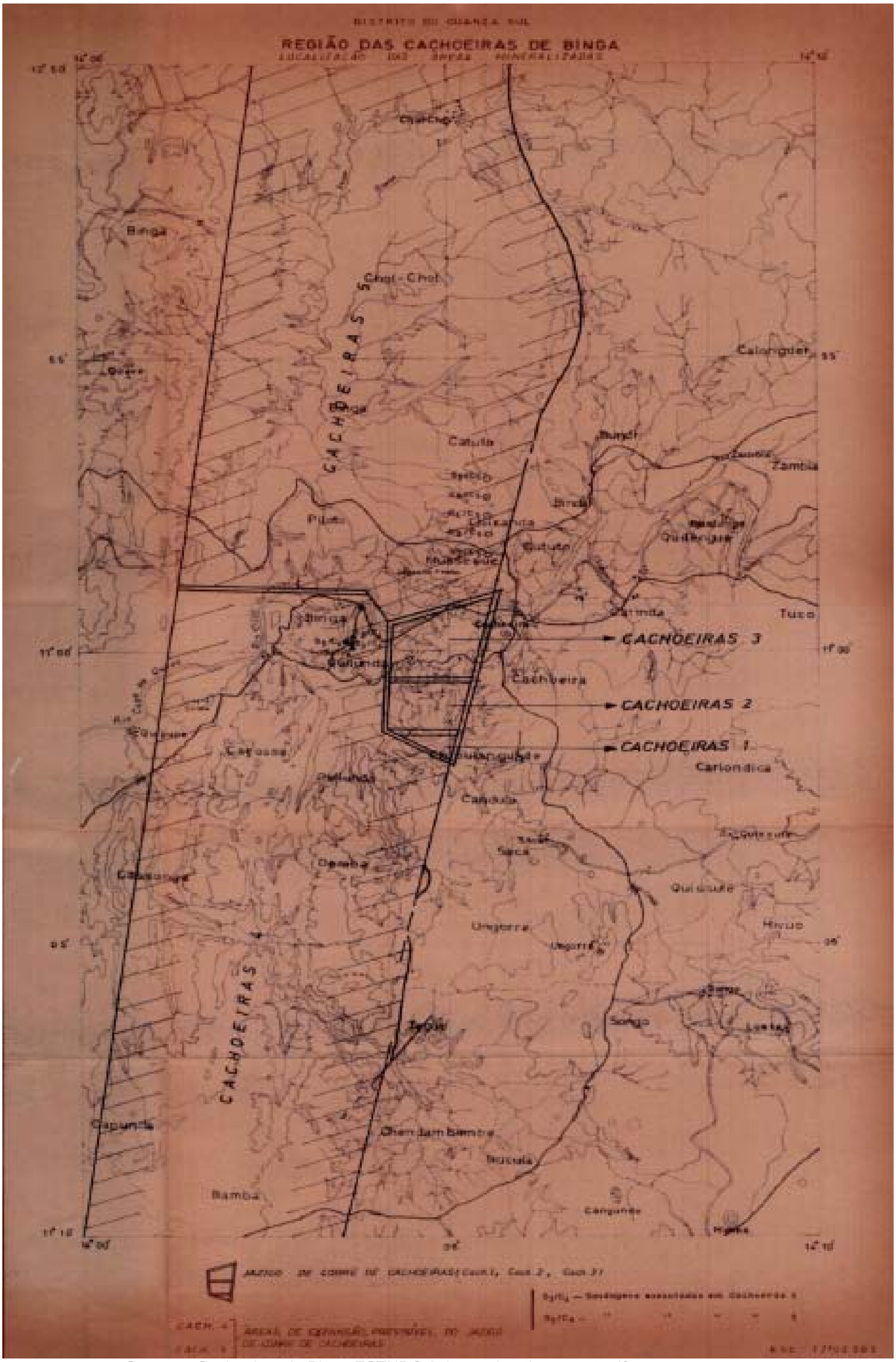
- 1970 to 1973 – Angolan Institute of Geology (IGEO).
- 1983 – United Nations Development Programme (UNDP).
- 2004 to 2006 – Simba Mines Incorporated (Simba) exploration programme.

3.4.1 IGEO exploration

The IGEO initially conducted a surface geochemical sampling programme, largely stream sediment sampling. The IGEO reported that anomalous copper values were related to basaltic rocks and sedimentary rocks around the 11°S parallel. This initial work was followed up by more detailed sampling and trenching in the waterfalls area. The IGEO found outcropping and near-surface copper mineralization from the waterfalls area and up to 4 km to the north.

The IGEO undertook a drilling programme, initially concentrating on three blocks: Cachoeiras 1, 2, and 3. These blocks are separated by areas of erosion. Figure 3.4 shows the locations of the Cachoeiras blocks.

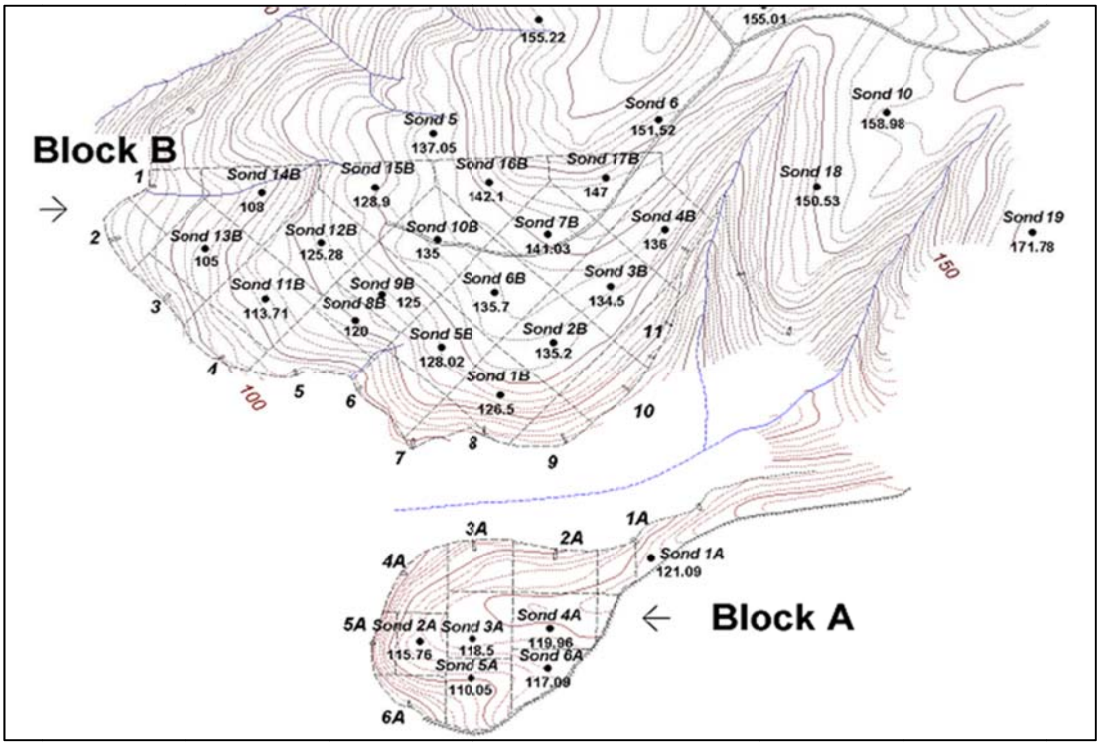
Figure 3.4 Location of Cachoeiras do Binga blocks 1 to 5



Source: Cachoeiras do Binga ESTUDO 2.1 – exploration report.pdf

Cachoeiras 1 was drilled on either a 100 m by 100 m grid, or a 50 m by 50 m grid. Cachoeiras 1 is divided into blocks A and B (refer to Figure 3.5). Copper mineralization was intersected in both block A and block B. No sulphide mineralization was present, with malachite being the predominant copper mineral. In block A, six to twelve metres of overburden was found. In block B, the overburden is up to 40 m thick.

Figure 3.5 Cachoeiras do Binga 1 drillhole locations – Block A and Block B



Source: Fortitude Minerals Ltd, Angolan Mineral Concessions Overview, March 2008

Further drilling was undertaken on Cachoeiras 2 and 3. Both sulphate and oxide copper mineralization was intersected. Mineralization varied in thickness from 0.2 m to 6 m. Overburden is thought to be approximately 50 m thick in these blocks (refer Figure 3.2). Two drill sections were also undertaken in Cachoeiras 4 and 5 to determine the continuity of the mineralization. Promising mineralization was located in both blocks.

AMC has not been provided with any detail on the quality assurance and quality control procedures of the IGEO drilling programme, or sample locations and assay results. Data from the IGEO drilling programme are historic in nature and AMC expects that the IGEO drilling would not meet current industry standard drilling, sampling, and assaying procedures.

In 1973, the IGEO estimated a mineral resource for blocks 1, 2 and 3 using a polygonal method. Some reports indicate that the Cachoeiras 2 and 3 resources estimates only include sulphide mineralization.

At the time this estimate was completed, international reporting codes for mineral resource estimation and classification had not been developed. AMC is not aware of the criteria used to classify the estimates. The estimates are listed in Table 3.2. These are historical resource estimates and are not reported in accordance with the JORC Code. A Competent Person has not done sufficient work to classify this historic estimate as Mineral Resources in accordance with the JORC Code. It is uncertain that following evaluation or further exploration the historical estimate will be reported as a Mineral Resource in accordance with the JORC Code.

Table 3.2 IGEO historic resource estimates

Cachoeiras Block	Tonnes (Mt)	Grade (% Cu)	Contained Copper (t)
1	0.29	2.17	6,200
2	1.57	1.54	23,600
3	5.34	2.24	119,700
Total	**7.19**	**2.08**	**149,500**

Source: Cachoeiras do Binga ESTUDO 2.1 – exploration report.pdf

3.4.2 United Nations Development Programme

In 1983, the UNDP evaluated the Project and the work undertaken by IGEO. The UNDP confirmed the work undertaken by IGEO and concurred with the historic resource estimate. The UNDP also undertook supplementary exploration work in Cachoeiras blocks 4 and 5. The UNDP determined a resource potential (not a JORC Code term) in these blocks of 51 Mt containing 1.1 Mt of copper.

AMC is not aware of the criteria used to classify these resource estimates. This is a historical resource estimate and not reported in accordance with the JORC Code. A Competent Person has not done sufficient work to classify this historic estimate as a Mineral Resource in accordance with the JORC Code. It is uncertain that following evaluation or further exploration that the historical estimate will be reported as a Mineral Resource in accordance with the JORC Code.

3.4.3 Simba exploration

Between 2004 and 2006, Simba, a USA-based company, held equity in the Project. Simba assessed the previous work and came to the conclusion that the Cachoeiras block 5 potential could have been underestimated.

3.5 Metallurgical testwork

Preliminary metallurgical testwork on the Project mineralization was undertaken in 2005 and 2006 by Independent Metallurgical Laboratories (IML).

Fifty grab samples were submitted for testing, along with eighteen composite trench samples. All samples were taken from oxidized mineralization.

The grab samples were assayed to determine the presence of acid soluble copper. Four independent copper analyses were conducted on each sample which included; total copper, cyanide soluble copper, acid soluble copper and total copper in the sample residue. The results indicate that 97% of the copper in the samples is present in acid soluble form.

Multi-element ICP-MS analysis was conducted on fourteen composite samples. The presence of calcium (between 3% and 17%) and carbon (between 0.7% and 5.5%) are thought to reflect the presence of calcium carbonate. Silver assays ranged between 1.0 g/t Ag to 7.8 g/t Ag, while only trace levels of gold were present in the samples. High silica concentrations (between 17% and 28%) were found which is thought to be due to the presence of clays and chrysocolla. The samples generally contained low levels of heavy metals such as arsenic (<10 ppm), cadmium (<0.1 ppm), lead (<75 ppm), and mercury (<0.1 ppm).

Leaching testwork was undertaken on ten bulk samples. The key findings from this work were:

- Copper grades ranged from 1.25% to 6.9% Cu.
- Acid consumption ranged from 79 kg/t to 620 kg/t in pulverized samples. Acid consumption of pulverized samples was high (>300 kg/t) for three of the ten samples, with the average for all ten samples being 262 kg/t.
- Copper recoveries ranged from 25% to 73% for the 26.5 mm crush size and 24% to 53% for the 12.5 mm crush size. Bottle roll tests are run for a set time period so 100% copper recovery was not achieved. Recoveries are likely to increase with more frequent acid dosage.
- Crush size has a mixed effect with no clear trend in recovery with crush size.

IML recommended that further testwork be conducted including additional monitoring and acid addition points to obtain ultimate copper recovery and acid consumption.

3.6 Summary

Sediment-hosted stratiform copper mineralization has been demonstrated to occur within the Project. Key characteristics include:

- The mineralization is located within the Cretaceous Upper Cuvo Formation (Gray Cuvo) at or near the contact with the Lower Cuvo Formation (Red Cuvo).
- Where present, the mineralization is between 0.2 m and 6 m thick.
- Mineralization can thicken within depressions at the contact.
- Copper grades are typically around 2% Cu.
- The copper minerals present are chalcopyrite, bornite, chalcocite, idaite, malachite, and native copper.
- Minor amounts of gold and silver occur with the copper mineralization.
- Overburden varies from absent to over 50 m thick.
- Metallurgical testwork on oxide mineralization indicates 97% of the copper is in acid soluble form.

The majority of the exploration work on the Project has concentrated on an area 4 km north-south by 1.5 km east-west. Most of the host Upper Cuvo Formation remains under-explored in the Project. No detailed exploration programme on the Project has been undertaken since 1973.

Given the historic nature of the exploration data on the Project, AMC recommends that future exploration confirm the validity of the existing information. Other areas to address include:

- The impact of overburden on the commercial viability of the Project.
- Detailed metallurgical properties of the copper mineralization.

4 Valuation

There are several valuation methods that can be used when valuing a mineral asset. The choice of method can depend on factors such as the nature of the valuation, development status of the asset, and the extent and reliability of available information.

4.1 Development status

In relation to the development status of a mineral asset, the VALMIN Code provides the following categories:

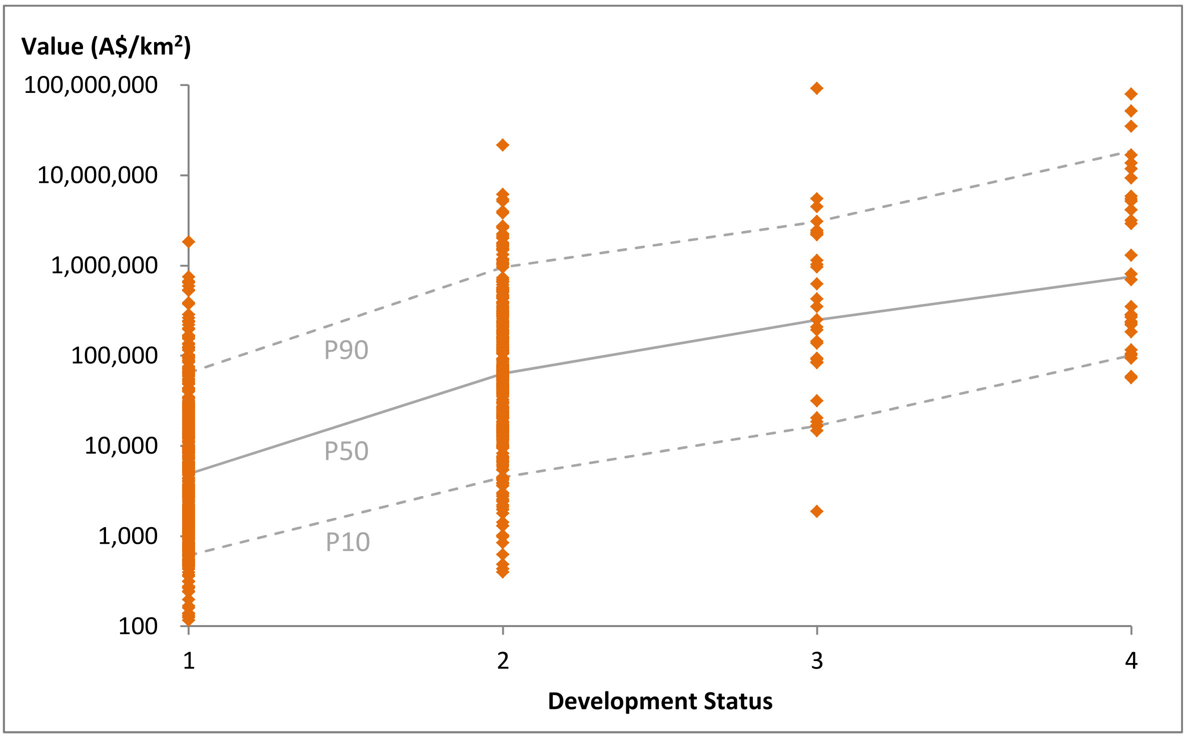
- Exploration Areas – properties where mineralization may or may not have been identified, but where a Mineral Resource has not been identified.
- Advanced Exploration Areas – properties where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching, or some other form of detailed geological sampling. A Mineral Resource may or may not have been made but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralization present and encouragement that further work will elevate one or more of the prospects to the resource category.
- Pre-Development Projects – properties where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance, and properties held on retention titles are included in this category if Mineral Resources have been identified (even if no further valuation, technical assessment, delineation, or advanced exploration is being undertaken).
- Development Projects – properties for which a decision has been made to proceed with construction and/or production, but which are not yet commissioned or are not yet operating at design levels.
- Operating Mines – mineral properties, particularly mines and processing plants that have been commissioned and are in production.

AMC considers that the Project should be classed as an Advanced Exploration Area. It is advanced due to the significant amount of drilling and the historical resource estimate.

4.2 AMC valuation database

AMC has a proprietary valuation database that includes over 900, post-2010, individual exploration valuations from around the world. Figure 4.1 illustrates these valuations as a value per tenement unit area (A$/km^2) versus development status (for example, 1 on X axis represents Exploration Areas, 2 represents Advanced Exploration Areas, 3 represents Pre-Development Projects and 4 includes both Development Projects and Operating Mines). Trend lines illustrating population percentiles (90%, 50%, and 10%) highlight that valuations typically increase through the development stages, as would be expected.

Figure 4.1 Development status valuations



1– Exploration Areas, 2 – Advanced Exploration Areas, 3 – Pre-Development Projects, 4 – Development Projects / Operating Mines.
Source – AMC valuation database
Sample size – 936 transactions

The data shown in Figure 4.1 indicate that projects categorized as Advanced Exploration Areas have an 80% probability of their valuation falling between A$4,500/km^2 to A$955,000/km^2. This value range is wide, with individual valuations influenced by many factors including size of tenement, prospectivity, location, risk, quality and quantity of Mineral Resources or Ore Reserves, project market, and motivation of the buyer and seller.

Table 4.1 shows the unit area valuation ranges for 80 global copper transactions on Advanced Exploration Areas from the AMC valuation database.

Table 4.1 Global copper valuation ranges – Advanced Exploration Areas

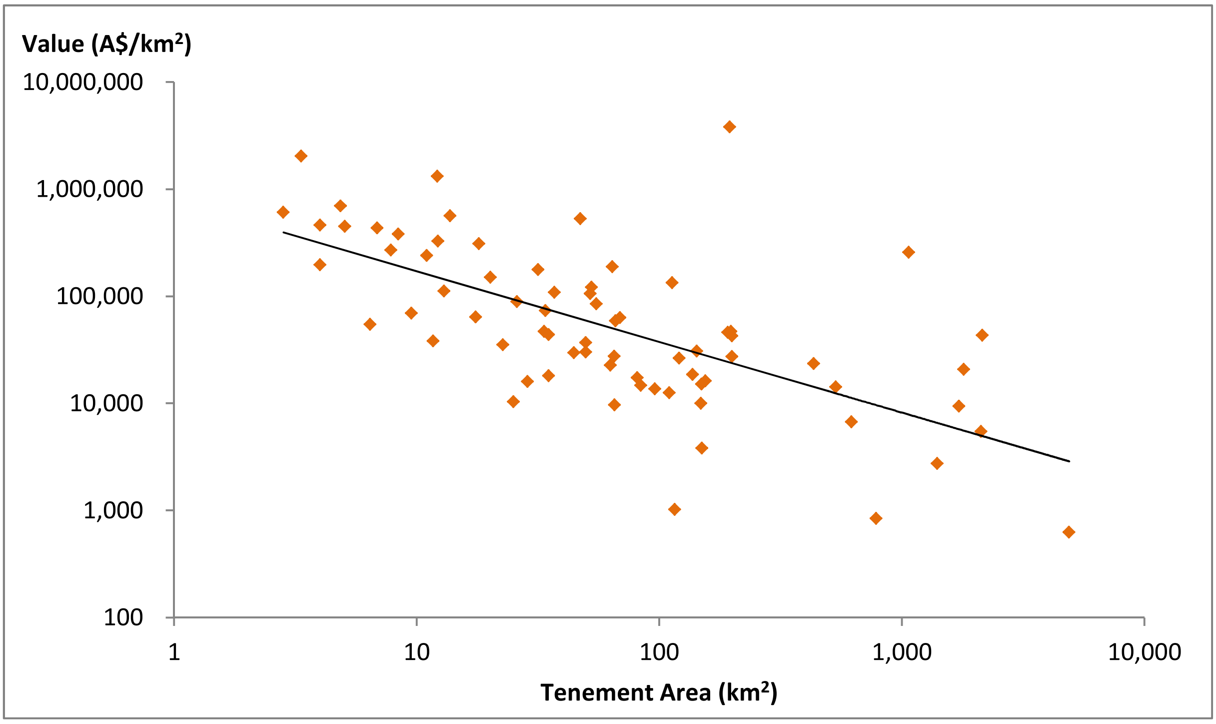
Percentile	Advanced Exploration Areas (A$/km^2)
P90	495,000
P50	48,600
P10	10,200

Source – AMC valuation database
Sample size – 80 transactions

The impact of tenement size on valuations in the AMC valuation database for Advanced Exploration Areas on copper transaction value is illustrated in Figure 4.2. There is a relationship displayed that indicates that the smaller the tenement size, the higher the unit area value. This relationship is driven by several factors including:

- Smaller tenements quite often have more certain status and a longer term.
- Smaller tenements are likely to be focused on more prospective geology, therefore concentrating value in a smaller area.

Figure 4.2 Tenement size versus unit area value – copper Advanced Exploration Areas



Source – AMC valuation database
Sample size – 80 transactions

AMC has used its proprietary valuation database as a basis to consider the potential range for the Project valuations. Relevant comparable valuations that are included in the AMC valuation database have been summarized in Table 4.2 below to further constrain the potential valuation range for the Project.

4.3 Market approach

4.3.1 Actual transactions

During the mid to late 2000s, several companies held equity in the Project, including Simba, Bongani Investments Holdings Pty Ltd SA, Zebra Copper Ltd UK, Fortitude Minerals Ltd, and CityView Corporation. AMC has reviewed the publicly available data and, due to the lack of detailed information, has not been able to determine a Project value from any of the past changes in ownership.

4.3.2 Comparable transactions

Using the AMC valuation database, AMC has sourced six recent transactions for Advanced Exploration Area copper projects in Africa. These transactions are summarized in Table 4.2.

Table 4.2 Comparable transactions

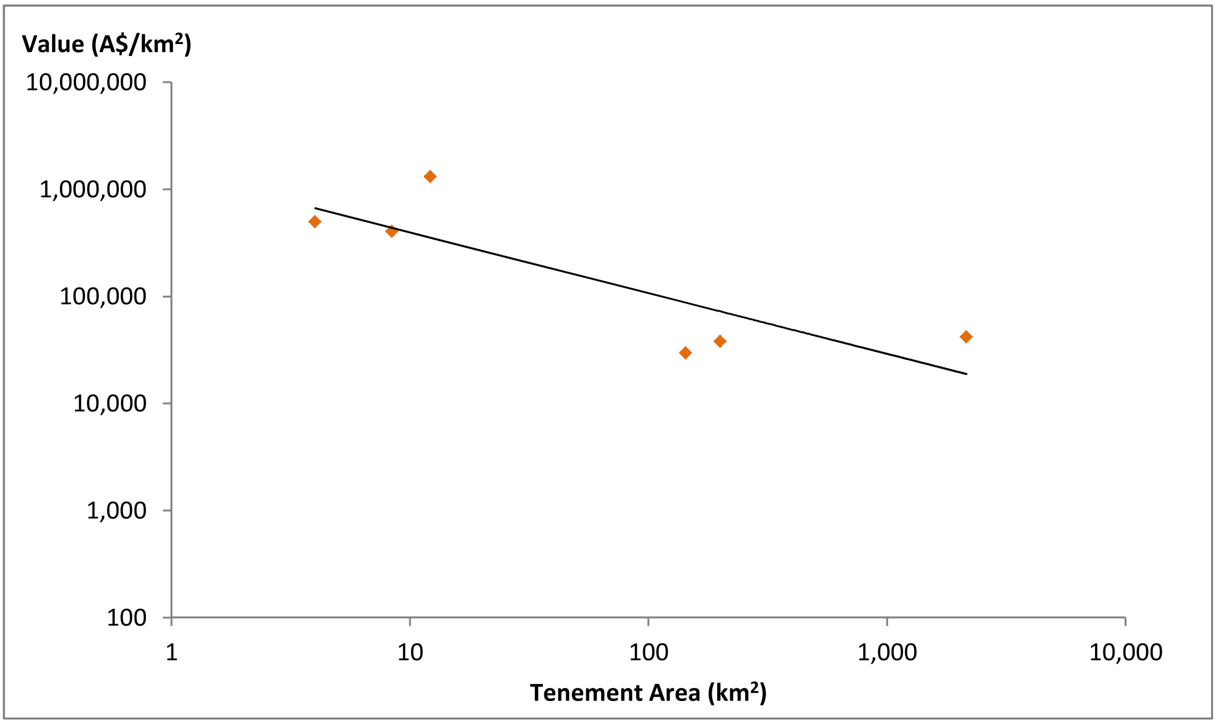
Transaction	Project Description	Estimated Value (100% basis, A$M)	Implied Unit Value (A$/km^2)
April 2010. Kemieba Goldfields Ltd entered an option agreement to acquire a 70% interest in the Sebembere project in Zambia for the consideration of US$750,000 in cash, two million shares and incurring US$4M in exploration expenditure. A 3% net smelter return royalty also applies.	The project comprises one mining licence. Exploration undertaken in the 1950s to 1970s includes geochemical and geophysical surveys, pitting, trenching and drilling. Some significant copper intersections have been recorded. There has been minimal recent exploration. Area – 4 km2.	2.0	496,000
December 2011. Pan Terra Industries Inc entered a letter of intent (LOI) to acquire an 80% interest in the Kombat copper mine in Namibia for the consideration of seven million shares, seven million warrants and cash payments amounting to C$10M.	The Kombat underground mine was placed on care and maintenance in 2008. Historic production is 8.7Mt of ore at 3.3%Cu, plus lead, zinc and silver. There were no reportable resources at the time of the acquisition. Area – 12 km2	16.0	1,310,000
May 2012. Sabre Resources Ltd entered into an agreement to acquire an 80% interest in the Otavi Valley project in Namibia for A$300,000 cash and 46 million shares upfront and 30 million shares as milestone payments.	The project contains several small old mines and is prospective for Cu, Pb, Zn, and Ag. Previous exploration has included detailed surface techniques and significant drilling on the advanced projects. No reportable resources have been defined. Area – 222 km2	8.4	37,900
October 2012. Cupric Canyon Capital LLP acquired a 70% interest in the Ghanzi project in Botswana by acquiring Hana Mining Ltd for C$0.82 per share.	Low-grade Indicated and Inferred Resources of copper and silver had been delineated. A preliminary economic analysis had been completed with positive results. Area – 2,149 km2	90.0	41,900
November 2012. BCL Ltd entered a joint venture agreement to earn 40% of three prospecting licences in Botswana. BCL Ltd is to spend US$4M on exploration to earn the 40% interest.	Three advanced projects have been discovered containing copper, silver, nickel and PGM mineralization. Significant drilling has been undertaken. Area – 143 km2	4.2	29,600
November 2013. Regal Resources Ltd with Traxys Europe SA signed a memorandum of understanding (MOU) to acquire the Kalongwe copper / cobalt project in the Democratic Republic of Congo. Regal can acquire 60% interest in the project for US$2 million in cash payments and fund exploration.	The project has had significant drilling, which has intersected high-grade stratabound copper mineralization. No resource estimate at this stage. Area – 8 km2	3.4	405,000
Average			**387,000**
P50			**223,000**
Area Weighted Average			**222,000**

Note: Differences may occur due to rounding

As stated in Section 4.2, there is an accepted relationship between tenement size and unit area value. The larger the tenement size the lower the unit area value. The Project licence area is much larger than the comparable transaction tenement sizes.

Figure 4.3 charts the comparable transactions detailed in Table 4.2 as a function of unit area value and tenement size.

Figure 4.3 Tenement size versus unit area value – comparable transactions



Source: AMC valuation database
Sample size – 6 comparable transactions

Table 4.3 indicates the valuation range that AMC has adopted for the Project, based on its consideration of the comparable transactions. In developing the valuation range, AMC has considered the following factors:

- The prospectivity of the Project compared to the comparable transactions.
- The tenor of mineralization and the commercial potential of the Project in relation to the comparable transactions.
- Regression analysis on the comparable transactions (refer to Figure 4.3).

Taking these factors into consideration, AMC estimates the Project value to be below the trend line shown in Figure 4.3.

Table 4.3 Comparable transaction valuation

Project	Area (km^2)	Equity Interest (%)	Unit Area Value Applied (A$/$km^2$)		Valuation (A$M)	
			Low	High	Low	High
Cachoeiras do Binga	3,854	100	4,000	8,000	15	30

Note: Differences might occur due to rounding

4.4 Cost approach

There has been no recent exploration conducted on the Project. AMC is unable to use the cost approach to value the Project.

4.5 Income approach

The Project has no Mineral Resources classified and reported in accordance with the JORC Code. No recent preliminary economic studies have been undertaken. Given the early stage of the Project, AMC considers it not appropriate to use an income valuation method such as discounted cash flow modelling to value the Project. This is consistent with the Australian Stock Exchange (ASX) listing rules.

4.6 Other valuations.

In January 2006, Dr Michael H. Smith (Smith) provided an opinion to Simba as to the validity and value of Project. The tenement reviewed by Smith was slightly different to that described in this report (3,615 km^2 compared to 3,854 km^2), however, it contained the same advanced projects as the Project. Smith used the historic resources as a basis for a discounted cash flow (DCF) model. and also determined a value for the "potential" mineralization to the north and west of historic resources.

AMC has not used the DCF method to value the Project due to the historic nature of the resource estimate and the lack of recent economic studies on the Project.

4.7 Valuation summary

Because valuation methods for pre-operating projects are relatively subjective, AMC normally applies a number of methods before concluding a final valuation. However, in this case, AMC was only able to use the comparable transactions valuation method due to the early exploration status of the Project and the lack of appropriate details of exploration expenditure.

In determining the appropriate unit area valuation range for the Project, AMC has used regression analysis on the comparable transactions as the basis for the preferred value. The low and high values have been spread evenly either side of the preferred value.

In summary, AMC values the Project between A$15M and A$30M, with a preferred value of A$22.5M.

AMC has not, however, considered sovereign risk in its determination of value and, to that extent, considers its valuation approach to result in a Technical Value, rather than a Market Value as defined by the VALMIN Code.

5 Qualifications

AMC is a firm of mineral industry consultants whose activities include the preparation of independent technical specialist reports, and due diligence reports on, and reviews of, mining and exploration projects for purposes related to equity and debt funding, and public reports. In these assignments, AMC and its subconsultants act as an independent party.

AMC and its subconsultants have not previously carried out technical consulting assignments for VDM.

Neither AMC nor its subconsultants have any business relationship or association with VDM.

While some employees of AMC and its subconsultants may have small direct or beneficial shareholdings in VDM, neither AMC nor the contributors to this report nor members of their immediate families have any interests in VDM that could be reasonably construed to affect their independence. AMC has no pecuniary interest, association or employment relationship with BDO or VDM

VDM will pay AMC a professional fee of approximately A$20,000, according to AMC's normal per diem rates, for the preparation of this ITSR, plus reimbursement of out-of-pocket expenses. The fee is not contingent upon the outcome of the Proposed Transaction. AMC will receive no other benefit for the preparation of this ITSR.

In letters relating to our engagement, VDM agreed to comply with those obligations of the commissioning entity under the VALMIN Code including that to the best of its knowledge and understanding, complete, accurate and true disclosure of all relevant material information will be made.

Although AMC has not audited the information provided by VDM. AMC has reviewed the information to the extent necessary to satisfy itself that the matters considered in this report are both based on reasonable grounds and assumptions, and that the information it has in relation to the valuation of the Project, is sufficient.

VDM has been provided with draft of the ITSR to enable correction of any factual errors and notation of any material omissions.

VDM has represented in writing that, to the best of its knowledge, it has provided AMC with all material information relevant to the Project described in this ITSR.

This ITSR and the conclusions in it are effective at the date of this report. Those conclusions may change in the future with changes in relevant metal prices, exploration and other technical developments in regard to the Project and the market for mineral properties.

VDM has provided AMC with an indemnity in regard to damages, losses and liabilities related to or arising out of AMC's engagement other than those arising from illegal acts, bad faith or negligence on its part or its reliance on unauthorized statements from third parties.

This ITSR has been provided to the Expert for the purposes of forming its opinion in relation to the Proposed Transaction. AMC has given its consent for its report to be appended to Expert's report and for it to be provided to shareholders and has not withdrawn that consent before their lodgement with the Australian Securities & Investments Commission. Neither this report nor any part of it may be used for any other purpose without written consent.

The signatories to this report are corporate members of the AusIMM and bound by its Code of Ethics.

Yours faithfully

Yours faithfully

The signatory has given permission to use their signature in this AMC document

D Carville
MAusIMM
General Manager, Geology Director

The signatory has given permission to use their signature in this AMC document

L J Gillett
FAusIMM (CP)

6 Principal sources of information

In preparing this report, AMC has relied on information provided by VDM.

The principal, but not exhaustive, reference documents used by AMC are listed below.

- Various technical and company reports relating to the Project provided by VDM
  - Cachoeiras de BINGA COPPER & Iron Deposits-brief introduction.docx
  - Cachoeiras de Binga Copper deposit-past exploration-introcution.ppt
  - Cachoeiras de Binga copper deposit-supporting document-3rd party’s comment-1Smith 2006.doc
  - Cachoeiras de Binga copper deposit-supporting document-3rd party’s comment-2.pdf
  - COCHOEIRAS de Binga ESTUDO 2.1-exploration report.pdf
  - Cachoeiras de Binga铜矿资料-supporting document-3rd party's comment-3.doc
  - Prospecting License(Right)-Cachoeiras de BINGA-tenement.docx
  - 安哥拉Cuanza Sul省Binga矿权区铁及其他有色金属矿产资源-supporting document-1.docx
  - 安哥拉宾达铜矿及多金属矿区-geological descriptions of deposits-1.doc
  - 安哥拉Cuanza Sul省Binga铁及有色金属矿权区勘查工作方案2014-5.docx
  - Report 2341 Rev 3 – metallurgy.pdf
  - Metallurgy testwork.pdf
- AMC valuation database.
- Various public company reports and announcements.

7 References

Appleyard, GR 1994, “Joint Venture Terms as a Basis for Valuation”, Mineral Valuation Methodologies Conference, Sydney.

Fortitude Minerals Ltd 2008, “Angolan Mineral Concessions Overview”, company presentation.

Independent Metallurgical Laboratories Pty Ltd, 2006: Scoping Testwork for Simba Mines Inc. Interim report 1. February 2006

Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition (JORC Code 2012).

Pinheiro, O 2010, “Mineral Resources of Angola, its importance for the socio-economic and sustainable development of the country”, presentation, International Workshop on United Nation Framework Classification for Fossil Energy and Mineral Reserves and Resources, Poland.

VALMIN Code, 2005, Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports.

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Proxy Form

Vote and view the annual report online

- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 **PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 10:00am (AWST) Wednesday, 26 November 2014

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of VDM Group Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ______________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of VDM Group Limited to be held at Mosman Bay Room, Hyatt Regency Perth, 99 Adelaide Terrace, Perth, Western Australia on Friday, 28 November 2014 at 10:00am (AWST) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolutiion 1	Remuneration Report	☐	☐	☐
Resolution 2	Election of Mr Michael Fry as a Director	☐	☐	☐
Resolution 3	Election of Mr Hiuming Luk as Director	☐	☐	☐
Resolution 4	Election of Mr Velko Jakovich as Director	☐	☐	☐
Resolution 5	Approval to issue the First Conversion Shares to Australia Kengkong Investments Co Pty Ltd	☐	☐	☐
Resolution 6	Approval to issue the Second Conversion Shares to Australia Kengkong Investments Co Pty Ltd	☐	☐	☐
Resolution 7	Change of Scale of Activities	☐	☐	☐
Resolution 8	Approval to issue the Seabank Shares to Seabank Resources, LDA.	☐	☐	☐
Resolution 9	Approval of placement of Shares in the last 12 months	☐	☐	☐
Resolution 10	Approval of Future Placement Shares	☐	☐	☐
Resolution 11	Approval of 10% Enhanced Placement Facility	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ______________________ **Contact Daytime Telephone** ______________________ **Date** ____ / ____ / ____