



Appendix 4D

Half year report

Period ended 31 December 2016

VDM Group Limited

ABN 95 109 829 334
ASX Code: VMG

The information contained in this report relates to the following periods:

Current period: half year ended 31 December 2016

Corresponding period: half year ended 31 December 2015

Results for the current period (\$000)		Change from the corresponding period	
Revenue from continuing operations	578	Up	564.4%
Loss from continuing operations after tax attributable to members	(1,757)	Down	51.3%
Net loss for the year attributable to members	(984)	Down	76.6%

Net tangible assets	Current period	Corresponding period
Net tangible (liabilities)/assets per ordinary security at end of period (cents per share)	(0.16)	(0.07)

Dividend payments:

VDM Group does not propose to pay an interim dividend for the current period.

Supplementary Comments

Additional Appendix 4D disclosures are contained in the attached directors' report and consolidated financial statements for the period ended 31 December 2016, which include an independent Auditor's Review Report from Ernst and Young.



VDM GROUP LIMITED

and its Controlled Entities

ABN 95 109 829 334

**INTERIM FINANCIAL REPORT
HALF YEAR ENDED 31 DECEMBER 2016**

VDM GROUP LIMITED

CORPORATE INFORMATION

DIRECTORS

Mr Luk Hiuming
Dr Hua Dongyi
Mr Michael Fry

Non-executive Chairman
Executive Director of Mining
Non-executive Director

CHIEF EXECUTIVE OFFICER

Mr Sam Diep

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Mr Pdraig O'Donoghue

REGISTERED AND PRINCIPAL OFFICE

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East Perth WA 6004
Telephone (08) 9265 1100
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Website <http://www.vdmgroup.com.au>

POSTAL ADDRESS

PO Box 3347
East Perth WA 6892

AUDITORS

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

SHARE REGISTER

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne, VIC 3001
Telephone 1300 850 505
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VDM Group Limited shares are listed on the Australian Securities Exchange (ASX)

ASX Code	VMG
ACN	109 829 334
ABN	95 109 829 334

In this report, the following definitions apply:

“**Board**” means the Board of Directors of VDM Group Limited

“**Company**” means VDM Group Limited ABN 95 109 829 334

“**VDM**” or “**Group**” means VDM Group Limited and its controlled entities

VDM GROUP LIMITED
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VDM GROUP LIMITED

DIRECTORS' REPORT

For the half year ended 31 December 2016

Your directors submit their report of VDM Group Limited ("the Company") and of the Consolidated Entity, being the Company and its controlled entities ("VDM" or "the Group") for the half year ended 31 December 2016.

1. BOARD COMPOSITION

The names and details of the directors of VDM Group Limited in office during the half year and until the date of this report are set out below. Each director was in office for this entire period unless stated otherwise.

Mr Luk Hiuming

Non-executive Chairman

Appointed Non-Executive Director on 21 March 2014, appointed Non-Executive Chairman on 29 January 2015

Member of the Audit & Risk Committee

Dr Hua Dongyi

Executive Director of Mining

Appointed Director on 28 August 2013, appointed Managing Director on 9 September 2013, appointed Executive Chairman and Interim CEO on 29 November 2013, appointed Managing Director and CEO on 29 January 2015, appointed Executive Director of Mining on 1 March 2016.

Member of the Audit & Risk Committee

Mr Michael Fry

Non-executive Director (independent)

Appointed 3 June 2011

Chairman of the Audit & Risk Committee

Company Secretary:

Mr Pdraig O'Donoghue

Appointed 12 February 2014

2. NATURE AND PRINCIPAL ACTIVITIES

VDM is comprised of 3 operating divisions:

VDM Mining: mining exploration, development and operation in Africa and Latin America.

VDM Trading: export Australian goods to Asian markets & imports Asian goods to Australia.

VDM Construction: engineering, procurement and construction.

Business activities during the period principally related to: 1) mobilising the initial exploration team members to the Cachoeiras do Binga copper project located in the Republic of Angola; 2) delivering imported structural steel to VDM's construction clients, and 3) closing VDM's former equipment hire and sales business, including winding up the Sany-VDM Joint Venture.

The business activities of the comparative period principally related to: 1) acquisition of the 65% participating interest in the Cachoeiras do Binga copper exploration project 2) equipment hire and sales by the equipment division and the Sany-VDM Joint Venture; 3) minor goods export and import by the trading division; and 4) pre-contract work by the construction division.

VDM GROUP LIMITED
DIRECTORS' REPORT
For the half year ended 31 December 2016

3. OPERATING AND FINANCIAL REVIEW

The Mining division worked with its project partners to mobilise the initial exploration team members to the Cachoeiras do Binga project site in Angola and perform a small amount of preliminary exploration work.

The Construction division delivered imported structural steel to Western Australian construction clients.

The Trading division undertook minimal activity while the Company searches for a partner to scale the trading business to market-competitive levels.

As announced on 28 July 2016, VDM has exited the equipment business. Accordingly the results of the Equipment division are reported as discontinued operations.

Revenue from continuing operations of \$578,000 (2015: \$87,000) is 564.4% higher than the comparative period mainly due to increased Construction division revenue from structural steel sales.

Total expenses from continuing operations of \$2,335,000 (2015: \$3,703,000) reflect a decrease of 36.9% from the comparative period mainly due to lower employee, onerous lease, and legal expenses, partially offset by higher materials and inventory costs associated with structural steel deliveries by the Construction division and higher interest expense on borrowed funds.

Profit after tax from discontinued operations was \$1,367,000 higher than the comparative period mainly due to \$1,249,000 of profit on sale of the closed Equipment division's plant and equipment.

Cash increased by \$648,000 in the half year with negative cash flow from operating activities of \$2,716,000 being offset mainly by \$1,806,000 of proceeds from the sale of plant and equipment from the closed Equipment division and \$1,500,000 of borrowings under the Framework Loan Agreement with VDM's largest shareholder, Australia Kengkong Investments Co Pty Ltd.

4. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There were no significant events after the balance date.

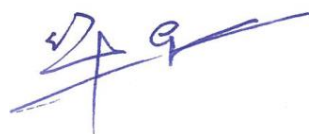
5. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 6 and forms part of the Directors' Report for the half year ended 31 December 2016.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Instrument 2016/191. The Company is an entity to which the Instrument applies.

Signed in accordance with a resolution of the directors.



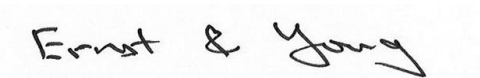
Dr Hua Dongyi
Executive Director of Mining
Perth, Western Australia
24 February 2017

Auditor's Independence Declaration to the Directors of VDM Group Limited

As lead auditor for the review of VDM Group Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of VDM Group Limited and the entities it controlled during the financial period.



Ernst & Young



T G Dachs
Partner
24 February 2017

VDM GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half year ended 31 December 2016

		31 Dec 2016	31 Dec 2015
	Notes	\$000	\$000
Continuing operations			
Revenue	3	578	87
Expenses			
Materials and inventory		(376)	(57)
Employee benefits expense	4a	(1,107)	(1,799)
Occupancy related expenses		(313)	(333)
Depreciation and amortisation	4b	(89)	(96)
Onerous contracts expense		(14)	(780)
Legal expenses		(57)	(371)
Finance (costs)/income	4c	(186)	5
Other expenses	4d	(193)	(272)
Total expenses		(2,335)	(3,703)
Profit on sale of assets		-	5
Other income and expenses		-	5
Loss from continuing operations before income tax		(1,757)	(3,611)
Income tax expense	6	-	-
Loss from continuing operations after income tax		(1,757)	(3,611)
Discontinued operations			
Profit/(loss) from discontinued operations after income tax	5	773	(594)
Profit/(loss) for the period		(984)	(4,205)
Other comprehensive income		-	-
Total comprehensive loss for the period		(984)	(4,205)
Total comprehensive loss for the period is attributed to:			
Owners of the parent		(984)	(4,205)
		(984)	(4,205)
Loss per share			
Basic loss per share (cents per share)		(0.02)	(0.09)
Diluted loss per share (cents per share)		(0.02)	(0.09)
Loss per share from continuing operations			
Basic loss per share (cents per share)		(0.03)	(0.07)
Diluted loss per share (cents per share)		(0.03)	(0.07)

VDM GROUP LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

		31 Dec 2016	30 Jun 2016
	Notes	\$000	\$000
ASSETS			
Current assets			
Cash and cash equivalents	7	2,693	2,045
Security deposits	8	145	204
Trade and other receivables		604	194
Inventory		748	69
Other assets		136	1
Total current assets		4,326	2,513
Non-current assets			
Security deposits	8	872	872
Investment accounted for using the equity method		396	682
Exploration and evaluation assets	9	10,827	8,275
Development properties		2,012	2,012
Property, plant and equipment	10	1,065	1,723
Total non-current assets		15,172	13,564
Total assets		19,498	16,077
LIABILITIES			
Current liabilities			
Trade and other payables	11	9,195	5,847
Interest-bearing loans and borrowings	12	6,130	4,421
Provisions	13	1,835	2,073
Total current liabilities		17,160	12,341
Non-current liabilities			
Provisions	13	276	690
Total non-current liabilities		276	690
Total liabilities		17,436	13,031
Net assets		2,062	3,046
Equity			
Contributed equity		288,722	288,722
Equity reserve		457	457
Accumulated losses		(287,117)	(286,133)
Total equity		2,062	3,046

VDM GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 31 December 2016

	Notes	31 Dec 2016 \$000	31 Dec 2015 \$000
Cash flows from operating activities			
Receipts from customers		1,238	371
Payments to suppliers and employees		(3,935)	(4,383)
Interest received		11	39
GST (paid)/refunded		(30)	524
Net cash flows used in operating activities		(2,716)	(3,449)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1)	(27)
Release of security deposits		59	351
Proceeds from sale of property, plant and equipment		1,806	144
Net cash flows from investing activities		1,864	468
Cash flows from financing activities			
Proceeds from borrowings		1,500	-
Repayment of borrowings		-	(65)
Net cash flows from / (used in) financing activities		1,500	(65)
Net increase/(decrease) in cash and cash equivalents		648	(3,046)
Cash and cash equivalents at beginning of period		2,045	5,092
Cash and cash equivalents at end of period	7	2,693	2,045

VDM GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half year ended 31 December 2016

	Issued Capital Ordinary \$000	Accumulated Losses \$000	Equity Reserve \$000	Shares to be issued \$000	Total \$000
Balance at 1 July 2016	288,722	(286,133)	457	-	3,046
Loss for the period	-	(984)	-	-	(984)
Total comprehensive loss for the period	-	(984)	-	-	(984)
Balance at 31 December 2016	288,722	(287,117)	457	-	2,062
Balance at 1 July 2015	285,444	(280,709)	457	-	5,192
Loss for the period	-	(3,611)	-	-	(3,611)
Total comprehensive loss for the period	-	(3,611)	-	-	(3,611)
Transactions with owners in their capacity as owners					
Shares to be issued	-	-	-	3,250	3,250
Capital raising costs reclassified to expenses	38	-	-	-	38
Balance at 31 December 2015	285,482	(284,320)	457	3,250	4,869

VDM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2016

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VDM GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2016

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Corporate information

The interim consolidated financial statements of VDM Group Limited (the "Company") and its controlled entities ("VDM" or the "Group") for the half year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 24 February 2017.

VDM Group Limited is a for-profit entity limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX").

Business activities during the half-year principally included: 1) mobilisation of initial exploration team members to site and a small amount of preliminary exploration work at the Cachoeiras do Binga copper exploration project in the Republic of Angola; and 2) sale of imported structural steel to construction clients.

VDM exited the equipment hire and sales business in the half year. Accordingly, the operations of the previously reported Equipment division were closed and the division's plant and equipment assets were sold.

The business activities of the comparative reporting period principally related to: 1) acquisition of the Cachoeiras do Binga copper exploration project located in the Republic of Angola; and 2) equipment hire and sales.

(b) Basis of preparation

The interim consolidated financial statements for the half year ended 31 December 2016, represent a general purpose financial report prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at 30 June 2016 and any public announcements made by VDM during the interim reporting period in accordance with the continuous disclosure requirements of the ASX listing rules.

(c) New and amended accounting standards and interpretations

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2016.

The Group has adopted all Australian Accounting Standards and Interpretations effective from 1 July 2016. The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

VDM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2016

(d) **Going Concern**

VDM incurred a net loss after tax from continuing operations for the half year ended 31 December 2016 of \$1,757,000 (2015: \$3,611,000). Net cash flows used in operating activities were \$2,716,000 (2015: \$3,449,000). At 31 December 2016, VDM had net current liabilities of \$12,834,000 (31 June 2016: \$9,828,000). The cash balance of VDM at 31 December 2016 was \$2,693,000 (30 June 2016: \$2,045,000) with a further \$1,017,000 of security deposits (30 June 2016: \$1,076,000).

VDM will require additional capital funding to progress its business strategy including the Angolan copper project investment, other business growth opportunities, and for general corporate working capital.

This report has been 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.

In forming this view, the directors have taken the following into consideration.

- On 27 January 2016, VDM agreed the principal terms for an \$18 million loan facility ("Framework Loan Agreement" or "FLA") with its largest shareholder, Australia Kengkong Investments Co Pty Ltd ("Kengkong"). As at 31 December 2016, VDM had received advances under the FLA of AUD \$4,500,000 and USD \$1,000,000 (30 June 2016: AUD \$3,000,000 and USD \$1,000,000).
- The FLA contemplates the parties entering into a one-year secured loan for \$18 million with an interest rate of 6% per annum ("Secured Loan Agreement" or "SLA"). Advances under the FLA will be deemed to have been drawings under the SLA. The SLA documents are substantially completed and the associated grant of securities was approved at VDM Group Limited's 26 November 2016 annual general meeting.
- The directors expect that either: 1) VDM and Kengkong will enter into the above SLA, or 2) that Kengkong will continue to advance funds to VDM under the FLA.
- VDM intends to undertake future equity capital raisings that will be sufficient to repay amounts that become due under the SLA or FLA and provide funding for ongoing operations.

Should VDM not achieve the matters set out above, there is material uncertainty as to whether VDM will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments to assets and liabilities that may be necessary if VDM is unable to continue as a going concern.

(e) **Significant Accounting Judgements, Estimates and Assumptions**

Preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has not identified any critical accounting policies for which judgement, estimates and assumptions are made, which are in addition to the significant judgements, estimates and assumptions identified in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2016.

VDM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2016

2. SEGMENT INFORMATION

VDM is arranged under three operating divisions: i) construction, ii) trading and iii) mining. Refer to the "Review and Results of Operations" in the Directors' Report for an overview of the three operating divisions. The accounting policies adopted for the reported segments are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 June 2016.

The following table presents the revenue, profit and selected balance sheet information for the Group's reportable segments for the half year ended 31 December 2016.

The previously reported equipment segment was discontinued in its entirety during the half year ended 31 December 2016 and has therefore been removed as a reportable segment. Refer to note 5 for the results of the discontinued Equipment segment.

	Construction	Trading	Mining	Unallocated	Total
	\$000	\$000	\$000	\$000	\$000
Revenue					
External revenue	437	8	-	133	578
Total segment revenue	437	8	-	133	578
Results					
Segment results before tax	(6)	(78)	(199)	(1,474)	(1,757)
Finance Costs	2	-	-	184	186
Depreciation & amortisation	-	-	-	89	89
Reconciliation of segment results before tax to net loss after tax					
Segment results before tax					(1,757)
Net loss after tax from continuing operations per the statement of comprehensive income					(1,757)
Total assets	2,304	48	10,850	6,296	19,498
Total liabilities	3,101	1	7,259	7,075	17,436
Other disclosures					
Investment in an associate and a joint venture	-	-	-	396	396
Exploration and evaluation asset additions	-	-	2,552	-	2,552
Property plant and equipment additions	-	-	-	1	1

VDM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2016

The following table presents the revenue, profit, and selected expenditure information for the half year ended 31 December 2015 and selected balance sheet information as at 30 June 2016 for the Group's reportable segments.

	Construction \$000	Trading \$000	Mining \$000	Unallocated \$000	Total \$000
Revenue					
External revenue	20	14	-	53	87
Total segment revenue	20	14	-	53	87
Results					
Segment results before tax	(435)	(171)	-	(3,005)	(3,611)
Finance Costs	-	-	-	(5)	(5)
Depreciation & amortisation	3	-	-	93	96
Reconciliation of segment results before tax to net loss after tax					
Segment results before tax					(3,611)
Net loss after tax from continuing operations per the statement of comprehensive income					(3,611)
Total assets	77	503	8,284	7,213	16,077
Total liabilities	2,516	22	5,025	5,468	13,031
Other disclosures					
Investment in an associate and a joint venture	-	-	-	682	682
Exploration and evaluation asset additions	-	-	8,275	-	8,275
Property plant and equipment additions	-	-	-	27	27

VDM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2016

	31 Dec 2016	31 Dec 2015
	\$000	\$000
3. REVENUE		
Sales revenue		
Revenue from operating activities	445	15
Total sales revenue	445	15
Other revenue		
Interest	11	58
Net rental income	10	13
Other	113	1
Total other revenue	133	72
Total revenue	578	87

\$113,000 of other revenue in the period relates to a gain on re-measurement of onerous lease provisions (2015: nil).

4. EXPENSES

a) Employee benefits expense		
Wages and salaries	994	1,455
Restructuring/redundancy costs	23	196
Superannuation expense	73	123
Other employee benefits expense	17	25
Total employee benefits expense	1,107	1,799
b) Depreciation and amortisation		
Depreciation	89	91
Amortisation of development costs and software	-	5
Total depreciation and amortisation	89	96
c) Finance costs		
Bank Fees and other finance charges	13	(1)
Interest	173	(4)
Total finance costs	186	(5)
d) Other expenses		
Insurances	100	126
Telecommunications	17	17
Computer Costs	37	105
Other	39	24
Total other expenses	193	272

VDM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2016

5. DISCONTINUED OPERATIONS

On 28 July 2016, VDM announced the closure of its Equipment division. A strategic review of the equipment hire and sales business concluded it needed to be significantly scaled up in size in order to reach a sustainable positive cash flow. Foreseeable overcapacity in most areas of the Australian equipment market meant that expansion of the division would be a high risk investment and the prudent decision for VDM shareholders was to close the equipment business.

The discontinued Equipment division constitutes the entire previously reported equipment segment. As at 31 December 2016, substantially all of the segment's assets were sold and liabilities settled with the exception of VDM's interest in Sany VDM Pty Ltd, the joint venture equipment company operated with Sany. The joint venture company is in the process of being wound up, with the remaining capital to be returned to the owners.

	31 Dec 2016	31 Dec 2015
	\$000	\$000
Financial performance of discontinued operations		
Revenue	21	54
Expenses	(211)	(578)
Operating loss	(190)	(524)
Finance costs	-	(1)
Profit on sale of assets	1,249	72
Share of loss from joint venture	(286)	(141)
Profit/(loss) before tax from discontinued operations	773	(594)
Income tax expense	-	-
Profit/(loss) after tax from discontinued operations	773	(594)

VDM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2016

	31 Dec 2016	31 Dec 2015
	\$000	\$000
6. INCOME TAX		
b) Numerical reconciliation between aggregate tax expense recognised in the income statement and the tax expense calculated in the statutory income tax return		
Accounting loss before tax	(984)	(4,205)
Total accounting loss before income tax	(984)	(4,205)
Prima facie income tax benefit @ 30%	(295)	(1,261)
Tax adjustment for non-deductible expenses	-	1
Temporary differences and unrecognised tax losses	295	1,260
Aggregate income tax benefit	-	-

b) Tax losses

VDM Group has recognised a deferred tax asset of nil (30 June 2016: nil) for Australian income tax purposes on the basis that it is not 'probable' that the carried forward revenue loss will be utilised against future assessable taxable profits.

VDM has estimated tax losses of \$121,936,000 (30 June 2016: \$120,952,000). Utilisation of the carried forward tax losses by the Group is subject to satisfaction of the Continuity of Ownership Test ("COT") or, failing that, the Same Business Test ("SBT"). It is likely that VDM has failed COT during the 2015 financial year, therefore in order to be able to utilise the tax losses incurred before that date VDM will be required to satisfy the SBT. Where VDM derives assessable income in a future income year, an assessment of whether the same business has been carried on between just before the COT failure and the intervening period will determine whether the losses are available for utilisation.

VDM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2016

	31 Dec 2016	31 Jun 2016
	\$000	\$000
7. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	2,693	2,045
Cash and cash equivalents	2,693	2,045

8. SECURITY DEPOSITS		
Security Deposits	1,017	1,076
Current	145	204
Non-current	872	872
Total security deposits	1,017	1,076

9. EXPLORATION AND EVALUATION ASSETS		
Balance as at 1 July	8,275	-
Additions	2,552	8,275
Balance as at end of period	10,827	8,275

Additions in the period include \$2,265,000 of advances due under an exploration services contract (30 June 2016: nil). There is an equal offsetting amount included in current liabilities (refer to note 11).

10. PROPERTY, PLANT AND EQUIPMENT		
Leasehold improvements at cost	660	673
Accumulated depreciation	(487)	(408)
Total leasehold improvements	173	265
Freehold land and buildings at cost	887	887
Accumulated depreciation	(21)	(16)
Total freehold land and buildings	866	871
Plant & equipment at cost	983	6,366
Accumulated depreciation	(957)	(5,779)
Total plant & equipment	26	587
Total property, plant and equipment	1,065	1,723

VDM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2016

	31 Dec 2016	30 Jun 2016
	\$000	\$000
10. PROPERTY, PLANT AND EQUIPMENT continued		
Reconciliation of carrying amounts		
<i>Leasehold Improvements</i>		
Balance at 1 July net of accumulated depreciation	265	417
Additions	1	14
Disposals	(9)	-
Depreciation	(84)	(166)
Balance at end of period	173	265
<i>Freehold land and buildings</i>		
Balance at 1 July net of accumulated depreciation	871	879
Depreciation	(5)	(8)
Balance at end of period	866	871
<i>Plant and equipment under lease</i>		
Balance at 1 July net of accumulated depreciation	-	160
Disposals	-	-
Depreciation	-	(28)
Transfer to plant and equipment	-	(132)
Balance at end of period	-	-
<i>Plant and equipment</i>		
Balance at 1 July net of accumulated depreciation	587	745
Additions	-	13
Disposals	(548)	(88)
Impairment	-	(5)
Depreciation	(13)	(210)
Transfer from plant and equipment under lease	-	132
Balance at end of period	26	587
Total property, plant and equipment	1,065	1,723

VDM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2016

	31 Dec 2016	30 Jun 2016
	\$000	\$000
11. TRADE AND OTHER PAYABLES		
Trade payables and accruals	859	747
Employee related payables	30	38
GST payable	141	37
Other payables	8,165	5,025
Total trade and other payables	9,195	5,847

Other payables includes \$4,875,000 of purchase consideration due to a Cachoeiras do Binga joint venture partner (30 June 2016: \$4,875,000), \$2,265,000 of advances due under an exploration services contract (30 June 2016: nil), and \$794,000 of unearned construction division revenue (30 June 2016: nil).

12. INTEREST-BEARING LOANS AND OTHER BORROWINGS		
Shareholder loan (AUD denominated)	4,692	3,061
Shareholder loan (USD denominated)	1,438	1,360
Total interest bearing loans and other borrowings	6,130	4,421

13. PROVISIONS		
Current		
Employee entitlements	150	181
Construction warranties	623	567
Onerous contracts	674	850
Other construction contract obligations	213	297
Other provisions	175	178
Total current provisions	1,835	2,073
Non-Current		
Employee entitlements	15	24
Onerous contracts	201	576
Other provisions	60	90
Total non-current provisions	276	690
Total provisions	2,111	2,763

VDM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half year ended 31 December 2016

14. RELATED PARTY DISCLOSURES

a) Transactions with related parties other than key management personnel

Due from Associates

As at 31 December 2016, Sany VDM Pty Ltd owed nil to VDM (30 June 2016: \$83,000). VDM owns a 49% interest in Sany VDM Pty Ltd.

b) Transactions with key management personnel

Kengkong

During the half year ended 31 December 2016, Australia Kengkong Investments Co Pty Ltd ("Kengkong") advanced an additional AUD \$1,500,000 to VDM under the terms of a Framework Loan Agreement ("FLA"). Total FLA advances owed to Kengkong at 31 December 2016 are AUD \$4,500,000 and USD \$1,000,000 (30 June 2016: AUD \$3,000,000 and USD \$1,000,000). The FLA contemplates the parties entering into a secured one-year 6% loan facility that will incorporate the FLA liabilities. Until that occurs, the FLA advances plus interest accrued at 6% per annum are immediately repayable in the denominated currency when demanded by Kengkong. VDM's Non-executive Chairman Mr Luk controls Kengkong. The amounts due to Kengkong are included in interest-bearing loans and other borrowings (note 12).

H&H

At 31 December 2016, VDM owes H&H Holdings Australia Pty Ltd ("H&H") \$75,000 (30 June 2016: \$75,000). No interest accrues and the outstanding amount is due when demanded by H&H. There were no payments or receipts from H&H during the half year ended 31 December 2016 (2015: nil). Dr Hua, VDM's Executive Director of Mining controls H&H. The amount due to H&H is included in trade and other payables (note 11).

15. COMMITMENTS AND CONTINGENCIES

Changes to commitments and contingencies previously disclosed in the Group's annual consolidated financial statements for the year ended 30 June 2016, are specified below.

a) Legal claims

Mechanical services consulting claim

During the period, VDM received notification of a claim related to consulting work on the installation of mechanical services for two commercial buildings located in Western Australia during 2008 and 2009. The plaintiff's claim was eventually filed with the court after the balance sheet date and an assessment of the merits of the claim has not yet been undertaken by VDM. No amount has been provided for this claim at 31 December 2016 however VDM has a remaining maximum exposure of \$250,000 relating to this matter under its insurance policy.

b) Bank guarantees

As at 31 December 2016, VDM had \$977,000 of bank guarantees on issue as security for leased commercial property and to guarantee performance of contracts (30 June 2016: \$1,036,000).

16. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

17. FAIR VALUE

At 31 December 2016 there are no financial assets or financial liabilities which are accounted for at fair value. Carrying amounts approximate the fair value of financial assets and financial liabilities presented in the Consolidated Statement of Financial Position.

VDM GROUP LIMITED
DIRECTORS' DECLARATION
For the half year ended 31 December 2016

In accordance with a resolution of the directors of VDM Group Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016, and of its performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) Subject to the satisfactory achievement of the matters described in note 1(d), there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Dr Hua Dongyi
Managing Director and CEO
Perth, Western Australia
24 February 2017

To the members of VDM Group Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of VDM Group Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of VDM Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of VDM Group Limited is not in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 1(d) in the half-year financial report which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.



Ernst & Young



T G Dachs
Partner
Perth
24 February 2017