



ASX ANNOUNCEMENT

29 September 2014

VDM PLANS TO ACQUIRE 65% OF ANGOLAN COPPER EXPLORATION PROJECT

VDM Group Limited (**VDM** or the **Company**) has entered into a conditional agreement (**Agreement**) with Pebric Mining and Consulting, LDA (**Pebric**) and Seabank Resources, LDA (**Seabank**) to acquire a 65% participating interest in the Cachoeiras do Binga copper exploration project (**Cachoeiras do Binga**) located in the Republic of Angola (**Acquisition**).

The Acquisition is conditional on:

- VDM obtaining all necessary approvals of its shareholders in respect of the Acquisition; and
- VDM, Pebric and Seabank agreeing and executing a mineral investment contract (**Mineral Investment Contract**) with the Angolan State 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**); and
- allot and issue 650 million VDM shares to Seabank (**Consideration Shares**),

See the heading 'Acquisition Summary' for more transaction information.

VDM's Board is very pleased that the Company has this opportunity to acquire a majority interest in the prospective 3,854 km² Cachoeiras do Binga exploration concession. Key features of the project include:

- ✓ *Geology*: Historical exploration programmes undertaken on Cachoeiras do Binga have estimated that it contains significant copper mineralisation (see the heading 'Historical Estimate of Mineralization').
- ✓ *Exploration Potential*: There has been no detailed exploration programme undertaken on Cachoeiras do Binga since 1973.
- ✓ *Infrastructure*: The concession is strategically located near the regional capital of Sumbe and port facilities of Ambiom. It is adjacent to a reconstructed highway route to the Angolan capital of Luanda. The area contains abundant water supplies and has potential to connect into nearby hydro-electric power supplies.
- ✓ *Investment Climate*: Angola passed a new Mining Code in 2011 to provide the mining sector with a modern set of rules regarding exploration and development of its mining resources and to encourage mining investment. Angola's institutions are already experienced with foreign investment due to the country's large established oil industry.

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

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ASX CODE

VMG

Rationale for the Acquisition

Since September 2013, VDM has been working towards implementation of a new business strategy. The strategy is focused 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.*

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 Cachoeiras do Binga 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 Cachoeiras do Binga, and in the future potentially for other projects in Africa and Latin America.

Acquisition Summary

- 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 prospecting title 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 Economic 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 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 prospection and mining title (as relevant) for Cachoeiras do Binga will be VDM (65%), Pebric (30%), and Seabank (5%) during both the Prospection Phase and 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 (6) 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.

Indicative Timetable

Completion of the Acquisition is conditional on all necessary VDM shareholder approvals being obtained. VDM will request shareholder approval in respect of the issue of the Consideration Shares under ASX Listing Rule 7.1. The Acquisition and the obligations that VDM intends to assume under the JV and Mineral Investment Contract are expected to result in a significant increase to the scale of VDM's activities and therefore VDM will also request shareholder approval for the Acquisition under ASX Listing Rule 11.1.2.

A notice of meeting will be sent to shareholders to consider these matters. Currently, VDM expects to provide shareholders the opportunity to approve these matters at the Company's annual general meeting to be held before the end of November 2014.

Financing

As announced on 23 September 2014, VDM will be advanced \$10 million under the convertible loan agreement entered into with Australia Kengkong Investments Co Pty Ltd. The Company proposes to use part of these funds to pay the Cash Consideration should the Conditions be satisfied or waived.

VDM is reviewing strategic options to grow the business and is considering undertaking future capital raisings as part of this strategy. VDM will keep the market informed in due course.

Exploration Funding Strategy

VDM has had initial discussions with several large mining companies who have indicated an interest in partnering with VDM in the exploration and development of an African mining opportunity. These discussions remain incomplete and no formal agreement has been reached with any of these parties. VDM will now advance these funding discussions for Cachoeiras do Binga and will keep the market informed of any material developments in respect to these discussions.

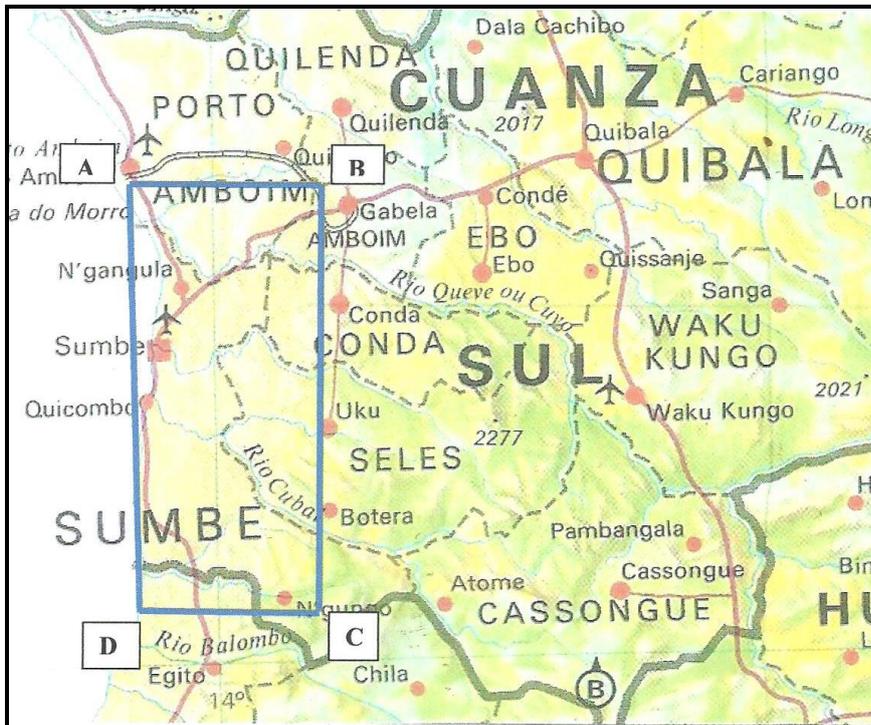
Cachoeiras do Binga Location

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 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 tenement covers an area of 3,854 km².

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. The port of Ambiom is nearby and the major harbour of Port Lobito is located about 150km to the south.

Figure 1 Location Map of Cachoeiras do Binga



Coordinates of above Mineral Title vertices:

<u>Vertices</u>	<u>Latitude</u>	<u>Longitude</u>
A	10° 44' 12" S	13° 50' 48" E
B	10° 44' 12" S	14° 08' 12" E
C	11° 53' 30" S	14° 08' 12" E
D	11° 53' 30" S	13° 50' 48" E

Regional Geology

Cachoeiras do Binga is located in the West Congo Copper Belt of Angola which extends for over 500km and is considered the most prospective copper belt in Angola.

Cachoeiras do Binga contains both Precambrian basement rocks and Mesozoic sediments. The Mesozoic sediments consist of dolomitic sandstone, brecciated limestone of the Upper Cretaceous, and limestone, marl, and conglomerate of the Lower Cretaceous. Precambrian basement rocks at Cachoeiras do Binga consist of gneiss, schist, amphibolite, leptite, and quartzite.

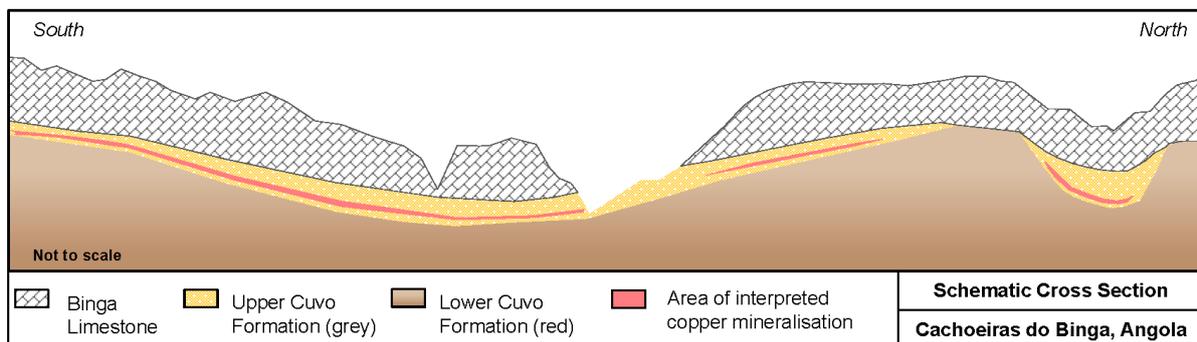
The contact between the basement rocks and Lower Cretaceous sediments is often displayed as a small fault scarp. In some locations in the waterfalls area, outcrops of volcanic rock occur in between the Precambrian and Lower Cretaceous rocks. These volcanic rocks are comprised of volcanic ash, dolerite, and basalt and are considered to be Jurassic in age. 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 Cuvo Formation is divided into the Upper Cuvo (grey) and the Lower Cuvo (red).

Mineralisation

Copper mineralization is found at or near the base of the Upper Cuvo Formation. 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, varying from 0.2 metres (m) to 6 m but averaging less than 2 m. The copper mineralization is thickest in localized depressions in the Upper / Lower Cuvo contact. Locally the host rocks appear to be undulating on a broad scale with a reasonably shallow dip. Mineralisation can outcrop in eroded areas but typically is covered by up to 50 m of overburden.

Figure 2 is a north-south schematic cross-section, looking west, at the Cachoeiras do Binga prospect showing the stratigraphy and the location of the copper mineralization.

Figure 2 Schematic cross-section Cachoeiras do Binga



The copper minerals present at Cachoeiras do Binga include chalcopyrite, bornite, chalcocite, idaite, malachite, and native copper. Copper grades range from 1% to 5% copper, where malachite appears to be the predominate copper mineral. There are minor amounts of gold and silver associated with the copper.

Historical estimate of mineralization

In 1973 a polygonal estimate was undertaken on Cachoeira do Binga by the Angolan Institute of Geology (**IGEO**) (see Table 1). 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.

Table 1 Polygonal estimation, IGEO, 1973

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

In 1983 the copper potential was re-evaluated through the United Nations Development Programme (**UNDP**) which verified IGEO's 1973 estimation for blocks 1,2 and 3. It appears that UNDP's results of supplementary prospecting work included two lines of drilling in blocks 4 and 5 that indicated that the copper deposits extended in both westward and northward directions of the area. This work added to the IGEO estimate by an additional 51 million tonnes (Mt) at a grade of 2.14% copper for 1.11 Mt of contained copper within blocks 4 and 5 however it is unknown what additional information was included in the estimate. The combined total historical estimate of blocks 1 to 5 is 1.26 Mt of contained copper.

VDM believes that Cachoeiras do Binga is highly prospective based on all data provided but understands that limited reliance can be placed on a historical foreign estimate. As such the 1973 and 1983 estimations themselves are not considered material to the project. VDM 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. VDM proposes that significant additional exploration is required to be undertaken.

Exploration

There have been three exploration phases at Cachoeiras do Binga:

- 1970 to 1973 – IGEO.
- 1983 – UNDP.
- 2004 to 2006 – Simba Mines Incorporated (**Simba**).

The following information are summaries of the work programmes on which the historical estimates are based, of the key assumptions for mining and processing parameters, and methods used to prepare the historical data.

IGEO exploration

- Surface geochemical sampling programme consisting largely of stream sediment sampling.
- More detailed sampling and trenching in the waterfalls area.
- Discrete blocks of mineralisation were drilled on different spacing's. The blocks are separated by erosion surfaces. Oxide and sulphide copper mineralisation was intersected.

UNDP exploration

- UNDP confirmed the work undertaken by IGEO but it is unclear how this was done. It appears that some additional exploration was undertaken with supplementary prospecting work including two lines of drilling in blocks 4 and 5.

Simba exploration

- Additional confirmation of previous work was undertaken however it is unclear what if any additional field work was completed.
- Preliminary metallurgical test work on 50 random oxidized grab samples was undertaken.
- The samples were assayed for total copper, cyanide soluble copper, acid soluble copper and total copper in the sample residue.
- The results indicated that on average 97% of the copper present was acid soluble.
- In addition multi-element ICP-MS analysis was conducted on fourteen composite samples showing higher calcium carbonate, silica and silver, with low heavy metals.
- Leaching test-work was undertaken on ten bulk samples.
- Recommendations were made for further studies to be undertaken.

The UNDP exploration programme increased the IGEO by 51 Mt at a grade 2.14% copper for 1.1 Mt of contained copper, however it is unknown what additional information was included.

Under the terms of the Agreement, the JV will undertake reconnaissance, prospection and evaluation, in accordance with industry practice, to confirm and update the historic estimate at Cachoeiras do Binga.

The work programmes and schedules for the JV's reconnaissance, prospection and evaluation are subject to the agreement of the JV participants 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 JV participants contemplates the JV undertaking reconnaissance, prospection and evaluation activities following the formal approval of the Mineral Investment Contract by the Angolan State. The JV participants will fund the Prospection Phase work programmes in the proportions previously outlined. VDM currently proposes to fund its proportion of the costs of these work programmes as described under the heading 'Exploration Funding Strategy'.

Competent Person Statement

The information in this market announcement that relates to the historical estimate of mineralization is an accurate representation of the available data and studies for the Cachoeiras do Binga project, the information provided has been reviewed by Ms T Burrows, a Competent Person who is a Member and Registered Professional Geologist of The Australian Institute of Geoscientists. Ms Burrows is employed by AMC Consultants Pty Ltd.

Ms Burrows has been engaged as an external independent consultant by VDM Group Limited.

Ms Burrows has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ms T Burrows consents to the inclusion in this market announcement of the matters based on her information in the form and context in which it appears.

For further information please contact:

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