



## ASX ANNOUNCEMENT

### Market update - Financing proposal

**Perth, 29 October 2013:** VDM Group Ltd (ASX: VMG; “VDM” or “the Company”) advises that it has today lodged its full year accounts with ASIC and ASX, and the Company expects that trading in its securities will be reinstated by ASX prior to market open, Thursday 31 October. The Company also wishes to update the market as to a financing proposal.

#### Financing proposal

As announced on 1 October 2013, VDM advised that the Company was yet to lodge its accounts and was working through a financial proposal to improve the working capital of the Company.

VDM wishes to announce that it has entered into a Binding Term Sheet whereby an unsecured loan facility of up to \$4 million will be provided by cornerstone investor H&H Holdings Australia Pty Ltd (**H&H**) to VDM (**New Facility**). Subject to conversion of the existing Convertible Loan (announced on 27 August 2013) occurring (**Conversion**), and upon Shareholders approving particular Resolutions at the AGM, VDM will grant a general security to H&H in respect of the New Facility (**New Facility Security**). The enforcement of this security may (in respect of particular assets) be subject to the approval of the Treasurer under the *Foreign Acquisitions and Takeovers Act 1975 (Cth)* (**FATA**) and Australia's foreign investment policy.

VDM also wishes to announce that the Binding Term Sheet outlines a proposed recapitalisation plan, involving the Creditor Proposal and proposed Rights Issue (described below) (**Recapitalisation Plan**).

Under the terms of the Creditor Proposal, debt which is payable to particular creditors of the Company in relation to the Company's work on BHP's Jimblebar Project (**Jimblebar Creditors**) is to be repaid as follows:

- 20% of the debt was paid upon execution of the relevant documentation; and
- subject to certain conditions noted below:
  - 35% of the debt will be converted into Shares at \$0.01 per Share (**Jimblebar Creditor Shares**), such conversion to be subject to Shareholder approval and to take place prior to the Rights Issue

#### BOARD & MANAGEMENT

Mr Michael Delany Perrott AM  
NON EXECUTIVE CHAIRMAN

Dr Dongyi Hua  
MANAGING DIRECTOR

Mr Barry Nazer  
NON-EXECUTIVE DIRECTOR

Mr Michael Fry  
NON-EXECUTIVE DIRECTOR

Mr Richard Mickle  
NON-EXECUTIVE DIRECTOR

Mr Xiangyang Ru  
NON-EXECUTIVE DIRECTOR

Mrs Samantha Drury  
CHIEF FINANCIAL OFFICER  
COMPANY SECRETARY

#### REGISTERED OFFICE

Level 2  
27-31 Troode Street  
West Perth, WA 6005

#### POSTAL ADDRESS

Locked Bag 109  
West Perth, WA 6872

#### CONTACT DETAILS

Tel: (08) 9265 1100

#### WEBSITE

[vdmgroup.com.au](http://vdmgroup.com.au)

#### SHARE REGISTRY

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

#### ASX CODE

VMG

(and, for the avoidance of doubt each Jimblebar Creditor shall have the right to participate in the Rights Issue, should it proceed) (the **Creditor Conversion**); and

- the remaining 45% owing to each Jimblebar Creditor will be repaid by no later than 1 July 2014 (the **Final Payment**),

(together the **Creditor Proposal**).

The Creditor Conversion and Final Payment is subject to the satisfaction of the following conditions precedent:

- Shareholder approval of Conversion, the New Facility Security, ratification of the August 2013 placement to H&H and approval for the issue of the Jimblebar Creditor Shares at the AGM (**Shareholder Resolutions**).

In addition, as part of the Recapitalisation Plan and provided each of the Shareholder Resolutions are passed at the AGM, VDM is proposing to make a pro-rata entitlement offer to its Shareholders to subscribe for Shares at a price of \$0.01 per Share seeking to raise at least \$9.25 million (**Rights Issue**). Pursuant to the Rights Issue, H&H has agreed to apply for \$4 million of Shares, through subscribing for some or all of its entitlement and, if required, by underwriting the Rights Issue, conditional upon another shareholder contributing an aggregate of \$1 million under the Rights Issue. The Rights Issue will have a minimum subscription of \$5 million.

To the extent that H&H is required to contribute pursuant to its pro-rata entitlement and underwriting obligations under the Rights Issue, any funds that VDM has drawn down pursuant to the New Facility will be set off against H&H's subscription and underwriting commitments pursuant to the Rights Issue in repayment of that part of the New Facility.

If the Shareholder Resolutions are passed at the AGM, it is expected that the Rights Issue will be made during December 2013. Further details of the Rights Issue will be provided to Shareholders in due course.

As part of the financing proposal Barry Nazer and Richard Mickle have agreed to resign as Directors with effect from the end of the AGM.

#### **Implications if Conversion and the Recapitalisation Plan do not proceed**

If Conversion and the Recapitalisation Plan do not proceed this is likely to affect the solvency of the Company and may result in the Directors having no option other than to place the Company into voluntary administration.

Conversion and the Recapitalisation Plan will not proceed if each of the Shareholder Resolutions are not passed at the AGM.

As previously noted, the Company's accounts have now been lodged with ASIC and ASX. As at the date of signing the accounts, the Directors had a reasonable expectation that VDM could pay its debts as and when they would fall due and concluded that VDM was solvent. This conclusion was based on the fact that the Directors have a reasonable expectation that Conversion and the Recapitalisation Plan will proceed.

The declaration of solvency is a continuing obligation and as such, if circumstances change or further information comes to hand which affects the solvency of the Company, the Directors are required to reassess their position.

Therefore, if any of the Shareholder Resolutions are not approved by Shareholders at the AGM, the solvency outlook of VDM will change and the Directors would be expected to act proactively and take steps to assess whether to cease trading and possibly place the Company into voluntary administration.

The Company's Notice of Annual General Meeting, containing full details of the Creditor Proposal and the Recapitalisation Plan, will be despatched to Shareholders shortly.

**\*\*\*\*\* ends\*\*\*\*\***