

\$10 Million Capital Raising

VDM Group Limited (**VDM** or the **Company**) has executed an agreement with Australia Kengkong Investments Co Pty Ltd (**Kengkong**) to provide funding of A\$10 million via a loan which, subject to shareholder approval, may be convertible into fully paid ordinary shares in the Company (**\$10m Convertible Loan**).

The board of VDM is very pleased that Kengkong has made this further significant investment in the future of the Company. VDM will use the funding for working capital purposes in the ordinary course of business and project development proposals which are approved by Kengkong.

The \$10 Million Convertible Loan is in addition to the A\$4.5 million convertible loan provided by Kengkong, as announced on 6 May 2014 (**\$4.5m Convertible Loan**).

The \$10m Convertible Loan provides VDM with the financial flexibility to continue to implement its new business strategy focused around:

- Construction,
- Services & Equipment,
- Procurement, and
- Mining Projects.

Key Terms

The \$10m Convertible Loan includes the following key terms:

- Kengkong will advance A\$10 million to VDM in two tranches of A\$3 million and one tranche of A\$4m during the period 25 September to 14 November 2014;
- The loan is unsecured;
- Conversion of the loan into VDM shares is subject to shareholder approval, and upon such approval being obtained, Kengkong will have the right during a period ending one month after the date on which approval is obtained to convert the loan into 1 billion shares at a conversion price of A\$0.01 per share. If shareholder approval is not obtained, the \$10m Convertible Loan will remain a pure debt facility;
- Interest is calculated at a rate of 8% per annum until one month after the date of the shareholders meeting held to obtain approval (**Shareholders Meeting**), and 13% per annum following that date. A default interest rate of 2% plus the applicable interest rate shall apply to any amount the Company fails to pay by the time it is due under the agreement;

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

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CONTACT DETAILS

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WEBSITE

vdmgroup.com.au

SHARE REGISTRY

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

ASX CODE

VMG

- The Company may prepay all or part of the loan at any time after the earlier of the Shareholders Meeting and the date 10 weeks after the date of the agreement if shareholder approval for the conversion of the \$10m Convertible Loan and the \$4.5m Convertible Loan have not been obtained and conversion of the \$10m Convertible Loan has not occurred; and
- Any other future issue of securities by VDM is subject to Kengkong's prior approval, which shall not be unreasonably withheld, until:
 - a) if conversion occurs, the earlier of 12 months after the date of the Shareholders Meeting, and Kengkong ceasing to have a relevant interest in at least 20% of VDM shares on issue; and
 - b) otherwise, the date that all amounts owing to the Lender have been repaid.

If shareholder approvals for conversion of both the \$10m Convertible Loan and the \$4.5m Convertible Loan are not obtained, or Kengkong does not elect to convert the \$10m Convertible Loan into VDM shares then VDM must repay the \$10m Convertible Loan within 60 business days after the Shareholders Meeting.

The following table sets out Kengkong's shareholding in VDM before and after conversion of one or both of the \$4.5m Convertible Loan and \$10m Convertible Loan.

| Pre conversion of the \$4.5m Convertible Loan and the \$10m Convertible Loan | | Post conversion of the \$4.5m Convertible Loan only | | Post conversion of the \$10m Convertible Loan only | | Post conversion of the \$4.5m Convertible Loan and the \$10m Convertible Loan | |
|--|-------|---|-------|--|-------|---|-------|
| # of Shares | % | # of Shares | % | # of Shares | % | # of Shares | % |
| 620,000,000 | 19.82 | 1,070,000,000 | 29.91 | 1,620,000,000 | 39.25 | 2,070,000,000 | 45.22 |

In the event that shareholders do not approve conversion of the \$4.5m Convertible Loan and the \$10m Convertible Loan, a fee of A\$100,000 is payable by VDM. This is in addition to the A\$45,000 fee payable in respect of the non-approval by shareholders of conversion of the \$4.5m Convertible Loan, referred to in VDM's announcement of 6 May 2014.

The \$10m Convertible Loan also contains events of default, termination provisions and representations and warranties in relation to the conduct of VDM's (and each of its subsidiaries) business, customary for facilities of this nature.

Indicative Timetable

Conversion of the \$10m Convertible Loan is conditional on shareholder approval, and a notice of meeting will be sent to shareholders (including an independent expert's report) to consider these matters. VDM advises that these matters will be presented for shareholder consideration at the Company's Annual General Meeting which will be held before the end of November 2014.

As announced on 22 September 2014, VDM will also seek shareholder approval in relation to the conversion of the \$4.5m Convertible Loan at the Company's Annual General Meeting.

For further information please contact:

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