

Form 603
Corporations Act 2001
Section 671B

Notice of initial substantial holder

To Company Name/Scheme VDM GROUP LIMITED

ACN/ARSN/ABN 95 109 829 334

1. Details of substantial holder (1)

Name AUSTRALIA KENKONG INVESTMENTS CO PTY LTD

ACN/ARSN (if applicable) 14 166 606 757

The holder became a substantial holder on 28/01/2014

2. Details of voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
ORDINARY SHARES	500,000,000	500,000,000	16.62%

3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
AUSTRALIA KENKONG INVESTMENTS CO PTY LTD	PARTIAL SUBUNDERWRITER TO RIGHTS ISSUE – SEE ANNEXURE A	500,000,000 ORDINARY SHARES
MR LUK HIU MING	CONTROLLER OF AUSTRALIA KENKONG INVESTMENTS CO PTY LTD	500,000,000 ORDINARY SHARES

4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
AUSTRALIA KENKONG INVESTMENTS CO PTY LTD	AUSTRALIA KENKONG INVESTMENTS CO PTY LTD	AUSTRALIA KENKONG INVESTMENTS CO PTY LTD	500,000,000 ORDINARY SHARES
MR LUK HIU MING	AUSTRALIA KENKONG INVESTMENTS CO PTY LTD	AUSTRALIA KENKONG INVESTMENTS CO PTY LTD	500,000,000 ORDINARY SHARES

5. Consideration

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)	Class and number of securities
AUSTRALIA KENKONG INVESTMENTS CO PTY LTD AND MR LUK HIU MING	28/01/2014	A\$0.01 PER SHARE	500,000,000 ORDINARY SHARES

6. Associates

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

Name and ACN/ARSN (if applicable)	Nature of association
MR LUK HIU MING	ULTIMATE CONTROLLER OF AUSTRALIA KENKONG INVESTMENTS CO PTY LTD

7. Addresses

The addresses of persons named in this form are as follows:

Name	Address
AUSTRALIA KENKONG INVESTMENTS CO PTY LTD	49 MOVERLY ROAD, KINGSFORD, NSW AUSTRALIA
MR LUK HIU MING	55/F CENTRAL PLAZA, 18 HARBOUR ROAD, WANCHAI, HONG KONG

Signature

print name MR LUK HIU MING

capacity DIRECTOR

sign here

date 29/01/2014

DIRECTIONS

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
- (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
- (3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
- (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (7) Include details of:
 - (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement.
 - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).

See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
- (8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write "unknown."
- (9) Details of the consideration must include any and all benefits, moneys and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.



H&H Holdings Australia Pty Ltd

ABN 66162108143

10 December 2013

PRIVATE & CONFIDENTIAL

To: Mr Hiuming Luk
c/o Australia Kengkong Investments
Co Pty Ltd
Suite 5503, 55/F, Central Plaza
18 Harbour Road, Wanchai
Hong Kong.

Dear Mr Luk

VDM Group Limited - Sub Underwriting Offer

1. Proposed Rights Issue

- 1.1 VDM Group Limited (**Company**) proposes to offer 1,792,975,335 new fully paid ordinary shares in the Company (**Rights Issue Shares**) for subscription at an issue price of \$0.01 per Share (**Subscription Price**) to existing shareholders by way of a 1 for 1 non-renounceable rights issue (**Rights Issue**).
- 1.2 The Rights Issue will raise up to approximately A\$17,929,753 .
- 1.3 The Rights Issue will be made under a prospectus which is expected to be lodged with the Australian Securities & Investments Commission (**ASIC**) on or about 10 December 2013, a draft copy of which is attached to this letter at Attachment A (**Prospectus**). The Underwriter undertakes that the prospectus filed with ASIC will not be materially different from the draft copy at Attachment A.
- 1.4 H&H Holdings Australia Pty Ltd (the **Underwriter**) proposes to partially underwrite the Rights Issue. The Underwriter proposes to undertake to subscribe for A\$4,000,000 of its entitlement to Rights Issue Shares and to underwrite subscriptions in respect of up to a further A\$5,000,000 of the Rights Issue Shares (**Underwritten Shares**). The underwriting will be on the terms and subject to the conditions contained in an Underwriting Agreement between the Underwriter and the Company (**Underwriting Agreement**) which agreement will be in substantially the form of the draft agreement attached to this letter at Attachment B. The Underwriter undertakes that the Underwriting Agreement entered into between Company and the Underwriter will not be materially different from the draft copy at Attachment B.

2. Sub-underwriting Offer

- 2.1 The Underwriter is pleased to confirm an offer (**Sub-underwriting Offer**) to Australia Kengkong Investments Co Pty Ltd ACN 166 606 757 (**You**) to priority sub-underwrite up to 500,000,000 of the Rights Issue Shares allocated to the Underwriter under the Underwriting Agreement at \$0.01 per Rights Issue Share and otherwise on the terms and conditions contained in this letter (**Sub-underwritten Shares**).

IMPORTANT!

Please fax **ACCEPTANCE FORM** to:

Dr Dongyi Hua

H&H Holdings Australia Pty Ltd

Unit 3, 150 Stirling Street, Perth, Western Australia
6000 by 11.50pm (Perth time), 10 December 2013

VDM GROUP LIMITED ABN 95 109 829 334
THIS IS ANNEXURE A OF 133 PAGES
REFERRED TO IN FORM 603
NOTICE OF INITIAL SUBSTANTIAL HOLDEF


MR LUK HIU MING

29/01/2014

3. Accepting the Sub-underwriting Offer

- 3.1 You may accept the Sub-underwriting Offer contained in this letter by completing, executing and returning the acceptance form attached to this letter (**Acceptance Form**) to the Underwriter in accordance with the instructions on the Acceptance Form.
- 3.2 By accepting the Sub-underwriting Offer, You irrevocably agree to apply for, and pay the Subscription Price for, such number of the Sub-underwritten Shares which are allocated to You by the Underwriter pursuant to paragraphs 4 and 5 of this letter (**Sub-underwriting Commitment**). This letter and Your signed Acceptance Form sets out the legally binding terms of Your Sub-underwriting Commitment (**Sub-Underwriting Agreement**).
- 3.3 Your Sub-underwriting Commitment is a separate legal obligation from and in addition to any other application or agreement You have made to subscribe for Rights Issue Shares (including any agreement to take up any entitlement of Rights Issue Shares as a shareholder of the Company) and those other applications will not reduce the number of Rights Issue Shares You may be required to apply for. You acknowledge, however, that You must not acquire a Relevant Interest (as defined in the *Corporations Act 2001* (Cth) (**Corporations Act**)) in more than 19.99% of the total issued share capital of the Company as a result of the acquisition of Rights Issue Shares pursuant to Your Sub-underwriting Commitment.
- 3.4 Your rights and obligations as sub-underwriter are not capable of transfer, assignment or novation or being otherwise dealt with except with the prior written agreement of the Underwriter.

4. Shortfall Confirmation

- 4.1 You will be advised in accordance with the Rights Issue timetable of the number of Sub-underwritten Shares allocated to You (if any) which You are required to apply for pursuant to Your Sub-underwriting Commitment (**Shortfall Shares**). If You are allocated any Shortfall Shares You will be sent a confirmation (**Shortfall Confirmation**) of:
 - (a) the number of Shortfall Shares allocated to You; and
 - (b) the aggregate Subscription Price payable to the Underwriter in respect of those Shortfall Shares, being the Subscription Price multiplied by the number of Shortfall Shares allocated to You (**Subscription Amount**).
- 4.2 You must execute the Shortfall Confirmation and return it to the Underwriter as soon as possible after it is received, and in any event within 2 Business Days (as defined in paragraph 24.1(d)) after the Shortfall Confirmation is received.
- 4.3 If You fail to return Your executed Shortfall Confirmation by the time specified in paragraph 4.2, the Underwriter may:
 - (a) not be able to procure the issuing of the Shortfall Shares in Your Shortfall Confirmation; and
 - (b) in its discretion, enforce Your obligation to pay the Subscription Price in respect of each Shortfall Share and settle the issue of the Shortfall Shares in Your Shortfall Confirmation or treat Your Sub-underwriting Commitment as repudiated and not

settled, in each case, without cost or liability to the Underwriter, the Company or their respective Affiliates (as defined in clause 4.5 below).

- 4.4 Any issue of Shortfall Shares to You is subject to completion of the Rights Issue occurring.
- 4.5 Affiliate means:
- (a) in respect of the Underwriter, each of the related bodies corporate of the Underwriter and the directors, officers, employees, agents and advisers of the Underwriter and its related bodies corporate; and
 - (b) in respect of the Company, each of the related bodies corporate of the Company and the directors, officers, employees, agents and advisers of the Company and its related bodies corporate.

5. Allocation of Shortfall Shares

- 5.1 You acknowledge and agree that the Company and the Underwriter will determine any shortfall under the Rights Issue and the allocation of any such shortfall in accordance with the Prospectus. The Underwriter may enter into sub-underwriting agreements in relation to the Underwritten Shares with any other persons. However, the Underwriter will allocate any shortfall allocated to it under the Rights Issue in respect of the Underwritten Shares first to You until Your Sub-underwriting Commitment is satisfied, then allocate the remainder to any other sub-underwriter, shareholder or any other persons at the Underwriters absolute discretion.
- 5.2 Neither the Company nor the Underwriter can provide You with any assurance or representation as to the number of Shortfall Shares (if any) that may occur as a result of the Rights Issue.
- 5.3 You agree to accept, and undertake not to challenge, the decisions or actions of the Underwriter under the Underwriting Agreement and agree that, if made, Your allocation of Shortfall Shares does not oblige the Underwriter to consult with You as to any matter or qualify the exercise or non-exercise of the rights of the Underwriter under the Underwriting Agreement in any way, including in particular, the exercise of any right of termination. You will continue to be bound to acquire Your Shortfall Shares unless the Underwriter (in its absolute and unfettered discretion) exercises its right of termination under the Underwriting Agreement. If the Underwriter exercises its right to terminate, Your rights and obligations under this Sub-underwriting Agreement will terminate without cost or liability to the Underwriter.
- 5.4 Once You have completed the Acceptance Form, if You fail to meet any obligation to apply for Your allocation by the time required by this Sub-underwriting Agreement, the Underwriter may require that You do so or may without notice to You may itself (or may procure a third party to) apply for those Sub-underwritten Shares. In addition to any other obligations under this Sub-underwriting Agreement You indemnify the Underwriter for any cost or loss associated with so doing (including loss incurred on the sale of the Sub-underwritten Shares within 6 months of allotment).
- 5.5 The Underwriter reserves the right to aggregate allocations of beneficial allocations which the Underwriter believes may be multiple allocations to or for the benefit of the same person. If You deal with securities of the Company in breach of this Sub-underwriting Agreement, or fail to provide the information required to be provided by a sub-

underwriter in respect of the Rights Issue, the Company or the Underwriter may refuse to issue or transfer (as the case may be) the Shortfall Shares or may determine not to pay fees (if any) to You in relation to those Shortfall Shares, or both.

6. Prepayment of Subscription Amount

6.1 By accepting the Sub-underwriting Offer:

- (a) The parties agree to enter into the escrow deed between yourself, the Underwriter and Williams and Hughes (the **Escrow Agent**) attached to this letter at Attachment C (**Escrow Deed**), subject to any amendments which may be agreed by the parties thereto, promptly following the execution of this letter, and in any event before 13 December 2013, in substantially the form attached at Annexure C; and
- (b) You agree to transfer promptly, and by not later than 13 December 2013, the Sub-underwritten Amount in cleared funds to the trust account of Williams and Hughes, details of which are set out in the Escrow Deed.

6.2 Each of You and the Underwriter agree to provide an irrevocable instruction to the Escrow Agent in accordance with the Escrow Deed for the Sub-underwritten Amount to be released on the earlier of:

- (a) the settlement date of the Rights Issue (which is expected to be 16 January 2013 in accordance with the timetable for the Rights Issue), in which case the Sub-underwritten Amount is to be released as set out in clauses 7.1(a)(ii) and 7.1(b)(ii);
- (b) the date that the Underwriting Agreement is terminated, in which case the Sub-underwritten Amount is to be returned to You promptly following termination; and
- (c) 31 March 2014, if the Shortfall Shares have not been issued to You by that date, in which case the Sub-underwritten Amount is to be returned to You.

7. Settlement

7.1 In respect of the Shortfall Shares, settlement will occur on the settlement date of the Rights Issue (which is expected to be 16 January 2013 in accordance with the timetable for the Rights Issue). On the settlement date:

- (a) You must:
 - (i) apply and subscribe for the Shortfall Shares in the form directed by the Underwriter, provided that such directions are in accordance with the Prospectus; and
 - (ii) irrevocably instruct, in accordance with the Escrow Deed, the Escrow Agent to immediately pay from the amounts held subject of the Escrow Deed to the account of the Company in cleared funds and in accordance with the application and subscription process set out in the Prospectus, an amount equal to the Subscription Amount, and the balance of the funds held in the subject to the Escrow Deed to be paid as directed by You; and
- (b) the Underwriter must:
 - (i) procure that the Company issues the Shortfall Shares to You in accordance with Your applications and delivers to You a valid holding statement in

respect of the same as soon as practicable after the issue of any Shortfall Shares to You; and

- (ii) irrevocably instruct, in accordance with the Escrow Deed, the Escrow Agent to immediately pay from the amounts held subject of the Escrow Deed to the account of the Company in cleared funds and in accordance with the application and subscription process set out in the Prospectus, an amount equal to the Subscription Amount, and the balance of the funds held in the subject to the Escrow Deed to be paid as directed by You.

- 7.2 You must promptly provide any information reasonably required by the Underwriter or the Company to effect settlement in accordance with this paragraph 7.
- 7.3 You authorise the Underwriter, the Company and their directors to sign on behalf of the Sub-underwriter the application form in relation to the Sub-underwriter subscribing for the Shortfall Shares in Your name as Your attorney to ensure the settlement of the issue of the Shortfall Shares allocated to You is successfully effected in accordance with this Sub-underwriting Agreement, such authorisation to expire on the completion of the issue of those Shortfall Shares.

8. Fee

- 8.1 The Underwriter will receive a fee for underwriting 500,000,000 of the Rights Issue Shares of A\$150,000 (ie 3% of the number of value of the Underwritten Shares).
- 8.2 Subject to You complying with Your obligations under this Sub-Underwriting Agreement, following the successful completion of the Rights Issue and within 5 Business Days (as defined in paragraph 24.1(d)) after the Underwriter has been paid its fees as set out above by the Company, the Underwriter will pay You a fee of 1.5% of the amount which equals Your Sub-underwriting Commitment multiplied by \$0.01 per Rights Issue Share, equivalent to \$75,000 (**Sub-underwriting Fee**). The Sub-underwriting Fee exclusive of GST, if any. The parties agree they have formed the view that the payment of the Sub-underwriting Fee is consideration for an input taxed supply and is not subject to GST.
- 8.3 The obligation of the Underwriter to pay the Sub-underwriting Fee is without recourse to the Underwriter other than for money received by the Underwriter from the Company as a fee for partially underwriting the Rights Issue.
- 8.4 Your right to participate in the sub-underwriting of the Rights Issue will lapse and no Sub-underwriting Fee will be payable to You if:
 - (a) You do not validly accept the Sub-underwriting Commitment in this Sub-Underwriting Agreement;
 - (b) You do not deposit the Sub-underwritten Amount in cleared funds in the Escrow Agent's bank account in accordance with the Escrow Deed and clause 6.1;
 - (c) the Underwriting Agreement is rescinded or terminated by the Underwriter in accordance with the Underwriting Agreement, or otherwise ceases, including as a result of a condition not being satisfied for any reason in accordance with the Underwriting Agreement;

- (d) the Company elects not to proceed with the Rights Issue, or the Rights Issue is withdrawn, at any time;
- (e) the Company does not pay the Underwriter the fees due to it under the Underwriting Agreement; or
- (f) You breach this Sub-underwriting Agreement or the Shortfall Confirmation and the Underwriter gives You notice of the termination of this Sub-underwriting Agreement.

9. Acknowledgments

9.1 By accepting the Sub-underwriting Offer in this letter, You make the following acknowledgements and agreements.

- (a) Neither the Rights Issue nor this Sub-underwriting Agreement constitutes a securities recommendation or financial product advice with respect to securities and that the Underwriter and the Company have not had regard to, but You have had regard to, Your particular objectives, financial situation or needs.
- (b) Any information in respect of the Rights Issue and Sub-underwriting Offer has been prepared solely by and provided to You by or on behalf of the Company which takes full responsibility for its contents, and no other party is responsible for its contents, other than as provided for by law, or to the extent the Underwriter gives the Sub-underwriter the warranties set out in this Sub-Underwriting Agreement.
- (c) A copy of the draft Prospectus has already been made available to You. If the Company is required to amend or otherwise supplement or replace the Prospectus, Your Sub-underwriting Commitment will still be binding notwithstanding such amendment or supplementary or replacement prospectus, except that if a matter referred to in section 719 of the Corporations Act occurs in respect of the Prospectus You may terminate this agreement by written notice to the Underwriter provided that the parties have negotiated in good faith to attempt agree whether the Sub-underwriting agreement will be terminated. Except for any liability that cannot be excluded by law, or to the extent the Underwriter gives the warranties set out in this Sub-underwriting Agreement, the Underwriter is not responsible for the contents of the Prospectus, or any amendment or supplementary or replacement prospectus.
- (d) You have not distributed or released, and will not distribute or release the draft Prospectus to any person in the United States or to any U.S. Person or to any person acting for the account or benefit of a U.S. Person.
- (e) Except:
 - (i) in respect of the warranties given by the Underwriter in this Sub-Underwriting Agreement; and
 - (ii) to the extent that liability cannot be excluded by law,

You have not relied upon and will not hold the Company and/or the Underwriter or any of their respective Affiliates responsible for the accuracy or completeness of any misstatements in or omissions from, any

information provided to, or reviewed by it or any publicly available information concerning the Company or the Rights Issue.

- (f) The Underwriter (and its Affiliates) have not made any warranty or representation as to the accuracy or completeness of any information given to You in respect of the Rights Issue and Sub-underwriting Offer, and the Underwriter (and its Affiliates) exclude and disclaim all liability except in respect of the warranties given by the Underwriter in this Sub-Underwriting Agreement and except as may not be excluded by law, for any expenses, losses, damages or costs that may be incurred by You as a result of the Prospectus being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise.
- (g) The Underwriter has a financial interest in the success of the Rights Issue and the Underwriter (and its Affiliates) may also hold or acquire securities in the Company.
- (h) You and the Underwriter are contracting on an arm's length basis and neither the Shortfall Confirmation nor this Sub-underwriting Agreement nor the nature of the arrangements under them creates any obligation (fiduciary or otherwise) on the Underwriter other than those expressly set out in the Shortfall Confirmation or this Sub-underwriting Agreement.
- (i) Your decision to enter into this Sub-Underwriting Agreement is based solely on the information contained in the Prospectus and the Company's ASX disclosures, and You have not relied on any representations, warranties or undertakings of the Underwriter in relation to the Rights Issue other than as set out in this Sub-underwriting Agreement or the Prospectus.
- (j) The timetable set out in this Sub-underwriting Agreement and the Prospectus may change without consultation with You, provided that You are informed of such changes as soon as possible after they are made, and You are bound by the terms of this Sub-underwriting Agreement, notwithstanding any such changes to the timetable.
- (k) The acquisition, ownership and disposition of the Shortfall Shares may have tax consequences in Australia and other applicable jurisdictions, which could negatively impact any return realised from the acquisition, ownership or disposition of the Shortfall Shares. Any discussions of tax issues in information provided by the Company or the Underwriter are not intended to be legal or tax advice to any person and are not intended to be used, and cannot be used, by any person for the purpose of avoiding any tax penalties that may be imposed on that person. You acknowledge that it is Your responsibility to consult with Your tax adviser or other professional adviser on tax aspects of Your acquisition, ownership and disposal of any Shortfall Shares.
- (l) An investment in the Sub-underwritten Shares involves risk and You have considered such risk in deciding whether to subscribe for any Sub-underwritten Shares and acknowledge that an investment in the Sub-underwritten Shares may result in the loss of Your entire investment.
- (m) The Company and the Underwriter and each of their respective Affiliates will rely on the acknowledgments in paragraph 9, the warranties in paragraph 10, and the additional undertakings in paragraph 11 and the foreign jurisdiction representations in paragraph 12 made by You.

10. Warranties

Warranties given by the Sub-underwriter

- 10.1 By accepting the Sub-underwriting Offer in this letter, You give the following representations and warranties, for the benefit of the Company and the Underwriter and their Affiliates as at the date of this letter, the date You return the executed Acceptance Form to the Underwriter and as at the date of settlement of the Shortfall Shares.
- (a) You have read and understood the terms of this letter and the Acceptance Form.
 - (b) This Sub-underwriting Agreement evidences a valid and binding obligation on You and the execution of the Acceptance Form and performance by You of Your obligations under this Sub-underwriting Agreement will not infringe any applicable laws or conflict with or result in a breach of Your constituent documents or trust (where applicable) or any judgment, document, agreement or other arrangement binding on You or Your assets.
 - (c) In respect of Your obligations under this Sub-underwriting Agreement, You are acting only on Your own behalf, and not on behalf of any third party or other person.
 - (d) You confirm that (subject to the Company's ASX announcements being materially accurate) You are and will be compliant with all relevant laws and regulations (including, without limitation, the requirements of the Australian *Foreign Acquisitions and Takeovers Act 1975* and section 1043A of the Corporations Act (insider trading)) and will not cease to be in compliance if You subscribe for Your allocation of Sub-underwritten Shares.
 - (e) You are not a Related Party (as defined in section 228 of the Corporations Act of Australia or the listing rules of the Australian Securities Exchange (**ASX Listing Rules**)) of the Underwriter or the Company and You are not an Associate (as defined in section 12 of the Corporations Act) of the Underwriter or the Company and are not acting on behalf of or for the benefit of a Related Party or an Associate of the Underwriter or the Company .
 - (f) If the Prospectus contains warranties that are made or taken to be made by subscribers for Rights Issue Shares those warranties apply to You, and those warranties are true and not misleading in any respect.
 - (g) You have such knowledge and experience in financial and business matters that You are capable of evaluating the merits, risk and suitability of a subscription for Sub-underwritten Shares for Yourself and You have determined that the Sub-underwritten Shares are a suitable investment for Yourself both in nature and the number of Sub-underwritten Shares being acquired. You have the financial ability to bear the economic risks of the investment in the Sub-underwritten Shares including without limitation the risk of the entire loss of such investment and You will not seek to recover from the Underwriter all or part of any such loss or losses You may suffer.
 - (h) You have had access to and read a copy of the Prospectus before signing the Acceptance Form or otherwise applying for any Sub-underwritten Shares.

- (i) You are aware that publicly available information about the Company, its securities, and the use of proceeds can be obtained from the Prospectus and otherwise from the ASIC and ASX (including ASX's website at <http://www.asx.com.au>). You acknowledge that the content of any website, ASIC or ASX filing has not (other than the Prospectus and as provided for in the Underwriting Agreement) been reviewed, commented or approved by the Underwriter.
- (j) You are:
- (i) in compliance with the requirements of the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* (Cth) and the *Criminal Code Amendment (Bribery of Foreign Public Officials) Act 1999* (Cth) and with the requirements of any equivalent laws or relevant obligations under anti-money laundering and counter-terrorism financing laws and regulations in the jurisdictions in which You are incorporated or carry on business to the extent that those laws apply to Your participation in the Rights Issue; and
 - (ii) not subject to financial sanctions resulting from the implementation of:
 - (A) the UN Security Council Sanctions (through regulations under the Charter of United Nations Act 1945 (Cth); or
 - (B) gazetted directions under the *Banking (Foreign Exchange) Regulations 1959* (Cth).

Warranties given by the Underwriter

- 10.2 The Underwriter represents and warrants to You, at the date of this agreement and at all times until and on the date when any of the Sub-underwritten Shares are allocated to You, that each of the warranties set out in Attachment D is completely true and accurate and not misleading in any way.
- 10.3 The Underwriter is not liable for any inaccuracy in or breach of any of the warranties in Attachment D, if the inaccuracy or breach is, or the facts giving rise to the inaccuracy or breach were, within the actual knowledge of the Sub-underwriter or its directors or officers prior to entering into this Sub-underwriting Agreement or fully and fairly disclosed in the Company's ASX disclosures or the Prospectus.
- 10.4 The Underwriter acknowledges that You have entered into this letter in reliance on each of the warranties given in Attachment D and other express representations made by the Underwriter in this letter.
- 10.5 The Underwriter undertakes to promptly notify You in writing of any matter or thing of which it becomes aware which is or may be a breach of or inconsistent with any of the warranties or representations in this letter.
- 10.6 The Underwriter shall indemnify You against any loss, damage, cost or expense (including reasonable legal or other costs associated with the enforcement of this indemnity) suffered or incurred by You arising directly or indirectly from the breach of any representations and warranties given by the Underwriter.
- 10.7 In the absence of fraud on the part of the Underwriter, the Underwriter is not liable in respect of any loss, damage, cost or expense suffered by the Sub-underwriter in

connection with this Sub-underwriting Agreement unless the Sub-underwriter gives the Underwriter a written claim notice describing in reasonable detail each fact, matter or circumstance giving rise to the loss, damage, cost or expense, and including an estimate of the amount of the loss, damage, cost or expense, and that notice is received by the Underwriter no later than 12 months after the date of this letter.

11. Additional Undertakings

11.1 By accepting the Sub-underwriting Offer in this letter, You make the following undertakings.

- (a) You will not prior to official quotation of the Shortfall Shares or issue of those Shortfall Shares to You, whichever is later, assign, transfer, lay-off, sub-syndicate or in any other manner, deal with Your allocation of Shortfall Shares, without the prior written agreement of the Underwriter.
- (b) You will comply with any restrictions in the Prospectus on the offering for sale, or sale, of Shortfall Shares acquired or to be acquired under the Rights Issue.
- (c) You will ensure that neither You nor any of Your related bodies corporate, nor any of Your or Your related bodies corporate directors, officers, employees, agents or advisers makes any formal or informal public statement, direct or indirect, on any matter associated with the Rights Issue which has not been approved in advance by the Underwriter unless it is required by law or the rules of a stock exchange. This restriction applies until the settlement date of the Rights Issue (or such other date as agreed with the Underwriter).

12. Foreign Jurisdiction Representations and Agreements

12.1 By accepting the Sub-underwriting Offer in this letter, You give the following representations and warranties, for the benefit of the Company and the Underwriter as at the date of this letter, the date You return the executed Acceptance Form to the Underwriter and as at the date of settlement of the Shortfall Shares.

- (a) You are in Australia and are one of the following:
 - (i) a 'Sophisticated Investor' under section 708(8) of the Corporations Act;
 - (ii) a 'Professional Investor' under section 708(11) of the Corporations Act; or
 - (iii) an 'Experienced Investor' under section 708(10) of the Corporations Act,
 and, in each case, You are also a 'wholesale client' under sections 761G or 761GA of the Corporations Act.
- (b) You are not in the United States or a U.S. person (as defined in Regulation S under the *US Securities Act of 1933 (US Securities Act)*) and are not acting for the account or benefit of a U.S. Person.
- (c) You are purchasing the Shortfall Shares in an 'offshore transaction' (as defined in Rule 902(h) under the U.S. Securities Act).
- (d) You have not purchased the Shortfall Shares as a result of any "directed selling efforts" (within the meaning of Rule 902(c) of Regulation S under the U.S. Securities Act).

- (e) You understand that the offer and sale of the Sub-underwritten Shares has not been, and will not be, registered under the US Securities Act or the laws of any state or other jurisdiction in the United States.

12.2 By accepting the Sub-underwriting Offer in this letter, You agree the following.

- (a) The Prospectus may not be distributed or released into the United States or to any U.S. Person or to any person acting for the account or benefit of a U.S. Person (as defined in the Securities Act).
- (b) You will not offer, sell, pledge, transfer or otherwise dispose of any Sub-underwritten Shares in the United States or to a U.S. person:
 - (i) unless and until the Sub-underwritten Shares are registered under the Securities Act (which You acknowledge the Company has no obligation to do); or
 - (ii) in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act or the laws of any state or other jurisdiction in the United States.
- (c) You agree that, in the future, if You or any other person for whose account or benefit You are acting at that time decides to sell or otherwise transfer any Sub-underwritten Shares, You will only do so, and You will inform such other person that it may only do so, if the offer and sale of such Sub-underwritten Shares are:
 - (i) registered under the US Securities Act (which You acknowledge the Company has no obligation to do); or
 - (ii) made outside the United States in accordance with Regulation S under the US Securities Act.

Notwithstanding the foregoing, You may sell Sub-underwritten Shares in regular brokered transactions on ASX if neither You nor the person acting on Your behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States.

- (d) You will not deposit any Shortfall Shares into any unrestricted depositary receipt facility established or maintained by a depositary bank until 40 days after completion of the Rights Issue.

13. GST

- 13.1 Subject to paragraph 13.2, the parties agree that unless otherwise stated, all monies payable under or in connection with this Sub-underwriting Offer (including any amounts payable by way of indemnity, reimbursement or otherwise and includes the provision of any non-monetary consideration) have and will be calculated exclusive of GST (the goods and services tax as imposed by *A New Tax System (Goods and Services Tax) Act 1999* (Cth)).
- 13.2 You must pay to the Underwriter an amount equal to all GST, or other applicable or similar taxes, that the Underwriter is liable to pay (either directly or indirectly) in relation to any supply made under or in connection with this Sub-underwriting Agreement.

- 13.3 A party making a taxable supply under or in connection with the Sub-underwriting Agreement must provide a tax invoice to the recipient of that supply within 5 Business Days of demand by the recipient.

14. Securities Exchange Listing

- 14.1 Pursuant to the Underwriting Agreement, the Company will apply in accordance with the ASX Listing Rules for the Rights Issue Shares to be listed for quotation on the securities exchange operated by ASX Limited.

15. Indemnity

- 15.1 You agree to indemnify the Underwriter and shall hold the Underwriter harmless from and against all actions, claims, demands or proceedings which may be instituted against, and all liabilities, losses, damages, costs and expenses (including legal costs and expenses on a full indemnity basis, whether incurred by or awarded against the Underwriter) which may be suffered or incurred directly or indirectly by the Underwriter arising from or in connection with any breach of Your obligations, representations, warranties or undertakings, or relating to any acknowledgement given by You, under the contract arising from this letter and the executed Acceptance Form.
- 15.2 This indemnity remains in full force and effect notwithstanding the completion of the Rights Issue.

16. Release

- 16.1 Except to the extent that such liability cannot by law be excluded or and except to the extent the Underwriter gives the Sub-underwriter the warranties set out in this Sub-Underwriting Agreement:
- (a) You acknowledge that none of the Underwriter and its Affiliates accept any form of liability (including liability arising on the basis of negligence) in relation to the Rights Issue and the Sub-underwriting Offer; and
 - (b) You release the Underwriter and its Affiliates from all claims, demands and proceedings which You may have, or claim to have, against any of them, in connection with information about the Rights Issue or the Sub-underwriting Offer provided to You (or not provided) by the Company or the Underwriter.

17. Confidentiality

- 17.1 Irrespective of whether You accept the Sub-underwriting Offer, the information contained in this letter is confidential. You must keep the existence and terms of this letter confidential unless:
- (a) the information is public knowledge (but not because of unauthorised disclosure by You);
 - (b) disclosure is required by law or a regulatory body (including a relevant stock exchange); or
 - (c) disclosure is made to a person who must know for the purposes of the Sub-underwriting Offer (including but not limited to the Company, Your employees, agents, consultants, advisors and legal counsel) and with the consent of the

Underwriter and which will apply only following formal acceptance by You of the Sub-underwriting Offer.

18. Entire agreement

- 18.1 The terms contained in this letter including, without limitation, Your executed Acceptance Form, constitute the entire agreement between the Underwriter and You as to the Sub-underwriting Offer and Your participation in the Rights Issue to the exclusion of all prior representations, understandings and agreements between the Underwriter and You.

19. Benefit of these terms

- 19.1 Each of the Underwriter, the Company and their respective Affiliates is entitled to the benefit of the agreements, undertakings, warranties, representations, acknowledgements, indemnities and releases You provide in this Sub-underwriting Agreement. The Underwriter holds the benefit to which its Affiliates or the Company and its Affiliates is entitled on trust for those parties.

20. No merger

- 20.1 The rights of the Underwriter arising under this Sub-underwriting Agreement do not merge on settlement of Your Shortfall Shares.

21. Variation

- 21.1 Any amendment, modification or variation of the Sub-underwriting Agreement must be in writing and executed by all of the parties.

22. Waiver

- 22.1 The failure by the Underwriter or delay to exercise a power or right does not operate as a waiver of that power or right.
- 22.2 The exercise of a power or right by the Underwriter does not preclude either its exercise in the future or the exercise of any other power or right.
- 22.3 A waiver by the Underwriter is not effective unless it is in writing.
- 22.4 Waiver of a power or right by the Underwriter is effective only in respect of the specific instance to which it relates and for the specific purpose for which it is given.

23. Further assurances

- 23.1 You must promptly, at Your own cost, do all things (including executing all documents) necessary or desirable to give full effect or better effect to the terms of this Sub-underwriting Agreement.

24. Notice

- 24.1 All notices under the Sub-underwriting Agreement must be in writing and be hand delivered or sent by facsimile transmission to:

- (a) in the case of notices to us, the address or facsimile number set out below and to the attention of the person named below until You are advised to the contrary and then, as notified to You by us from time to time; and
- (b) in the case of notices to You, the address or facsimile number set out below and to the attention of the person named below until we are advised to the contrary and then, as notified by You to us from time to time.
- (c) Address Details:

Underwriter	Sub-Underwriter
H&H Holdings Australia Pty Ltd Unit 3, 150 Stirling Street, Perth, Western Australia 6000	Australia Kengkong Investments Co Pty Ltd Suite 5503, 55/F, Central Plaza 18 Harbour Road, Wanchai Hong Kong
Facsimile No: +61 8 9221 5978	Facsimile No: +852 2877 1717
Attention: Dr Dongyi Hua	Attention: Mr Hiuming Luk

- (d) The date a notice is given and received is:
- (i) the date it is delivered or sent by facsimile transmission if this is a Business Day and it is delivered or sent between 9am and 5pm at the place of receipt; or
- (ii) otherwise the next Business Day, and
- 'Business Day' has the same meaning as in the ASX Listing Rules except that it does not include any Saturday, Sunday or any other day which is a public holiday in the place of receipt.
- (e) If a party to whom a notice or other communication is intended to be given consists of more than one person then a notice or other communication is deemed to be given to that party if given to any of those persons.

25. Time for performance

Time is of the essence in respect of Your obligations under the Sub-underwriting Agreement.

26. Termination

If You have not been issued the Shortfall Shares by 31 March 2014, You may terminate this Sub-Underwriting Agreement, which shall become null and void and shall be of no further force and effect, except in respect of any accrued rights and obligations of the parties under this agreement.

27. Due diligence undertaking

The Underwriter undertakes to procure that the Company provides you with same information provided to the Underwriter during its due diligence investigations.

28. Governing law

- 28.1 This Sub-underwriting Offer and the contract arising from its acceptance are governed by the laws of Western Australia and Australia. We, the Underwriter, and by acceptance, You, submit to the non-exclusive jurisdictions of the Courts of that State and the Federal Court of Australia.

29. Indicative Timetable


Lodgement of Prospectus with ASIC and ASX	10 December 2013
'Ex' date	13 December 2013
Record Date	19 December 2013
Opening Date	20 December 2013
Closing Date	8 January 2014
Deferred settlement trading commences	9 January 2014
Issue and allotment of New Shares	16 January 2014

- 29.1 This timetable can be varied without Your consent and any such variations will not affect Your obligations under this Sub-Underwriting Agreement.

30. Acceptance

- 30.1 If You wish to irrevocably accept Your Sub-underwriting Commitment, please sign the attached Acceptance Form where indicated and return it to us by no later than 11.50pm (Perth time) on 10 December 2013. A response by facsimile transmission or email should be followed by return of the original.

Yours sincerely


Dr Dongyi Hua
for and on behalf of the Underwriter

ACCEPTANCE FORM

To: Dr Dongyi Hua
 H&H Holdings Australia Pty Ltd
 Unit 3, 150 Stirling Street, Perth, Western Australia 6000

Fax: +61 8 9221 5978

We are pleased to accept the Sub-underwriting Offer as described in the letter dated 10 December 2013 (**Letter**) on the terms and subject to the conditions contained in the Letter. In connection with the Sub-underwriting Offer, the undersigned gives for the benefit of the Company, the Underwriter and their respective Affiliates the various agreements, undertakings, warranties, representations, acknowledgements, indemnities and releases contained in the Letter. Terms not defined in this Acceptance Form have the meaning given to them in the Letter.

We agree that this commitment to subscribe for up to:

Offer	Number of Shortfall	Subscription Price	Total Amount
Priority sub-underwriting of Rights Issue	500,000,000	A\$0.01	A\$5,000,000

Please complete the following details:

Investor (full name): Australia Kengkong Investments Co Pty Ltd

Contact Name: Mr Hiuming Luk

Address: Suite 5503, 55/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong

Fax: +852 2877 1717

Phone: +86 1 580 217 1333

Details of Authorised Signatory

Signature:  Date: 10 December 2013

Name: Mr Hiuming Luk Title: Director

**THIS FORM MUST BE FAXED TO +61 8 9221 5978 OR EMAIL DR.HUA@VDMGROUP.COM.AU
 BY 11.50PM (PERTH TIME) ON 10 DECEMBER 2013**

ATTACHMENT A - PROSPECTUS

For personal use only



VDM GROUP LIMITED

ABN 95 109 829 334

Prospectus

For a non-renounceable entitlement offer of 1 New Share for every 1 Share held by Shareholders registered on the Record Date at an issue price of \$0.01 per Share to raise \$17.9 million (**Offer**).

This Offer is partly underwritten by H&H Holdings Australia Pty Ltd. Refer to section 7 of this Prospectus for details regarding the terms of the underwriting arrangements.

IMPORTANT NOTICE

This Prospectus has also been prepared for the purpose of Section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company.

This document is important and should be read in its entirety before deciding whether to apply for New Shares under this Prospectus. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, solicitor, banker, financial advisor, accountant or other professional advisor.

You should have regard to all publically available information concerning the Company.

An investment in the Shares of the Company, including the New Shares offered by this Prospectus, should be considered speculative.

Corporate Directory

Board of Directors

Dr Dongyi Hua
Executive Chairman and Interim Chief
Executive Officer

Mr Michael Perrott AM
Non-Executive Deputy Chairman

Mr Michael Fry
Non-Executive Director

Mr Xiang Yang Ru
Non-Executive Director

Company Secretary

Ms Samantha Drury

Registered Office

Level 1
Fortescue Centre
30 Terrace Road
East Perth WA 6004
Telephone: + 61 8 9265 1100
Facsimile: + 61 8 9265 1399

Share Registry

Computershare Investor Services Pty Limited
Level 2
45 St Georges Terrace
Perth WA 6000
Telephone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)
Facsimile: +61 3 9473 2500

Solicitors to the Offer

Clayton Utz
Level 27
QV.1 Building
250 St Georges Terrace
Perth WA 6000
Telephone: +61 8 9426 8000
Facsimile: + 61 8 9481 3095

Important notes

You should read this entire Prospectus carefully before deciding whether to invest in New Shares. In particular, you should consider the key risks that could affect the performance of the Company or the value of an investment in the Company, details of which are outlined in section 5 of this Prospectus.

The information provided in this Prospectus is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading this Prospectus, you have any questions about the Offer, you should contact your stockbroker, solicitor, banker, financial advisor, accountant or other professional advisor.

Regulatory information

This Prospectus is dated 10 December 2013 and was lodged with ASIC on that date. ASIC and ASX take no responsibility for the content of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

Applications for New Shares offered pursuant to this Prospectus can only be submitted on an original Application Form or Shortfall Application Form which accompany this Prospectus.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisors whom potential investors may consult.

Disclaimer

Except as required by law, and only then to the extent so required, neither the Company nor any other person warrants the future performance of the Company, or any return on any investment made under this Prospectus. An investment in the New Shares offered by this Prospectus should be considered speculative.

No person is authorised to give any information or make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company in connection with the Offer.

The Company has prepared this document based on information available to it at the time of preparation.

Forward-looking statements

This Prospectus contains forward looking statements that have been based on current expectations about future acts, events and circumstances. These forward looking statements are, however, subject to risks, uncertainties and assumptions many of which are outside the control of the Company and that

could cause those acts, events and circumstances to differ materially from the expectations described in such forward looking statements.

In particular, this Prospectus details some important factors and risks that could cause the Company's actual results to differ from the forward-looking statements in this Prospectus (details of which are outlined in section 5 of this Prospectus).

The pro-forma financial information provided in this Prospectus is for illustrative purposes only and is not represented as being indicative of the Company's view on its future financial condition and/or performance.

Neither the Company nor any other person guarantees the repayment of capital or the payment of income. Investors should note that the past performance of the Company provides no guidance to its future performance.

Key risks

Subscribing for Shares the subject of this Prospectus involves a number of risks. The risk factors set out in section 5 of the Prospectus and other general risks applicable to all investments in listed securities not specifically referred to may in the future affect the value of the Shares. Some of these factors can be mitigated by appropriate commercial action. However, many are outside the control of the Company, dependent on the policies adopted and approaches taken by regulatory authorities, or cannot otherwise be mitigated. If any Shareholder is unsure about subscribing for Shares, the Shareholder should first seek advice from its stockbroker, solicitor, banker, financial advisor, accountant or other professional advisor.

The following sets out a summary of some of the key risks relevant to the Company and its operations:

Risk	Details
Key personnel	The Company's future success depends on its continuing ability to retain and attract highly qualified technical and managerial personnel.
Commercial risk	The Company's ability to achieve profitability is dependent on a number of factors.
Influence of cornerstone shareholder	The Company's major shareholder, H&H, holds a relevant interest of 38.21% in the Company. To the extent H&H's intentions for the Company change, this could have a material effect on the Company and its operations.
Lower liquidity	There is a risk that the trading of Shares will be negatively affected by the size of H&H's relevant interest in the Company.
Business partner risk	The success of the Company's new strategy is reliant on its ability to obtain business partners.
New business risk	The Company is considering other potential areas of business outside of its core business segments.
Restructure risk	There is a risk that no new projects will be forthcoming and the current projects will be completed leaving no work for the project staff.
Negative cash operating position	If the Company is unable to enter into new contracts and meet the requisite deliverables under such contracts, it is possible that the Company's cash flow position will remain negative and may thus worsen.
Reliance on key contracts and ability to replace key contracts	Companies in the construction and contracting industries are often reliant on a small number of key contracts which form the basis of a company's forecast financial figures.
Contract disputes	There is a risk that the outcome of disputes or claims may differ materially from provisions raised in the Company's accounts which could expose the Company to incurring further losses.
Time delay risk	Numerous matters may give rise to delays in completion, loss of revenue and cost over-runs of projects.
Foreign jurisdiction risk	If the Company enters into foreign markets, it may be subject to the risks associated in operating in a foreign country.
Share market	The value of the Shares quoted on ASX will be subject to varied and often

Risk	Details
conditions	unpredictable influences on the market for equities and particularly for speculative stocks such as the Company's.
General economic conditions	Factors such as inflation, currency fluctuations, interest rates, supply and demand, industrial disruption, government policy and legislation have an impact on operating costs, commodity prices, and the parameters in which the Company operates.
Changes in government policies and laws	Changes in government laws, regulations, policies and administrative regimes, particularly those affecting ownership of mineral interests, taxation, royalties, land access, labour relations, environmental pollution and mining and exploration activities, may adversely affect the financial performance or the current and proposed operations generally of the Company.
Industrial risk	Industrial disruptions, work stoppages and accidents in the course of the Company's operations could result in losses and delays, which may adversely affect profitability.
Management actions	The Directors will, to the best of their knowledge, experience and ability (in conjunction with management) endeavour to anticipate, identify and manage the risks inherent in the activities of the Company.
Environmental risks	There is a risk that significant damages or penalties might be imposed on the Company, including for certain discharges into the environment, effects on employees, subcontractors or customers, or as clean-up costs.
Occupational health and safety	There are certain risks associated with the occupational health and safety of the Company's employees.
Industrial disputes	Industrial disputes may disrupt operations and impact on earnings.
No currency hedging	The Company has not put in place any hedging arrangements to mitigate its negative exposure to foreign exchange risk.
Regulatory risks	The Company is exposed to any changes in the regulatory conditions under which it operates in Australia.

In addition, there are a number of general risks that are common to all investments in shares and are not specific to the business model and operations of the Company. Further details regarding risks that may affect the Company in the future are set out in section 5.

The Shares offered under this Prospectus carry no guarantee of profitability, dividends, return of capital or the price at which they may trade on ASX. The past performance of the Company should not necessarily be considered a guide to its future performance.

Prospectus availability

Eligible Shareholders can obtain a copy of this Prospectus during the Offer Period on the Company's website at www.vdmgroup.com.au or by contacting the Share Registry by telephone on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) during the Offer Period. If you access the electronic version of this Prospectus, you should ensure that you download and read the entire Prospectus.

The electronic version of this Prospectus on the Company's website will not include a personalised Application Form. You will only be entitled to accept the Offer by completing and returning your personalised Application Form, which accompanies this Prospectus, or by making a payment via BPAY® using the information provided on your personalised Application Form (refer to section 3 of this Prospectus for further information).

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of this Prospectus or a complete and unaltered electronic version of this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Foreign jurisdictions

This Prospectus has been prepared to comply with the requirements of the laws of Australia. No action has been taken to register the New Shares in any jurisdiction outside of Australia.

See section 1.10 of this Prospectus for further details in relation to persons in other jurisdictions.

Glossary

Terms and abbreviations used in this Prospectus are explained in the Glossary in section 9 of this Prospectus.

A reference in this Prospectus to time is a reference to the local time in Perth, Western Australia, unless otherwise stated.

All financial amounts in this Prospectus are expressed in Australian dollars, unless otherwise stated.

Governing law

This Prospectus and the contracts that arise from acceptance of the Applications are governed by the laws applicable in Western Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of Western Australia.

Enquiries

If you have any questions in relation to the Offer, please contact your stockbroker, solicitor, banker, financial advisor, accountant or other professional advisor.

If you have any enquiries in relation to the Application Form, please contact the Share Registry by telephone on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

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Chairman's Letter

Dear Shareholders

On behalf of the Directors and management, I am pleased to offer you the opportunity to invest in VDM Group Limited through this partly underwritten, non-renounceable pro rata Offer of New Shares. The Offer represents the final stage of the recapitalisation plan announced at the end of October 2013 to stabilise the Company and secure its immediate future.

The Offer will provide Shareholders with the right to subscribe for 1 New Share for every 1 Share held on the Record Date each at an issue price of \$0.01. If fully subscribed, the Offer will raise approximately \$17.9 million before costs and expenses, which are expected to be approximately \$[2] (including the Underwriting Fee).

H&H Holdings Australia Pty Ltd (H&H) has committed to contribute \$9 million under the Offer, through subscribing for \$4 million of its Entitlement, and by underwriting \$5 million of the Shortfall. Any New Shares allocated to H&H pursuant to its underwriting commitment will be fully sub-underwritten by Australia Kengkong Investments Co Pty Ltd. Hunter Hall has also committed to take up \$1 million of its Entitlement as an existing Shareholder under the Offer, subject to H&H subscribing for \$4 million of its Entitlement. Accordingly, in total the Company has received commitments to subscribe for \$10 million of the Offer. Further Eligible Shareholders will also be able to apply to subscribe for New Shares in addition to their Entitlement pursuant to the Shortfall Offer.

If New Shares remain unsubscribed after the allocation of Shortfall Shares to Eligible Shareholders applying for New Shares in addition to their Entitlement and H&H as underwriter as described further in the Prospectus, the Board reserves the right, in its absolute discretion, to place the remaining unsubscribed New Shares to other parties on the same terms in the three months following the Offer.

The Company is undertaking the Offer to complete the recapitalisation plan and allow it to continue to implement the strategy of developing a company focused on three key industry segments: construction, services and mining.

The Company has largely restructured its existing activities to focus on a core construction offering which continues to deliver on the Company's existing contracts and is working hard to secure new contracts to deliver revenue and profits to the Company in the future. Alongside this, the Company is also developing its services offering and is looking to establish an in-house mining capability to consider investment and development opportunities in mining projects.

In section 2 you will find an overview of the Company and an update on the Company's activities. I would like to highlight several of the key advances the Company has made over the past few months to stabilise the Company and position it for future growth. In particular the Company has:

- completed the sale of its eastern construction business;
- exited its consulting activities through a series of management buy-outs and business-unit closures;
- had success in pursuing some of its outstanding contractual claims, resulting in material recoveries of approximately \$4 million in aggregate in November 2013;
- continued to restructure and reposition its continuing construction business; and
- formalised business relationships that will underpin its services offering.

This Offer will raise funds to enable the Company to, amongst other things, enhance its existing construction capability and position itself to win new contracts, build out its services offering in its

chosen niches and develop an in-house mining capability to assess and exploit opportunities to become more directly involved in mining projects.

For additional information on the use of funds raised from the capital raising, please refer to section 1.7.

To apply for New Shares under the Offer, you must complete the personalised Application Form accompanying this Prospectus before the Closing Date.

I encourage you to read the Prospectus in its entirety before making your investment decision. Risk factors associated with the investment in the Company that you may wish to consider are set out in section 5.

On behalf of the Board, I recommend this Offer to you and look forward to your continuing investment in the Company. I thank you for your ongoing support as a Shareholder.

Yours faithfully

Dr Dongyi Hua
Executive Chairman

VDM Group Limited

Key Offer Information

Eligible Shareholders Entitlement	1 New Share for every 1 Share held by those Shareholders registered on the Record Date
Offer price per Share	\$0.01
Maximum amount to be raised under the Offer before costs	\$17,929,753
Maximum number of New Shares to be issued	1,792,975,335
Maximum Number of Shares on issue on completion of the Offer	3,585,950,670

Key Dates

Lodgement of Prospectus with ASIC and ASX	10 December 2013
'Ex' date	13 December 2013
Record Date	19 December 2013
Opening Date	20 December 2013
Closing Date	8 January 2014
Deferred settlement trading commences	9 January 2014
Issue and allotment of New Shares	16 January 2014

Note: These dates (other than the date of the Prospectus and date of lodgement of the Prospectus with ASX and ASIC) are indicative only. The Company reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws, to vary the dates of the Offer, including extending the Closing Date or accepting late applications, either generally or in particular cases, without notice.

Frequently asked questions (FAQs)

What is the Offer?	The Offer is a pro-rata non-renounceable offer made to Eligible Shareholders to subscribe for New Shares.	Section 1.1
What is my Entitlement?	Each Eligible Shareholder is entitled to subscribe for 1 New Share for every 1 Share held on the Record Date.	Application Form and section 1.2
What is the Offer price?	The Offer price is \$0.01 per New Share.	Section 1.1
Am I an Eligible Shareholder?	Eligible Shareholders are those persons who are registered as a holder of Shares as at 7.00pm (Sydney time) on the Record Date.	Sections 1.2 and 1.10
How much will be raised from the Offer?	If the Offer is fully subscribed, the Offer will raise \$17.9 million (before costs).	Section 1.7
What is the purpose of the Offer and how will the funds raised be used?	<p>The funds raised under the Offer, net of expenses of the Offer, together with existing cash reserves will be used to:</p> <ul style="list-style-type: none"> • strengthen the Company's balance sheet; • improve market confidence in VDM; • provide an enhanced financial platform on which to accelerate growth and pursue new opportunities; and • repay the short term secured loan facility provided by H&H. 	Sections 1.7 and 4
Is the Offer underwritten?	<p>Yes, the Offer is underwritten by H&H to the extent of the Underwritten Amount, being \$5 million (equivalent to 500,000,000 Shares).</p> <p>Australia Kengkong Investments Co Pty Ltd has entered into a sub-underwriting agreement with H&H whereby Australia Kengkong Investments Co Pty Ltd has agreed to sub-underwrite the full Underwritten Amount, being 500,000,000 Shares.</p> <p>The Company has also received commitments from H&H to take up \$4 million of its Entitlement (equivalent to 400,000,000 New Shares), and from Hunter Hall to take up \$1 million of its Entitlement (equivalent to 100,000,000 New Shares). Hunter Hall's commitment is subject to H&H subscribing for \$4 million of its Entitlement.</p>	Section 1.5 and 7
What are the tax implications of participating in the Offer?	Taxation implications will vary depending upon the specific circumstances of individual Shareholders. Investors should obtain their own professional advice as to the particular taxation treatment which will apply to them.	Section 7.13
Are there any risks?	There are risks associated with an investment in the Company. These include risks relating to the Company's business, risks relating to the Offer and risks associated	Section 5

with financial investment generally. These risks are set out in more detail in section 5 of this Prospectus.

What effect will the issue of New Shares under the Offer have on the control of the Company?

The potential effect that the issue of the New Shares under the Offer will have on the control of the Company, and the consequences of that effect, will depend on a number of factors, including investor demand.

Sections 1.15, 4 and 7.7

Section 1.15 outlines the effect on H&H's total relevant interest in the Company under different take up scenarios, following the issue of New Shares under the Offer.

It is not expected that any change in the total relevant interest of H&H will have any material consequences on the control of the Company.

Further details of the effect on control are set out in section 4. Details of the intentions of substantial holders is set out in section 7.7.

Where can I find more information about the Company?

For more information on the Company and its projects please see the Company's website (www.vdmgroup.com.au) and the Company's ASX announcements (also available on the Company's website and the ASX's website www.asx.com.au).

Actions for Eligible Shareholders

How do Eligible Shareholders find out what their Entitlement is?	Your Entitlement is set out on the personalised Application Form accompanying this Prospectus.	Application Form
What can I do with my Entitlement?	You can do the following: <ul style="list-style-type: none"> • take up all or part of your Entitlement; or • do nothing, in which case your Entitlement will lapse. 	Section 3.1
How do I accept the Offer?	If you wish to take up all or part of your Entitlement, you must either: <ul style="list-style-type: none"> • complete and return the personalised Application Form to the Share Registry together with a cheque, bank draft or money order for the full Application Monies so that it is received by the Share Registry by no later than 5.00pm (Perth time) on the Closing Date; or • pay the full Application Monies via BPAY® by no later than 2.00pm (Perth time) on the Closing Date. 	Section 3.2
Can I sell or transfer my Entitlement?	No, the Offer is non-renounceable, meaning you cannot sell or transfer your Entitlement.	Section 1.4
What happens if I do not take up my Entitlement, or take	If you do not take up all of your Entitlement by the Closing Date, then New Shares not taken up under your Entitlement will form part of the Shortfall. This will likely result in your	Section 1.6

up only part of my Entitlement?	interest in the Company being diluted.	
Can I take up more than my Entitlement?	Shareholders may apply for Shares above their Entitlement by applying to participate in the Shortfall Offer.	
How do I participate in the Shortfall Offer?	<p>Shareholders who wish to apply for Shares above their Entitlement and participate in the Shortfall Offer can complete the relevant section of the Application Form (titled "Additional New Shares") and return it, together with a cheque for the value of those Shortfall Shares (at \$0.01 per Shortfall Share) to the Company.</p> <p>Persons who wish to participate in the Shortfall who are not Shareholders must complete a Shortfall Application Form provided by or available on request from the Company and return it, together with the Application Monies for the value of those Shortfall Shares (at \$0.01 per Shortfall Share) to the Company.</p>	Section 1.6
How will the Shortfall Offer be allocated?	<p>The Directors reserve the right to place the Shortfall at their absolute discretion.</p> <p>The intention of the Directors is to allocate any Shortfall Shares as follows:</p> <ul style="list-style-type: none"> • first to the Underwriter; and • then, if the Shortfall exceeds the Underwritten Amount, pro-rata to Shareholders that have applied for Shortfall Shares (other than the Underwriter, and Related Parties or associates of the Underwriter). <p>If any Shortfall remaining after allocation to the Underwriter is oversubscribed by Shareholders, the Company intends to scale back, pro-rata, Shareholder Applications for Shortfall Shares.</p> <p>If the Shortfall does not exceed the Underwritten Amount, no Shortfall Shares will be allocated to Shareholders. To the extent that any Shortfall Shares remain after the above allocations, the Directors reserve the right to place Shortfall Shares to third parties who are not Shareholders and who are not Related Parties or associates of the Underwriter. Any Shortfall Shares the subject of the Shortfall Offer will be placed no later than 3 months after the Closing Date.</p> <p>In any event, the placement of any Shortfall remains at the absolute discretion of the Directors.</p> <p>If, for any reason, Australia Kengkong Investments Co Pty Ltd does not subscribe for the Underwritten Amount pursuant to the sub-underwriting arrangements, the Directors intend to allocate Shortfall first to Shareholders.</p>	Section 1.6

Enquiries

If you have any enquiries in relation to the Application Form or your Entitlement, please contact the Share Registry by telephone on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) or consult your professional advisor.

1. Details of the Offer

The information set out in this section is not intended to be comprehensive and should be read in conjunction with the full text of this Prospectus.

1.1 Description of the Offer

The Offer is being made as a non-renounceable entitlement offer of 1 New Share for every 1 Share held by Shareholders registered as at 7.00pm (Sydney time) on the Record Date at an issue price of \$0.01 per Share.

Based on the capital structure of the Company as at the date of this Prospectus and assuming all Entitlements are accepted, a maximum of 1,792,975,335 New Shares will be issued pursuant to this Offer to raise \$17.9 million.

The New Shares offered under this Prospectus will be issued on a fully paid basis and will rank equally in all respects with the Shares on issue at the date of this Prospectus. Please refer to section 6 for further information regarding the rights and liabilities attaching to the New Shares.

The purpose of the Offer and the intended use of funds raised are set out in section 1.7 of this Prospectus.

1.2 Entitlements

Each Shareholder who is registered as the holder of Shares at 7.00pm (Sydney time) on the Record Date is entitled to participate in the Offer. The number of New Shares to which you are entitled is shown on your Application Form accompanying this Prospectus.

Shareholders who do not take up all of their Entitlement will have their percentage shareholding in the Company diluted as a result of the Offer (assuming that all New Shares are issued).

If you have more than one holding of Shares, you will be sent more than one personalised Application Form and you will have separate Entitlements for each separate holding. It is the responsibility of Applicants to determine their allocation prior to trading in the New Shares. The sale by Applicants of New Shares prior to the receipt of a holding statement is at the Applicant's own risk.

1.3 Opening Date and Closing Date

The Offer will be open for receipt of Applications on the Opening Date, 20 December 2013.

The Company will accept Applications, including Application Money, until 5:00pm (Perth time) on the Closing Date, 8 January 2014, subject to the Company varying the Closing Date in accordance with the Corporations Act and ASX Listing Rules.

1.4 Non-renounceable

The Offer is non-renounceable. This means that Eligible Shareholders are unable to sell or transfer their Entitlements to subscribe for New Shares.

Any New Shares not subscribed for by Eligible Shareholders will form part of the Shortfall.

1.5 Underwriting

The New Shares to be issued under the Offer are underwritten by the Underwriter to the extent of the Underwritten Amount.

A summary of the Underwriting Agreement, including the events whereby the Underwriters may be released from their obligations under the Underwriting Agreement, is set out in section 7 of this Prospectus.

1.6 Shortfall

Any Entitlement not taken up pursuant to the Offer (or underwritten) will form part of the Shortfall Offer and may be placed at the complete discretion of the Directors.

Shareholders who wish to apply for Shares above their Entitlement (and participate in the Shortfall Offer) can complete the relevant section of the Application Form (titled "Additional New Shares") and return it, together with a cheque for the value of those Shortfall Shares (at \$0.01 per Shortfall Share) to the Company.

Persons who wish to participate in the Shortfall who are not Shareholders must complete a Shortfall Application Form provided by or available on request from the Company and return it, together with the Application Monies for the value of those Shortfall Shares (at \$0.01 per Shortfall Share) to the Company.

Any Shortfall Shares which remain following satisfaction of Shareholder oversubscriptions pursuant to the Shortfall Offer may be placed no later than 3 months after the Closing Date and will be issued on the same terms as are offered to Eligible Shareholders under the Offer.

The offer of any Shortfall Shares is a separate offer made pursuant to this Prospectus and will remain open for up to 3 months following the Closing Date. The purpose of offering the Shortfall pursuant to this Prospectus is to comply with section 708A(11) of the Corporations Act so that investors issued with Shortfall Shares pursuant to the placement of the Shortfall can sell their Shortfall Shares within the next 12 months without the issue of a prospectus.

The Directors reserve the right to place the Shortfall at their discretion. The intention of the Directors is to allocate any Shortfall Shares as follows:

- first to the Underwriter; and
- then, if the Shortfall exceeds the Underwritten Amount, pro-rata to Shareholders that have applied for Shortfall Shares (other than the Underwriter, and Related Parties or associates of the Underwriter).

If any Shortfall remaining after allocation to the Underwriter is oversubscribed by Shareholders, the Company intends to scale back, pro-rata, Shareholder Applications for Shortfall Shares.

If the Shortfall does not exceed the Underwritten Amount, no Shortfall Shares will be allocated to Shareholders.

To the extent that any Shortfall Shares remain after the above allocations, the Directors reserve the right to place Shortfall Shares to third parties who are not Shareholders and who are not Related Parties or associates of the Underwriter. Any Shortfall Shares the subject of the Shortfall Offer will be placed no later than 3 months after the Closing Date.

The Directors, whilst retaining the discretion to place the Shortfall as they consider fit, intend to satisfy applications by Shareholders for Shortfall Shares, subject to the limitation that Shortfall

Shares will not be allocated so as to increase a Shareholder's relevant interest in the Company above 20%. If the Shortfall is oversubscribed by Shareholders, the Company intends to pro-rata scale back Shareholder applications for Shortfall.

If, for any reason, Australia Kengkong Investments Co Pty Ltd does not subscribe for the Underwritten Amount pursuant to the sub-underwriting arrangements, it is the Directors' intention that the Shortfall Shares would be allocated as follows:

- first, to Shareholders that have applied for Shortfall Shares (other than the Underwriter, and Related Parties or associates of the Underwriter);
- then to third parties who are not Shareholders and who are not Related Parties or associates of the Underwriter; and
- finally, and to the extent that Shortfall Shares remain, to the Underwriter.

In any event, the Directors reserve the right to place the Shortfall at their absolute discretion.

1.7 Purpose of the Offer and intended use of funds

If the Offer is fully subscribed, the Offer will raise \$17.9 million.

The funds raised under the Offer, net of expenses of the Offer, together with existing cash reserves will be used to:

- strengthen the balance sheet to support ongoing work;
- improve market confidence in VDM which will have flow on benefits to clients, Shareholders, employees, and suppliers;
- provide increased working capital support allowing the business to bid for a greater range of projects, enabling the Company to target new markets and increase revenues;
- repay the \$4 million secured loan facility provided by H&H to VDM pursuant to the Convertible Loan, Debt Loan and Facility Agreement;
- Improve the ability of the Company to renegotiate banking and security facilities; and
- allows the Company to pursue new opportunities, leveraging off the global experience of H&H in the mining and construction sectors.

However, in the event that circumstances change, business opportunities vary from expected, or other beneficial opportunities arise, the Directors reserve the right to vary the proposed use of funds to maximise the benefit to Shareholders. Please refer to section 2.1 for further information regarding the Company's strategy.

1.8 Minimum Subscription

The Offer is conditional on the Company receiving a minimum subscription amount of \$5 million (representing 500,000,000 New Shares) through Applications and pursuant to the Underwriting Agreement (**Minimum Subscription**), and no New Shares will be issued pursuant to the Offer until the Minimum Subscription is reached.

If the Company does not receive Applications for at least the Minimum Subscription, the Company will not proceed with the Offer and all Application Money will be refunded to each Applicant without interest.

1.9 Application Money

Application Money will be held in trust in a subscription account established and held by the Company on behalf of each Eligible Shareholder until the New Shares are issued. If necessary, Application Money will be refunded as soon as reasonably practicable, without interest. Interest earned on any Application Money will be for the benefit of the Company and will be retained by the Company regardless of whether New Shares are issued under the Offer.

1.10 Treatment of foreign Shareholders

This Prospectus and the accompanying Application Form does not constitute an offer of New Shares in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer.

Return of a duly completed Application Form or BPAY® payment will be taken by the Company to constitute a representation by the Applicant that there has been no breach of applicable securities laws.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and anyone who receives this Prospectus should seek advice on and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the New Shares or the Offer, or otherwise permit a public offering of New Shares, in any jurisdiction outside Australia. New Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

It is the responsibility of any Applicant to ensure compliance with any laws of the country relevant to their Application. Return of a duly completed Application Form and/or payment of Application Money will be taken by the Company to constitute a representation that there has been no breach of such laws.

This document does not constitute an offer of New Shares of the Company in any jurisdiction in which it would be unlawful. New Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

Argentina

The Argentine Securities Exchange Commission ("Comisión Nacional de Valores de la República Argentina") has not approved this document or the offer of New Shares as no such authorization is required. This document does not constitute a public offering in Argentina and may only be distributed in Argentina to existing shareholders of the Company.

Canada (Ontario province)

This document constitutes an offering of New Shares only in the Province of Ontario (the "Province") and to those persons to whom they may be lawfully distributed in the Province, and only by persons permitted to sell such New Shares. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Province. This document may only be distributed in the Province to persons that are "accredited investors" within the meaning of NI 45-106 – Prospectus and Registration Exemptions, of the Canadian Securities Administrators.

No securities commission or similar authority in the Province has reviewed or in any way passed upon this document, the merits of the New Shares or the offering of New Shares and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Province with respect to the offering of New Shares or the resale of such securities. Any person in the Province lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the New Shares in the Province must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the New Shares outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the New Shares.

The Company, and the directors and officers of the Company, may be located outside Canada, and as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada, and as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

Statutory rights of action for damages and rescission

Securities legislation in the Province may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defences contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the New Shares purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against the Company if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the New Shares during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against the Company, provided that:

- (a) the Company will not be liable if it proves that the purchaser purchased the New Shares with knowledge of the misrepresentation;

- For personal use only
- (b) in an action for damages, the Company is not liable for all or any portion of the damages that the Company proves does not represent the depreciation in value of the New Shares as a result of the misrepresentation relied upon; and
 - (c) in no case shall the amount recoverable exceed the price at which the New Shares were offered.

Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights more than:

- (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action.

These rights are in addition to and not in derogation from any other right the purchaser may have.

Certain Canadian income tax considerations. Prospective purchasers of the New Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding, or disposition of the New Shares as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors.

China

The information in this document does not constitute a public offer of the New Shares, whether by way of sale or subscription, in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The New Shares may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to "qualified domestic institutional investors".

European Economic Area - Belgium and Germany

The information in this document has been prepared on the basis that all offers of New Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to produce a prospectus for offers of securities.

An offer to the public of New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- (a) to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- (b) to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);

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- (c) to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID");
 - (d) to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID;
 - (e) to fewer than 150 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior consent of the Issuer or any underwriter for any such offer; or
 - (f) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Shares shall result in a requirement for the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

Hong Kong

WARNING: The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Indonesia

A registration statement with respect to the New Shares has not been, and will not be, filed with the Capital Market and Financial Institutions Supervisory Agency (Bapepam-LK) of the Republic of Indonesia. Therefore, the New Shares may not be offered or sold or be the subject of an invitation for subscription or purchase. Neither this document nor any other document relating to the offer or sale, or invitation for subscription or purchase, of the New Shares may be circulated or distributed, whether directly or indirectly, in the Republic of Indonesia or to Indonesian citizens, corporations or residents, except in a manner that will not be considered as a "public offer" under the law and regulations in the Republic of Indonesia.

Malaysia

No approval from the Securities Commission of Malaysia has been or will be obtained in relation to any offer of New Shares. The New Shares may not be offered or sold in Malaysia except pursuant to an exemption from the prospectus requirements under the Malaysian Capital Markets and Services Act.

New Zealand

The New Shares are not being offered or sold to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand).

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Securities Act 1978 (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Papua New Guinea

This document is being distributed only to shareholders of the Company. This document has not been registered as a prospectus in PNG and no notice of the proposed offer will be submitted to the Registrar of Companies. No other documents are being lodged with the Registrar of Companies or the PNG Securities Commission in respect of the proposed offer. The proposed offer is not and should not be construed as an offer of securities to the public in PNG.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares may not be issued, circulated or distributed, nor may these securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an existing holder of the Company's shares. In the event that you are not such a shareholder, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares. This document is issued on a confidential basis to fewer than 150 persons (other than "qualified investors" (within the meaning of section 86(7) of FSMA)) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to the Company.

United States

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in

transactions exempt from, or not subject to, the registration requirements under the US Securities Act and applicable US state securities laws.

Vietnam

The New Shares may not be offered in the territory of the Socialist Republic of Vietnam or to any Vietnamese citizen (whether residing in Vietnam or outside Vietnam) or any foreign exchange resident of Vietnam unless such person has obtained the necessary approval/permit as required by relevant local laws from the Vietnamese authorities (the State Bank of Vietnam and any other relevant authority according to the requirements of Vietnamese law as applicable from time to time) to purchase and/or hold such securities, and by the purchase or acceptance of an instrument, the relevant holder shall be deemed to represent and warrant that it has obtained all necessary approvals and permits.

1.11 ASX waivers and ASIC relief

The Company has confirmed that no waivers from the ASX Listing Rules are required in relation to the Offer. The Company is not relying on any specific ASIC relief in order to conduct the Offer.

1.12 Expenses of the Offer

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$[•] (excluding GST) (if the full subscription is raised) and are expected to be applied towards the items set out in the table below:

Expenses	Maximum Subscription (\$)
ASIC fees	2,225
ASX fees	24,131
Legal fees	150,000
Underwriting Fee	150,000
Printing and despatch	[•]
Miscellaneous	10,000
Total	[•]

1.13 Allotment of Shares

New Shares issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. Where the number of New Shares issued is less than the number applied for, surplus Application Money will be refunded without any interest to Applicants as soon as practicable after the Closing Date.

New Shares issued after the Closing Date pursuant to the Shortfall Offer will be allotted on a progressive basis. Where the number of New Shares issued is less than the number applied for, surplus Application Money will be refunded without any interest to Applicants as soon as practicable after the closing date of the Shortfall Offer.

Holding statements for New Shares issued under the Offer will be despatched to Shareholders in accordance with the requirements of the ASX Listing Rules and the timetable set out at the

commencement of this Prospectus and for Shortfall Shares issued after the Closing Date under the Shortfall Offer as soon as practicable after their issue.

1.14 ASX listing

Application for Official Quotation by ASX of the New Shares offered pursuant to this Prospectus will be made as soon as possible and in any event within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by ASIC), the Company will not issue any New Shares and will repay all Application Money for the New Shares within the time prescribed under the Corporations Act, without interest.

The anticipated date of commencement of Official Quotation of the New Shares issued in accordance with this Prospectus, subject to ASX's discretion and compliance with the ASX Listing Rules. The fact that ASX may grant Official Quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares now offered for subscription.

1.15 Effect on control

The potential effect that the issue of the New Shares under the Offer will have on the control of the Company, and the consequences of that effect, will depend on a number of factors, including investor demand.

The maximum number of New Shares to be issued pursuant to the Offer is 1,792,975,335.

If each Eligible Shareholder elects to subscribe for all of the New Shares offered to them the issued capital of the Company will comprise 3,585,950,670 Shares.

H&H currently has a relevant interest in 685,110,976 Shares (approximately 38.21% of the Company's current issued Shares). The Offer is underwritten by H&H to the extent of the Underwritten Amount. However, Australia Kengkong Investments Co Pty Ltd has committed to priority sub-underwrite the whole of the Underwritten Amount. As such, H&H's underwriting commitment should not have any effect on the control of the Company. Further information regarding the underwriting arrangements is set out in section 7.

Below is a summary of the effect on the total number of Shares in the Company each of H&H, Hunter Hall and Australia Kengkong Investments Co Pty Ltd will have a relevant interest in (and voting power) under different take up scenarios, following the issue of New Shares under the Offer.

	Before the Offer		Post Offer (Committed Amount) ¹		Post Offer (Full take up by all Shareholders)	
	# of Shares	%	# of Shares	%	# of Shares	%
H&H Holdings Australia Pty Ltd	685,110,976	38.21	1,085,110,976	38.85	1,370,221,952	38.21
Hunter Hall Investment Management Ltd	127,665,260	7.12	227,665,260	8.15	255,330,520	7.12

¹ The "Committed Amount" column of the following table assumes that H&H subscribes for \$4 million of its Entitlement, Hunter Hall subscribes for \$1 million of its Entitlement, Australia Kengkong Investments Co Pty Ltd sub-underwrites the full Underwritten Amount and no other Eligible Shareholders subscribe for their Entitlement.

Australia Kengkong Investments Co Pty Ltd	Nil	Nil	500,000,000	17.90	Nil	Nil
Other Shareholders	980,199,099	54.67	980,199,099	35.09	1,960,398,198	54.67
Total	1,792,975,335	100	2,792,975,335	100	3,585,950,670	100

The level of control of all Eligible Shareholders that do not subscribe for their full Entitlement will decrease.

It is not expected that any change in the total relevant interest of H&H will have any material consequences on the control of the Company. However, if, for any reason, Australia Kengkong Investments Co Pty Ltd does not subscribe for the Underwritten Amount and H&H is required to subscribe for the Underwritten Amount itself pursuant to the terms of the Underwriting Agreement, if no other Shareholder (apart from Hunter Hall) subscribes for New Shares, H&H could have a relevant interest in up to 1,585,110,976 Shares, or 56.75% of the Company. Please see section 1.6 which sets out the Directors' intentions to minimise the possible effect on control.

Further details regarding the intentions of substantial holders is set out in section 7.7.

1.16 **Withdrawal of the Offer**

The Company reserves the right to withdraw the Offer at any time, in which case the Company will refund Application Monies in accordance with the Corporations Act and will do so without interest.

1.17 **CHESS**

The Company participates in the Clearing House Electronic Subregister System (**CHESS**). ASX Settlement Pty Ltd (**ASX Settlement**), a wholly-owned subsidiary of ASX, operates CHESS in accordance with the ASX Listing Rules and ASX Settlement Operating Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of New Shares.

If your shareholding is held on a broker sponsored sub-register, ASX Settlement will send you a CHESS statement. The CHESS statement will set out the number of New Shares issued to you under this Prospectus, and provide details of your holder identification number and the participant identification number of the sponsor.

If your shareholding is held on the CHESS Company-sponsored sub-register, your statement will be despatched by the Share Registry and will contain the number of New Shares issued to you under this Prospectus and your security holder reference number.

A CHESS statement or Company statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time. However, a charge may be incurred for additional statements.

1.18 **Enquiries**

If you have any enquiries in relation to the Application Form or your Entitlement, please contact the Share Registry by telephone on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) or consult your professional advisor.

2. Company information

2.1 Company update

As set out in the Company's most recent Notice of Annual General Meeting, as a result of the downturn in activity levels experienced by the Company and the impact of a dispute with a major client, the Company has had to undertake a significant restructure of its existing activities including the sale or closure of its eastern construction operations and (as announced to ASX on 28 November) its consulting businesses. With the exception of some remaining non-core property assets, this activity is largely complete and the Company is now focused on growing an "engineer, procure and construct" (EPC) business model with an emphasis on mining, transport and civil infrastructure projects and developing its in-house mining capabilities to capture a larger portion of the resource value chain. To achieve this, the Company has been structured across three segments, all at various stages of development, as follows:

- (a) (Construction division) The restructured construction division will look to leverage the Company's core engineer and construct capabilities in the EPC market, both in Australia and overseas where the Company will seek to build relationships to access markets that have demand for its capability and expertise.
- (b) (Services division) The newly established services division is building relationships with Chinese suppliers of selected construction equipment and components to allow it to develop competitive procurement and service offerings for the mining and general construction industries. Specific areas where the Company expects to build its products and services include:
 - hire of construction and other heavy equipment;
 - provision of after-sales support and equipment maintenance services for mining equipment and infrastructure;
 - electrical and lighting system design, procurement and installation; and
 - structural steel and modular construction design, procurement and installation.
- (c) (Mining division) The Company will look to establish an in-house mining team to identify and assess opportunities to participate directly in projects which are considered complementary to its EPC capability, thereby increasing the Company's exposure to the value generated through mine development. Whilst the Company is still only in the early stages of developing this segment of its business, it does expect that the majority of opportunities to grow in this area will be from emerging markets such as Africa, Asia and Latin America.

With this structure, the Company expects to be able to better leverage its core capabilities and relationships to win EPC contracts in its chosen markets, identify and exploit new related product markets to improve its overall offering and diversify its earnings base and expand into adjacent mining activities where it can bring these capabilities to bear.

As part of this overall strategy, the Company will also be considering other potential markets outside of Australia where it can successfully leverage its capabilities and relationships to grow these core business segments.

The Company is also actively pursuing various contractual claims which it believes are legitimately owing to it for work previously performed. If successful, the recovery of some or all of these sums will further bolster the Company's financial position and allow it to more aggressively pursue its growth opportunities.

2.2 Board of Directors

The Directors of the Company bring to the Board relevant expertise and skills, including industry and business knowledge, financial management and corporate governance experience.

The following persons are Directors of the Company as at the date of this Prospectus:

Dr Dongyi Hua - Executive Chairman and Interim Chief Executive Officer

Dr Dongyi Hua, PhD was appointed Managing Director of VDM Group Limited and took up the position on 9 September 2013. Dr Hua became Executive Chairman and Interim Chief Executive Officer following the Company's annual general meeting on 29 November 2013.

During the past 20 years Dr Hua has held executive management positions on international projects in the People's Republic of China, Asia, Middle East and Africa. He has experience in project management (FIDIC), contract management, cost and risk management.

Dr Hua holds a Doctorate of Engineering from the China University of Geosciences.

Mr Michael Perrott AM - Non-Executive Deputy Chairman

Michael has been involved in industries associated with construction, contracting, mining and land development since 1969. He is currently the Chairman of GME Resources Limited and a Non-Executive Director of Schaffer Corporation Limited. He has previously held the role of Managing Director of Gardner Perrott Group Limited, Chairman of Port Bouvard Limited and was a Non-Executive Director of Portman Limited. He is also a member of the Board of Notre Dame University and SANE Australia. Michael holds a Bachelor of Commerce from the University of Western Australia and is a Fellow of the Australian Institute of Management and the Australian Institute of Company Directors.

Mr Michael Fry - Non-Executive Director

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). For much of the past decade, 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.

Currently Mr Fry is Chief Financial Officer and Company Secretary of Cougar Metals NL, a publicly listed gold exploration and drilling services company operating in Brazil.

Mr Xiang Yang Ru - Non-Executive Director

Mr Xiang Yang Ru was appointed as a Non-Executive Board Member in August 2013.

Mr Ru has held various senior positions at Shaihai Jiakai Printing Ltd, Henan Xuchuangli Science & Technology Development Ltd & Beijing Hengdehunyi Investment Consulting Ltd.

He has a Bachelor degree from the University of Science & Technology of China and a Master from the Institute of Applied Mathematics, AMSS, CAS.

As shareholders approved the Conversion of the Convertible Loan at the Company's annual general meeting, H&H is entitled to appoint an additional nominee director to the Company's board. As set out in the notice of annual general meeting dated 31 October 2013, the

Company had previously understood that the director would be Mr Ming Guo. The Company now understands that H&H is yet to finalise its intended third nominee to be appointed to the Board.

1.19 Directors' interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer.

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

	# of Shares	%	# of Options and Rights	Entitlement	\$
Mr Michael Perrott AM	6,200,000	0.39	Nil	6,200,000	62,000
Dr Dongyi Hua	685,110,976	38.85	Nil	685,110,976	6,851,110
Mr Michael Fry	500,000	0.03	Nil	500,000	5,000
Mr Xiang Yang Ru	Nil	Nil	Nil	Nil	Nil

As at the date of this Prospectus:

- (a) Mr Perrott intends to subscribe for his Entitlement;
- (b) Dr Hua (via H&H) has committed to, and intends to, subscribe for \$4,000,000 under his Entitlement; and
- (c) Mr Fry intends to subscribe for his Entitlement.

1.20 Directors' fees

No amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner or director, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or the Offer.

Directors are entitled to Directors' fees and other payments, which are disclosed in the Company's annual financial reports. The Directors' current annual remuneration is as follows:

	Salary / Directors' Fees 2011/2012 \$	Superannuation 2011/2012 \$	Salary / Directors' Fees 2012/2013 \$	Superannuation 2012/2013 \$	Salary / Directors' Fees 2013/2014 \$
Mr Michael Perrott AM	140,000	0	131,488	0	114,333.30
Dr Dongyi Hua	0	0	0	0	625,000
Mr Michael Fry	75,000	6,750	59,005	5,311	80,833.33
Mr Xiang Yang Ru	0	0	0	0	75,000

The Constitution of the Company provides that the Non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting (the total pool for Non-Executive Directors remuneration currently being \$600,000).

Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

3. Action required by Shareholders

All Applications for New Shares must be made by Eligible Shareholders in accordance with the instructions in this Prospectus and on the Application Form, or in the case of a third party who is not an Eligible Shareholder pursuant to the Shortfall Offer, in accordance with the instructions in this Prospectus and on the Shortfall Application Form. By returning the Application Form, Shortfall Application Form or paying any Application Money for New Shares by BPAY®, you offer to acquire the New Shares on the terms and conditions set out in this Prospectus.

The Company reserves the right to reject any Applications for New Shares that are not made in accordance with the terms of this Prospectus or the instructions on the Application Form (or Shortfall Application Form).

The Company also reserves the right (in its absolute discretion) to reduce the number of New Shares allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if their claims prove to be overstated or if they fail to provide information to substantiate their claims.

3.1 Options for Eligible Shareholders

Eligible Shareholders may do one of the following:

- **Take up all or part of your Entitlement**

If you wish to take up all or part of your Entitlement, you will need to submit an Application in accordance with the instructions in this Prospectus and on the Application Form. Please refer to section 3.2 of this Prospectus.

- **Allow all or part of your Entitlement to lapse**

If you decide not to apply for all or part of your Entitlement to New Shares, or fail to apply by the Closing Date, your Entitlement will lapse. The New Shares not subscribed for will form part of the Shortfall.

- **Apply to take up more than your Entitlement**

If you wish to apply for more Shares than your Entitlement (and participate in the Shortfall Offer) you will need to complete the relevant section of the Application Form (titled "Additional New Shares") and return it, together with the necessary Application Money to the Company in accordance with the instructions in this Prospectus and on the Application Form.

3.2 Applying for New Shares

If you wish to take up all or part of your Entitlement or Shortfall Shares, you have two options for payment of the relevant Application Money:

Option 1 - Payment by BPAY®

For payment by BPAY® please follow the instructions on the personalised Application Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

Please note that should you choose to pay by BPAY®:

- you do not need to submit the personalised Application Form but are taken to make the declarations on that Application Form; and
- if you do not pay for your full Entitlement, you are deemed to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Money.

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 2.00pm (Perth time) on the Closing Date. **You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment, and you should therefore take this into consideration when making payment.**

Any Application Money received for more than your allocation of New Shares will be refunded as soon as practicable after the close of the Offer. No interest will be paid to Applicants on any Application Money received or refunded.

The Company reserves the right to extend the Closing Date for the Offer to accept late Applications either generally or in particular cases.

Option 2 - Payment by cheque, bank draft or money order

For payment by cheque, bank draft or money order, you should complete your Application Form in accordance with the instructions on the Application Form and return it to the Share Registry (refer below for details) accompanied by a cheque, bank draft or money order in Australian currency for the amount of the Application Money, payable to "VDM Group Limited" and crossed "Not Negotiable".

Your cheque, bank draft or money order must be:

- for an amount equal to \$0.01 multiplied by the number of New Shares that you are applying for; and
- in Australian currency drawn on an Australian branch of a financial institution.

Your completed Application Form and cheque, bank draft or money order must reach the Share Registry at the following address by no later than 5.00pm (Perth time) on the Closing Date:

Postal address

Computershare Investor Services Pty Ltd
GPO Box 505
Melbourne, Victoria 3001
Australia

Hand deliveries

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street,
Abbotsford, Victoria 3067
Australia

Application Forms (and Application Money) will not be accepted at the Company's registered office or corporate offices, or other offices of the Share Registry.

Cash payments will not be accepted. Receipts for payment will not be issued.

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Money as your cheques will be processed on the day of receipt. If the amount of your cheque for Application Money (or the amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Application Form, you will be taken to have applied for such lower number of whole New Shares as your cleared Application Money will pay for (and to have specified that number of New Shares on your Application Form). Alternatively, your Application will not be accepted.

Any Application Money received for more than your final allocation of New Shares will be refunded as soon as practicable after the close of the Offer. No interest will be paid to Applicants on any Application Money received or refunded.

3.3 Implications of making an Application

Submitting an Application constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Prospectus and, once lodged, cannot be withdrawn. The Application Form does not need to be signed to be binding.

If an Application is not completed or submitted correctly it may still be treated as a valid Application for New Shares. The Company's decision whether to treat an Application as valid and how to construe, amend, complete or submit the Application Form (or Shortfall Application Form) is final.

By completing and returning your personalised Application Form (or a Shortfall Application Form) with the requisite Application Money or making a payment by BPAY®, you:

- agree to be bound by the terms of this Prospectus and the provisions of the Company's constitution;
- authorise the Company to register you as the holder(s) of the New Shares allotted to you;
- declare that all details and statements made in the Application Form (or Shortfall Application Form) are complete and accurate;
- declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Offer;
- acknowledge that once the Company receives the Application Form (or Shortfall Application Form) or your payment by BPAY®, you may not withdraw it except as allowed by law;
- agree to apply for, and be issued with up to, the number of New Shares that you apply for at the issue price of \$0.01 per New Share;
- authorise the Company and its officers or agents to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of the Share Registry upon using the contact details set out in the Application Form (or Shortfall Application Form);
- agree that the allotment of New Shares to you constitutes acceptance of your Application;
- declare that you are the current registered holder(s) of the Shares in your name at the Record Date;

- acknowledge that the information contained in this Prospectus is not investment advice or a recommendation that New Shares are suitable for you, given your investment objectives, financial situation or particular needs;
- represent and warrant that the laws of the country relevant to your Application do not prohibit you from being given this Prospectus or making an Application for New Shares; and
- in the case of an Eligible Shareholder, represent and warrant that you are an Eligible Shareholder and have read and understood this Prospectus and the Application Form and that you acknowledge the matters, and make the warranties and representations and agreements, contained in this Prospectus and the Application Form.

4. Purpose and effect of the Offer

4.1 Purpose of the Offer

The purpose of the Offer is to raise up to \$17.9 million. The funds raised under the Offer are the final stage of the Company's recapitalisation plan announced at the end of October 2013.

Further, pursuant to section 708A(11) of the Corporations Act, the Prospectus will also have the effect of providing an exemption from the secondary sale provisions in section 707 of the Corporations Act with respect to Shares issued without disclosure to investors on or prior to the date of this Prospectus (provided the conditions of section 708A(11) of the Corporations Act can be met).

In particular, the Company notes that this Prospectus will assist the Jimblebar Creditors and H&H, who were issued Shares without disclosure to investors on or prior to the date of this Prospectus and who would otherwise be subject to the secondary sale trading restrictions attached to their Shares. Further details with respect to these matters are set out in section 7.4 of this Prospectus.

The Prospectus will also have the effect of providing an exemption from the secondary sale provisions in section 707 of the Corporations Act with respect to Shortfall Shares issued within 3 months of the Closing Date, so that investors issued with New Shares pursuant to the Shortfall Offer can sell their Shares within the next 12 months without the issue of a prospectus.

The intended use of funds raised from the Offer is detailed in section 1.7.

4.2 Effect of the Offer

The principal effect of the Offer assuming the Offer is fully subscribed will be to:

- (a) increase cash reserves by approximately \$13.9 million immediately after completion of the Offer, before deducting the estimated expenses of the Offer; and
- (b) increase the total number of Shares on issue from 1,792,975,335 as at the date of this Prospectus to 3,585,950,670 following completion of the Offer.

4.3 Effect on the Company's capital structure

Shares

A comparative table of changes in the capital structure of the Company as a consequence of the Offer is set out below, on the basis that the Offer is fully subscribed and also on the basis that only the Committed Amount is received.

Shares	Pro forma – full take up by all Shareholders	Pro forma – Committed Amount
Shares on issue at date of this Prospectus	1,792,975,335	1,792,975,335
Issue of New Shares under the Offer	1,792,975,335	1,000,000,000
Total Shares on issue after completion of the Offer	3,585,950,670	2,792,975,335

Options and Performance Rights

At the date of this Prospectus, there are no options or performance rights on issue.

4.4 Effect on the Company's financial position

This section provides relevant financial information for Shareholders to consider when assessing whether to participate in the Offer, including details of the potential financial impact of the Offer.

The pro forma financial information should be read in conjunction with the limitations explained in the Important Notices section of this Prospectus.

Pro forma Statement of Financial Position

Set out below is the audited Statement of Financial Position for the Company as at 30 June 2013 and an unaudited pro-forma Statement of Financial Position showing the financial position of the Company following the Offer assuming that the Offer is fully subscribed and an unaudited pro forma Statement of Financial Position showing the financial position of the Company following the Offer assuming that only the existing commitments to take up Entitlements are taken up.

The pro-forma Statement of Financial Position illustrates the effect of the Offer on the Company. It has been prepared based on the audited Statement of Financial Position as at 30 June 2013, adjusted for certain events that have occurred after the balance date. It is not intended to represent the financial position of the Company upon completion of the Offer. It is provided as an illustration of the effect of the Offer. The actual impact on the Company is dependent on a range of factors, many of which are outside the control of the Company.

The pro-forma Statement of Financial Position has been prepared to provide Shareholders with information on the pro-forma assets and liabilities of the Company. It has been prepared on the basis of accounting policies normally adopted by the Company. The financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	Audited as at 30 June 2013	Pro-forma (pre Offer) ¹	Impact of the Offer ²		Pro-forma as at 30 June 2013	
			Committed	Total Uptake	Committed	Total Uptake
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS						
Cash and cash equivalents	11,857	9,238	6,000	13,930	15,238	23,168
Term deposits	5,238	5,238			5,238	5,238
Trade and other receivables	12,507	11,260			11,260	11,260
Contracts in progress	7,849	877			877	877
Inventory	308	308			308	308
Income tax receivable	0	0			0	0

	5,411	4,736		4,736	4,736
Development properties	728	341		341	341
Other assets	900	900		900	900
Non-current assets classified as held for sale	44,798	32,899	6,000	13,930	38,899
TOTAL CURRENT ASSETS					46,829
NON-CURRENT ASSETS	257	257		257	257
Trade and other receivables	0	0		0	0
Investments	0	0		0	0
Investment in subs	6,359	4,119		4,119	4,119
Property, plant and equipment	0	0		0	0
Deferred tax assets	307	143		143	143
Intangible assets	6,924	4,519	0	0	4,519
TOTAL NON-CURRENT ASSETS	51,721	37,418	6,000	13,930	43,418
TOTAL ASSETS					51,347
CURRENT LIABILITIES	26,840	15,071		15,071	15,071
Trade and other payables	7,200	1,946		1,946	1,946
Amounts due to customers for contract work	3,152	3,152		3,152	3,152
Current tax liabilities	(0)	(0)		(0)	(0)
Loans interco	1,782	5,682	(4,000)	(4,000)	1,682
Interest-bearing loans and borrowings	9,871	1,795		1,795	1,795
Provisions	48,846	27,646	(4,000)	(4,000)	23,646
TOTAL CURRENT LIABILITIES					23,646
NON-CURRENT LIABILITIES	299	240		240	240
Interest-bearing loans and borrowings	0	0		0	0
Deferred tax liabilities	243	152		152	152
Provisions	543	392	0	0	392
TOTAL NON-CURRENT LIABILITIES	49,389	28,039	(4,000)	(4,000)	24,039
TOTAL LIABILITIES					
	2,332	9,379	10,000	17,930	19,379
NET ASSETS					27,309
Number of shares on issue ('000)	933,873	1,792,975		2,792,975	3,585,95

Net asset value (cps)	0.52	0.69	0.76
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Notes

1. Pro-forma Adjustments

- (a) The Statement of Financial Position at 30 June 2013 has been extracted from the Annual Report to shareholders released to ASX on 29 October 2013. No account has been taken of any trading or transactions of the Company since 30 June 2013 except for the transactions noted below.
- (b) The Company raised a total of \$6.4 million under the placement and convertible note issue to H&H as set out in the Company's release to the ASX on 28 August 2013.
- (c) The conversion of the \$5 million H&H convertible note to 500,000,000 Shares was approved by Shareholders on 29 November 2013.
- (d) The drawdown of \$4 million under the H&H loan facility entered into on 11 November 2013.
- (e) The sale of the Company's eastern construction business as set out in the Company's release to the ASX on 7 October 2013.
- (f) The sale and/or closure of the Company's consulting businesses as set out in the Company's release to the ASX on 28 November 2013.
- (g) The impact of certain restructure costs and project related costs incurred since 30 June 2013.
- (h) The issue of 43,386 Shares at an issue price of \$0.05 per share pursuant to the exercise of listed options.
- (i) The issue of 143,977,917 Shares to creditors pursuant to the Creditor Proposal.
- (j) The placement of 75,000,000 Shares to a sophisticated investor on 10 December 2013 at an issue price of \$0.01 per Share to raise \$750,000.

2. Impact of the Offer

- (a) The impact of the Offer reflects the impact if the only Entitlements received are those existing commitments that the Company has been given to date and the impact of the Offer being fully subscribed. Both scenarios show the impact of the repayment of the H&H loan of \$4 million.
- (b) Existing commitments only would result in the issue of 1,000,000,000 Shares pursuant to the Offer, raising approximately \$5.9 million, net of H&H debt repayment and before Offer costs.
- (c) A fully subscribed offer would result in the issue of 1,792,975,335 Shares pursuant to the Offer, raising approximately \$13.9 million, net of H&H debt repayment and before Offer costs.

5. Risk Factors

5.1 Introduction

The New Shares offered by this Prospectus should be considered speculative. The Directors strongly recommend that investors examine the contents of this Prospectus and consult their professional advisors before deciding whether to invest in the New Shares.

An investment in the Company will be exposed to a number of key risks related to its specific business operations. Key risks are risks that the Directors and senior management of the Company focus on when managing the business and which would have the potential, upon occurrence, to significantly affect the Company and the value of investments in the Company. An overview of these key risks is provided in section 5.2.

An investment in the Company is also subject to general risks that are common to all investments in shares and are not specific to the business model and operations of the Company. These include, for example, the volatility of the share prices as a result of economic conditions. An overview of these general risks is provided in section 5.3.

The following risk factors are not exhaustive but represent some of the major risk factors that may affect the future operating and financial performance of the Company and the value of an investment in it.

Prior to making a decision to invest in the Company, investors should carefully consider the risk factors set out below applicable to the Company. Careful consideration should be given to these risk factors, as well as the other information contained in the Prospectus and the investors' own knowledge and enquiries, before an investment decision is made.

Some of the risks may be mitigated by the Company using safeguards and appropriate systems and taking certain actions. Some of the risks may be outside the control of the Company and not capable of mitigation.

5.2 Key risks specific to an investment in the Company

Investors should be aware of the key risks specific to an investment in the Company as described below.

(a) Key personnel

The Company's future success depends on its continuing ability to retain and attract highly qualified technical and managerial personnel. Competition for such personnel can be high and there is no assurance that the Company will be able to retain its key managerial and technical employees or that it will be able to attract and retain additional highly qualified people in the future. The inability to attract and retain the necessary personnel could have a material adverse effect upon the Company's business, results of operations and financial condition. If one or any number of key employees cease employment with the Company, the loss of any such key employees could have the potential to have a detrimental impact on the Company until the skills that are lost are adequately replaced.

(b) Commercial risk

The Company's ability to achieve profitability is dependent on a number of factors, including its ability to retain its existing clients and competitively compete for new construction contracts and deliver on them profitably, establishing a commercial market for its services offering and being able to access suitable mining projects for its Mining division. The construction market is a competitive one and while the Company is

optimistic that commercially attractive markets exist for its service offerings these are new business areas and there is no certainty that the Company can successfully exploit these markets.

(c) Influence of cornerstone shareholder

The Company's major shareholder, H&H, holds a relevant interest of 38.21% in the Company, and could potentially hold a relevant interest of up to 38.85%² depending on the number of New Shares subscribed under the Offer. Further, H&H has two nominee Directors on the Company's board and is entitled to appoint a third nominee director. Given the current board comprises only 4 Directors, the appointment of a third H&H nominee would mean that H&H nominees would represent a majority of the positions on the Company's Board.

As a result of H&H's shareholding and its representation on the Company's Board, it is able to exert substantial influence over the outcome of matters relating to the Company. Except as superseded by the specific disclosures in this Prospectus, H&H's intentions for the Company are set out in the Notice of Meeting released to ASX on 31 October 2013. A copy of the Notice can be obtained from the Company's website at www.vdmgroup.com.au. You may not agree with H&H's strategy for the Company. Further, to the extent H&H's intentions change, this could have a material effect on the Company and its operations.

(d) Lower liquidity

There is a risk that the trading of Shares will be negatively affected by H&H holding a relevant interest of up to 38.85%³ in the Company. The stock may have a materially lower free float on a proportional basis, which may reduce liquidity and may potentially impair the market value of Shares.

(e) Business partner risk

The success of the Company's new strategy is reliant on its ability to obtain business partners. There is no guarantee that the Company will be able to identify suitable partners or that they will be able to implement the necessary arrangements.

(f) New business risk

The Company is considering other potential areas of business outside of its core business segments. Accordingly, there is a risk that the Company will not be awarded these new contracts and will be unsuccessful in implementing the Company's new strategy.

(g) Restructure risk

The Company has been undergoing a period of restructure whilst it concentrates on rebuilding for its future. Part of this rebuilding has involved changing its bidding strategy to only bid for high value projects. This has limited the number of projects the Company is currently working on and there is a risk that no new projects will be

² If, for any reason, Australia Kengkong Investments Co Pty Ltd does not subscribe for the Underwritten Amount and H&H is required to subscribe for the Underwritten Amount itself pursuant to the terms of the Underwriting Agreement, if no other Shareholder (apart from Hunter Hall) subscribes for New Shares, H&H could have a relevant interest in up to 1,585,110,976 Shares, or 56.75% of the Company. In the event that this occurs, however, please see section 1.6 which sets out the Directors' intentions to minimise the possible effect on control.

³ Please see note 2 above.

forthcoming and the current projects will be completed leaving no work for the project staff.

(h) **Negative cash operating position**

As at the date of this Prospectus, the Company is operating on a negative cash operating basis, that is, its operating expenses exceed its revenues. In order to improve its cash operating position the Company will need to be awarded new contracts and, in the event that such new contracts are awarded, perform and complete such contracts within established budgets and timeframes. If the Company is unable to enter into new contracts and meet the requisite deliverables under such contracts, it is possible that the Company's cash flow position will remain negative and may thus worsen. The Company intends to undertake measures to mitigate the risk of this occurring, however, there is a risk that such risk mitigating measures may not eventuate which may cause the Company's financial position to deteriorate and affect the Company's ability to operate as a going concern.

(i) **Reliance on key contracts and ability to replace key contracts**

Companies in the construction and contracting industries are often reliant on a small number of key contracts which form the basis of a company's forecast financial figures. On this basis, a risk that construction and contracting companies are often exposed to is the ability to replace individual key contracts in the event that the contract is completed or otherwise discontinued. In relation to VDM's key contracts, following completion of one key contract (estimated to occur in January 2014), the remainder of VDM's key contracts will concern projects which are already at practical completion, or otherwise in respect of which the projects are complete save discussions as to final claims.

(j) **Contract disputes**

The Company is engaged in the provision of engineering and construction services. The nature of these services is such that claims arise from time to time for and against the Company. There is a risk that the outcome of disputes or claims may differ materially from provisions raised in the Company's accounts which could expose the Company to incurring further losses. Please refer also to section 7.12 below in relation to litigation matters.

(k) **Time delay risk**

Approvals, slow decision-making by counterparties, complex specifications, changes to briefs, legal issues and other documentation changes may give rise to delays in completion, loss of revenue and cost over-runs of projects. Delays in completion may, in turn, result in liquidated damages and termination of contracts.

Other time delays that may arise in relation to projects include supply of appropriately skilled labour, scarcity of construction materials, lower than expected productivity levels, inclement weather conditions, land contamination, difficult site access or industrial relations issues. Objections raised by community interest groups, environmental groups and neighbours may also impact projects.

(l) **Foreign jurisdiction risk**

The Company is considering entering into markets outside of Australia where it can successfully leverage its capabilities and relationships to grow the Company's core business segments. Accordingly, the Company may be subject to the risks associated in operating in a foreign country. These risks may include economic, social or political

instability or change, changes in laws and regulations, changes affecting foreign ownership, government participation, taxation, working conditions, export duties, repatriation of income or return of capital, cancellation or modification of contractual rights, foreign exchange restrictions, currency exchange rate fluctuation, environmental protection and labour regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

(m) **Dilution of shareholding**

Future financing may be required by the Company to support its proposed strategic development. As such, the Company may seek to raise further capital by issuing equity in the Company. There is no guarantee that shareholders will be able to participate in any such raising. In those circumstances, the shareholding of existing shareholders will be diluted.

5.3 **General risks**

(a) **Share market conditions**

The value of the Shares quoted on ASX will be subject to varied and often unpredictable influences on the market for equities and particularly for speculative stocks such as the Company's. It is important to recognise that share prices may fall as well as rise, and the Shares may trade below or above the issue price. The price of the Shares, when quoted on ASX, will be influenced by international and domestic factors as well as general equity market fluctuations. Should these produce a negative effect on the Share price, this may also affect the Company's ability to raise development capital.

(b) **General economic conditions**

Factors such as inflation, currency fluctuations, interest rates, supply and demand, industrial disruption, government policy and legislation have an impact on operating costs, commodity prices, and the parameters in which the Company operates. Factors that may be beyond the control of the Company include:

- general economic conditions in Australia and its trading partners, including the People's Republic of China and the Asia-Pacific region generally and, in particular, inflation rates, interest rates, exchange rates, commodity supply and demand factors;
- financial failure or default by a participant in any of the joint ventures or other contractual relationship to which the Company is, or may become, a party;
- insolvency or other managerial failure by any of the contractors used by the Company in its activities; and
- industrial disputes.

These as well as other conditions can affect the Company's future revenues and profitability and the price of its securities.

(c) **Changes in government policies and laws**

Changes in government laws, regulations, policies and administrative regimes, particularly those affecting ownership of mineral interests, taxation, royalties, land access, labour relations, environmental pollution and mining and exploration activities, may adversely affect the financial performance or the current and proposed operations

generally of the Company. These changes may increase operating costs and may have a material adverse effect on the Company.

(d) **Industrial risk**

Industrial disruptions, work stoppages and accidents in the course of the Company's operations could result in losses and delays, which may adversely affect profitability.

(e) **Management actions**

The Directors will, to the best of their knowledge, experience and ability (in conjunction with management) endeavour to anticipate, identify and manage the risks inherent in the activities of the Company, but without assuming any personal liability for same, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of the Company and its securities.

(f) **Environmental risks**

Extensive national environmental laws and regulations in Australia affect the activities and ultimately operations of the Company. The laws and regulations set various standards which regulate certain aspects of health and environmental quality, provide penalties or other remedies for any violation of standards and, in certain circumstances, impose obligations to undertake remedial action in current locations where operations are conducted. There is a risk that significant damages or penalties might be imposed on the Company, including for certain discharges into the environment, effects on employees, subcontractors or customers, or as clean-up costs. The Company minimises these risks by having processes in place to manage compliance with environmental laws and regulations in Australia.

(g) **Occupational health and safety**

The Company manages certain risks associated with the occupational health and safety of its employees. The Company takes out insurance to cover these risks within certain parameters, however it is possible for injuries and/or incidents to occur which may result in expenses in excess of the amount insured or provided for with a resultant impact on the Company's earnings.

(h) **Industrial disputes**

Industrial disputes may arise from claims for higher wages and/or better working conditions in the industry in which the Company operates. This could disrupt operations and impact on earnings.

(i) **No currency hedging**

The Company has not put in place any hedging arrangements to mitigate its negative exposure to foreign exchange risk. Should foreign exchange movements have a material adverse effect on the Company, it may need to consider the possibility of further debt or equity funding to cover its share of any such shortfall.

(j) **Regulatory risks**

The Company is exposed to any changes in the regulatory conditions under which it operates in Australia. Such regulatory changes can include, for instance, changes in:

- taxation laws and policies;

- accounting laws, policies, standards and practises;
- environmental laws and regulations that may impact upon the operations and processes of the Company; and
- employment laws and regulations, including laws and regulations relating to occupational health and safety.

5.4 Speculative nature of investment

The above list of risk factors is not to be taken as exhaustive of the risks faced by the Company or by Shareholders in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under this Prospectus.

6. Rights of the New Shares

The following is a summary of the more significant rights attaching to the New Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available from the Company's website at www.vdmgroup.com.au.

6.1 Voting Rights

Subject to the Constitution and to any rights or restrictions attached to any class or classes of Shares, at a general meeting:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every Shareholder present has one vote; and
- (c) on a poll, every Shareholder present has one vote for each Share held by the Shareholder entitling the Shareholder to vote, except for partly paid Shares, each of which confers on a poll only the fraction of one vote which the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited) on the Share. An amount paid in advance of a call is disregarded for this purpose.

6.2 General Meetings

Shareholders are entitled to receive written notice of and attend and vote at general meetings of the Company.

6.3 Dividend Rights

The Directors may pay any interim and final dividends that, in their judgment, the financial position of the Company justifies. The Directors may rescind a decision to pay a dividend if they decide, before the payment date, that the Company's financial position no longer justifies the payment. The Directors may pay any dividend required to be paid under the terms of issue of a Share. Paying a dividend does not require confirmation at a general meeting.

Subject to any rights or restrictions attached to any Shares or class of shares:

- (a) all dividends must be paid equally on all Shares, except that a partly paid share confers an entitlement only to the proportion of the dividend which the amount paid (not credited) on the Share is of the total amounts paid and payable (excluding amounts credited);
- (b) for the purposes of (a) above, unless the Directors decide otherwise, an amount paid on a Share in advance of a call is to be taken as not having been paid until it becomes payable; and
- (c) interest is not payable by the Company on any dividend.

6.4 Winding-Up

Subject to the Constitution and the rights or restrictions attached to any Shares or class of shares, if the Company is wound up, any surplus will be divided amongst Shareholders in

proportion to the number of Shares held by them, irrespective of the amount paid or credited as paid on the Shares.

If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the Shareholders the whole or any part of the property of the Company and may, for that purpose, determine how the division is to be carried out between the Shareholders.

6.5 Transfer of Shares

Generally, all Shares are freely transferable subject to the procedural requirements of the Constitution and to the provisions of the Corporations Act, ASX Listing Rules and ASX Settlement and Transfer Corporation Pty Limited (ASTC) Settlement Rules. If the Company refuses to register a transfer it must give notice of the refusal as required by the Corporations Act and the ASX Listing Rules.

6.6 Variation of Rights

The rights attached to any class of shares may, unless their terms of issue state otherwise, be varied with the written consent of the holders of 75% of the shares of the class or by a special resolution passed at a separate meeting of the holders of shares of the class.

7. Additional Information

7.1 Underwriting

The Company and H&H, as Underwriter, have entered into the Underwriting Agreement pursuant to which the Underwriter has agreed to subscribe for \$4 million of its Entitlement and underwrite the Offer to the extent of \$5 million, being the Underwritten Amount, on the terms and conditions contained in that agreement.

The Underwriter is a Related Party of the Company by virtue of being owned and controlled by the Company's Executive Chairman and Interim Chief Executive Officer, Dr Dongyi Hua.

The Underwriting Agreement has been negotiated at arm's length, by representatives of the Company and of the Underwriter who are independent of each other. The terms of the Underwriting Agreement, which are summarised below, are customary for an agreement of this nature, and are considered reasonable by the Board.

Pursuant to the terms of the Underwriting Agreement, the Company has agreed to pay the Underwriter an underwriting commission of \$150,000 (representing 3% of the maximum funds that may have been raised in respect of the Underwritten Shares) (**Underwriting Fee**).

The Company will also reimburse the Underwriter, on request, for all outgoings, reasonable costs, expenses, fees, commissions, disbursements, charges, taxes or duties incurred by the Underwriter in connection with the Offer (including, but not limited to, reasonable legal fees, travel, postage and accommodation expenses and disbursements).

The Underwriter is responsible for paying all sub-underwriting fees, handling fees, brokerage and other charges incurred by it in procuring valid Applications.

Pursuant to the terms of the Underwriting Agreement, the Underwriter must:

- (a) subscribe for \$4 million of its Entitlement pursuant to the Offer; and
- (b) within 10 Business Days after the Closing Date, lodge with the Company applications to subscribe for that number of New Shares equal to the lesser of 500,000,000 New Shares and the Shortfall (including the Application Money).

The amount the Underwriter is required to pay the Company under the Underwriting Agreement will be set-off against the \$4 million secured loan facility provided by H&H to VDM pursuant to the Convertible Loan, Debt Loan and Facility Agreement.

As at the date of this Prospectus, \$4 million has been drawn down pursuant to the secured loan facility.

The obligation of the Underwriter to underwrite the Offer is subject to certain events of termination. These events of termination are considered customary for an agreement of this nature. The Underwriter may terminate its obligations under the Underwriting Agreement on the occurrence of specified events, including if:

- (a) **(ASX Indices fall)** The All Ordinaries Index is, for seven consecutive Business Days, at a level which is 85% or less than the level at the close of trading on the date of the Underwriting Agreement.
- (b) **(Change in law)** Any of the following occurs which does or is likely to prohibit, restrict or regulate the Issue, or materially reduces the level or likely level of valid Applications:

- (1) the introduction of legislation into the parliament of the Commonwealth of Australia or of any State or Territory of Australia;
 - (2) the public announcement of prospective legislation or policy or amendments or changes to existing legislation or policy by the Federal Government or the Government of any State or Territory; or
 - (3) the adoption by ASIC or its delegates or the Reserve Bank of Australia of any regulations or policy or amendments or changes to existing regulations or policy.
- (c) **(Breach of significant contracts)** A significant or material contract referred to in this Prospectus is, without the prior consent of the Underwriter:
 - (1) breached by the Company or a Related Body Corporate;
 - (2) terminated (whether by breach or otherwise);
 - (3) altered or amended in any way; or
 - (4) found to be void or voidable.
- (d) **(Listing)** ASX makes any official statement to any person, or indicates to the Company or the Underwriter that an ASX Approval will not be given or an ASX Approval has not been given before the Closing Date.
- (e) **(Default*)** The Company is in default of any of the terms and conditions of the Underwriting Agreement or breaches any warranty or covenant given or made by it under the Underwriting Agreement and that default or breach is either incapable of remedy or is not remedied within five Business Days after it occurs.
- (f) **(Failure to comply*)** The Company or any Related Body Corporate fails to comply with any of the following:
 - (1) a clause of its constitution;
 - (2) a statute;
 - (3) any policy or guideline of ASIC or any other requirement, order or request made by or on behalf of ASIC or any governmental agency; or
 - (4) any agreement entered into by it.
- (g) **(Capital structure*)** The Company or a Related Body Corporate alters its capital structure without the prior written consent of the Underwriter.
- (h) **(Constitution altered*)** The Constitution or any other constituent document of the Company or a Related Body Corporate is amended without the prior written consent of the Underwriter, which consent must not be unreasonably withheld.
- (i) **(Prescribed Occurrence*)** A Prescribed Occurrence occurs in relation to the Company or any of the Company's subsidiaries.
- (j) **(Financial assistance*)** The Company or a Related Body Corporate seeks the approval of Shareholders under section 260B of the Corporations Act, without the prior written consent of the Underwriter.

- (k) **(Business*)** The Company or a Related Body Corporate:
- (1) disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property; or
 - (2) ceases or threatens to cease to carry on business,
- in either case without the prior written consent of the Underwriter.
- (l) **(Hostilities*)** There is an outbreak of hostilities (whether or not war has been declared) not presently existing, or a major escalation in existing hostilities occurs, involving any one or more of the following:
- (1) Australia;
 - (2) the United Kingdom;
 - (3) the United States of America;
 - (4) the People's Republic of China; or
 - (5) Indonesia.
- (m) **(Financial position*)** A materially adverse change, or development involving a prospective materially adverse change, occurs in the financial or trading position of the Company or a Related Body Corporate.
- (n) **(Prospectus*)** There is a material omission from the Prospectus, the Prospectus contains a misleading or deceptive statement, a statement in the Prospectus becomes misleading or deceptive, a forecast in the Prospectus becomes incapable of being met or unlikely to be met in the projected time or the Prospectus does not comply with section 713 of the Corporations Act.
- (o) **(Materially adverse event)** The Company becomes aware of a misleading or deceptive statement, or an omission in the Prospectus, or a new circumstance arises after the date of the Prospectus which would have required disclosure had it arisen prior to the Prospectus being lodged, and this matter is materially adverse from the point of view of an investor.
- (p) **(Corporations Act*)** Any of the following occur:
- (1) ASIC applies for an order under section 1324B of the Corporations Act in relation to the Prospectus and the application is not dismissed or withdrawn before the Closing Date;
 - (2) a person gives a notice under section 730 of the Corporations Act in relation to the Prospectus;
 - (3) ASIC gives notice of intention to hold a hearing in relation to the Prospectus under section 739(2) of the Corporations Act or makes an interim order under section 739(3) of the Corporations Act; or
 - (4) any person (other than the Underwriter) who consented to being named in the Prospectus withdraws that consent.
- (q) **(Supplementary prospectus*)** The Underwriter reasonably forms the view that a supplementary or a replacement document must be lodged with ASIC under

section 719 of the Corporations Act and the Company does not lodge a supplementary or a replacement document in the form, with the content and within the time reasonably required by the Underwriter.

- (r) **(Indictable offence*)** A Director (or, if he or she is not a Director, the Chief Financial Officer, or the Chief Operating Officer) of the Company or a Related Body Corporate is charged with an indictable offence relating to a financial or corporate matter in relation to the Company or a Related Body Corporate.
- (s) **(Insolvency Event*)** An Insolvency Event occurs with respect to the Company or a Related Body Corporate.
- (t) **(Charge*)** The Company or a Related Body Corporate charges or agrees to charge, the whole, or a substantial part of its business or property.
- (u) **(ASX Listing Rules)** The Company commits a material breach of the ASX Listing Rules.
- (v) **(Timetable)** Any event specified in the timetable being delayed by more than 1 month from the date specified in the timetable.

In relation to the termination events above which are marked with an asterisk ("*"), the Underwriter may only exercise its right to terminate where the Underwriter determines reasonably and in good faith that the event:

- has or would have had a material adverse effect on the Offer; or
- could create a potential liability for the Underwriter under the Corporations Act.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriters that are considered customary for an agreement of this nature.

7.2 Sub-underwriting

Australia Kengkong Investments Co Pty Ltd has entered into a sub-underwriting agreement with the Underwriter whereby Australia Kengkong Investments Co Pty Ltd has agreed to priority sub-underwrite all of the 500,000,000 New Shares being underwritten by H&H (being a maximum total value of \$5 million).

Australia Kengkong Investments Co Pty Ltd is a private investment vehicle ultimately controlled by Mr Luk Hiu Ming, and is not an associate or a Related Body Corporate of H&H.

7.3 Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the securities in the Company.

This Prospectus is a "transaction specific prospectus". In general terms, a "transaction specific prospectus" is only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (1) the annual financial report most recently lodged by the Company with ASIC;
 - (2) the half-year financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred to in (1) and before the lodgement of this Prospectus with ASIC; and
 - (3) any continuous disclosure documents given by the Company to ASX in accordance with ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (1) and before the lodgement of this Prospectus with ASIC.

Copies of all documents lodged with ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with ASIC are set out in the table below:

Date	Description of announcement
05/12/2013	Details of Company Address
03/12/2013	Change of Director's Interest Notice
03/12/2013	Appendix 3B
03/12/2013	Change in substantial holding
02/12/2013	Final Director's Interest Notice

02/12/2013	Final Director's Interest Notice
02/12/2013	Results of Annual General Meeting
29/11/2013	Chairman's Address to Shareholders
28/11/2013	Company Update - Sale of Consulting Businesses
12/11/2013	Company Update
31/10/2013	Notice of Annual General Meeting
30/10/2013	Reinstatement to Official Quotation - 31/10/13 - Amended
30/10/2013	VDM Company Update
29/10/2013	Reinstatement to Official Quotation - 31/10/13

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.vdmgroup.com.au

7.4 Section 708A(11) Corporations Act

The Company has issued the following Shares (without a disclosure document) in the 12 months prior to the date of this Prospectus under section 708A of the Corporations Act:

Date of issue	Number of Shares
29 November 2013	500,043,386
10 December 2013	143,977,917
10 December 2013	75,000,000
Total	719,021,303

500,000,000 Shares were issued to H&H on Conversion of the Convertible Loan.

43,386 Shares were issued upon the exercise of options.

143,977,917 Shares were issued to the Jimblebar Creditors in accordance with the Creditor Proposal.

75,000,000 Shares were issued to a private investor by way of placement at \$0.01 per Share.

If Shares are issued to an investor without a disclosure document then the on-sale of those same Shares is generally restricted pursuant to the Corporations Act, unless an exemption applies (such as those under section 708A of the Corporations Act). These on-sale provisions are an anti-avoidance mechanism that is designed to minimise the opportunity for an issuer of securities to avoid giving disclosure to retail investors by first issuing the securities to an investor for whom disclosure is not required and then having that investor on sell the securities to a retail investor.

The on-sale provisions seek to ensure that regardless of whether the securities are issued directly or indirectly to retail clients, the retail clients received adequate disclosure for what is indirectly an issue of securities and the issuer remain liable to retail clients for the efficacy of that disclosure.

Section 708A operates as an exemption from the on-sale provisions. If the Company does not fall within one of these exemptions, any securities issued to an exempt investor (pursuant to section 708 of the Corporations Act) may be restricted from on-sale for the first 12 months from the date of issue unless the investor (to whom the securities may be on-sold) also falls within one of the exemptions.

However, section 708A(11) provides that a sale offer of securities would not need disclosure (and therefore would be exempt from the on-sale provisions) if the securities are in a class of securities that are quoted securities and a prospectus is lodged with ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made, or the Shares are issued after the lodgement of a Prospectus at a time when offers under the Prospectus are still open for acceptance.

The Company notes that none of the above listed Shares have been on-sold and as such, the holders of the Shares referred to in the table above may wish to rely on this Prospectus and section 708A(11) of the Corporations Act if they wish to on-sell their Shares. Please refer to section 4.1 for further details.

7.5 Corporate governance

The Board is responsible for the corporate governance of the Company and to ensure that VDM and its controlled entities (**VDM Group**) are properly managed and controlled. In this regard, the Board is committed to maintaining and promoting the principles of good corporate governance.

The Directors are of the view that VDM Group has complied in all substantial respects with corporate governance best practice in Australia, including the ASX Corporate Governance Council Corporate Governance Principles and Recommendations.

As a mitigant to any perceived risk in relation to the operation of the Board, VDM and H&H have agreed to the inclusion of additional corporate governance protocols as follows.

- (a) the structures and procedures which will be put in place by the Board to ensure that the consideration by the Board and management of VDM's business and the business of its subsidiaries is undertaken free from any actual or the appearance of any conflict of interest; and
- (b) the requirement for each Director of VDM to declare any interest he or she has in the matter being considered by the Board and appropriate measures to be taken upon that declaration.

These provisions apply in addition to the statutory and common law obligations applying to all Directors.

Further information about the Company's corporate governance protocols are set out in the Notice of Meeting released to ASX on 31 October 2013. A copy of the Notice of Meeting can be obtained from the Company's website at www.vdmgroup.com.au.

7.6 Related Party disclosure

From time to time the Company may be party to transactions with Related Parties including:

- (a) employment and service arrangements;
- (b) issue of securities to Directors or entities associated with Directors; and
- (c) payment of Directors' fees.

The Company believes that it has made appropriate disclosure of past Related Party transactions and other than any further disclosure made in this Prospectus does not intend to make any further disclosure of such transactions, which will have either proceeded on an "arm's length" basis, reasonable remuneration basis or been approved by Shareholders in general meeting.

7.7 Substantial Shareholders

The following are details of those Shareholders who have a relevant interest in more than 5% of the Shares prior to the date of this Prospectus:

	# of Shares	%
H&H Holdings Australia Pty Ltd	685,110,976	38.21%
Hunter Hall Investment Management Ltd	127,665,260	7.12%

Hunter Hall has committed to subscribe for 100,000,000 New Shares pursuant to the Offer, and H&H has committed to subscribe for 400,000,000 New Shares pursuant to the Offer. Hunter Hall's commitment is subject to H&H subscribing for \$4 million of its Entitlement

Please refer to section 1.15 earlier in this Prospectus for an analysis of the possible effects on control in relation to the Offer.

7.8 Interests of experts and advisors

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered

by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer pursuant to this Prospectus.

Clayton Utz are acting as solicitors to the Offer and have performed work in relation to the Prospectus. In doing so, Clayton Utz have placed reasonable reliance upon information provided to them by the Company. Clayton Utz does not make any statement in this Prospectus. In respect of this work, the Company estimates that it will pay approximately \$150,000 (excluding disbursements and GST) to Clayton Utz. Further amounts may be paid to Clayton Utz in accordance with its normal time based charges.

The Underwriter is a Related Party of the Company by virtue of being owned and controlled by the Company's Executive Chairman and Interim Chief Executive Officer, Dr Dongyi Hua. The Company has not sought Shareholder approval for the entry into the Underwriting Agreement on the basis that it falls within the exception in section 210 of the Corporations Act. The independent directors of the Board are of the view that the Underwriting Agreement would be reasonable in the circumstances if the Related Party and the entity were dealing at arm's length and contains terms and conditions customary for an agreement of its nature.

7.9 Consents

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Computershare Investor Services Pty Limited has given and has not withdrawn its consent to be named in the Prospectus as the Share Registry for the Company in the form and context in which it is named. It takes no responsibility for any part of the Prospectus other than references to its name.

Clayton Utz has given and has not withdrawn its consent to be named in this Prospectus as solicitors to the Offer in the form and context in which it is named. It takes no responsibility for any part of the Prospectus other than references to its name.

H&H has given and has not withdrawn its consent to be named in this Prospectus as Underwriter to the Offer in the form and context in which it is named. It takes no responsibility for any part of the Prospectus other than references to its name.

Hunter Hall has given and has not withdrawn its consent to be named in this Prospectus in the form and context in which it is named. It takes no responsibility for any part of the Prospectus other than references to its name.

Australia Kengkong Investments Co Pty Ltd has given and has not withdrawn its consent to be named in this Prospectus as sub-underwriter to the Offer in the form and context in which it is named. It takes no responsibility for any part of the Prospectus other than references to its name.

Mr Luk Hiu Ming has given and has not withdrawn his consent to be named in this Prospectus in the form and context in which he is named. He takes no responsibility for any part of the Prospectus other than references to his name.

7.10 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX since 10 December 2012 and up to the date immediately prior to the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were:

	\$	Date
Highest	0.021	19 July 2013
Lowest	0.006	4 November 2013
Last	0.012	10 December 2013

7.11 Subsequent Events

There has not arisen, at the date of this Prospectus any item, transaction or event of a material or unusual nature not already disclosed in this Prospectus which is likely, in the opinion of the Directors of the Company, to affect substantially:

- (a) the operations of the Company;
- (b) the results of those operations; or
- (c) the state of affairs of the Company.

7.12 Litigation

VDM announced on 27 August 2013 that the Company was in dispute with a major customer on a material contract regarding the status of the contract. The Company received a notice from the customer purporting to exercise its right to remove VDM from the site (**Customer Notice**).

On 12 November 2013, the Company advised that following several successful adjudication determinations, VDM was awarded and has received approximately \$4 million. The Company advised that the amounts recovered will have a positive earnings and cashflow impact for the Company and that the Company will continue to seek full resolution of all outstanding matters and pursue remaining unapproved claims and variations.

7.13 Tax

You should be aware that there may be taxation implications associated with participating in the Offer and receiving New Shares.

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under the Offer, or the disposal of any New Shares allotted and issued. The Company does not accept any responsibility in this regard, and Shareholders should consult with their professional tax advisor.

7.14 Privacy

By submitting an Application Form for New Shares you are providing to the Company personal information about yourself. If you do not provide complete and accurate personal information, your application may not be able to be processed.

The Company maintains the register of members of the Company through the Share Registry, an external service provider. The Company requires the Share Registry to comply with the National Privacy Principles in performing these services. The Company's register is required under the Corporations Act to contain certain personal information about you such as your name and address and number of shares and options held. In addition the Company collects personal information from members such as, but not limited to, contact details, bank accounts and membership details and tax file numbers.

This information is used to carry out registry functions such as payment of dividends, sending annual and half yearly reports, notices of meetings, newsletters and notifications to the Australian Taxation Office. In addition, contact information will be used from time to time to inform members of new initiatives concerning the Company.

The Company understands how important it is to keep your personal information private. The Company will only disclose personal information we have about you:

- (a) when you agree to the disclosure;
- (b) when used for the purposes for which it was collected;
- (c) when disclosure is required or authorised by law;
- (d) to other members in the group of companies;
- (e) to your broker; and
- (f) to external service suppliers who supply services in connection with the administration of the Company's register such as mailing houses and printers, Australia Post and financial institutions.

You have the right to access, update and correct your personal information held by the Company and the Share Registry, except in limited circumstances. If you wish to access, update or correct your personal information held by the Share Registry or by the Company please contact our respective offices.

If you have any questions concerning how the Company handles your personal information please contact the Company.

8. Directors' Authorisation

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC.

Dated 10 December 2013

Dr Dongyi Hua

**For and on behalf of
VDM GROUP LIMITED**

9. Glossary

\$ means Australian dollars.

Applicant means a Shareholder who applies for New Shares pursuant to the Offer or other party who applies for Shortfall Shares pursuant to the Shortfall Offer.

Application means an application to subscribe for New Shares under this Prospectus.

Application Form means the application form attached to this Prospectus.

Application Money means the aggregate amount of money payable for New Shares applied for in a duly completed Application Form.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or, as the context required, the securities exchange operated by that entity.

ASX Approval means a decision by ASX to grant Quotation (as that expression is used in the ASX Listing Rules) of all of the New Shares, which is conditional only upon:

- (a) the issue of the New Shares;
- (b) dispatch of Uncertificated Holding Statements in respect of the New Shares; and
- (c) confirmation being given to ASX that the matters in paragraphs (a) and (b) above have occurred.

ASX Listing Rules means the listing rules of ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHES.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended or closed earlier).

Company or **VDM** means VDM Group Limited ACN 109 829 334.

Constitution means the constitution of the Company as at the date of this Prospectus.

Conversion means the conversion of the Convertible Loan to Shares.

Convertible Loan means the loan of \$5 million under the Convertible Loan and Facility Agreement.

Convertible Loan and Facility Agreement means the agreement entered into between VDM and H&H in respect of the Conversion dated 27 August 2013.

Convertible Loan, Debt Loan and Facility Agreement means the Convertible Loan and Facility Agreement as amended and restated on 11 November 2013.

Corporations Act means the *Corporations Act 2001* (Cth).

Creditor Proposal means the creditor proposal with the Jimblebar Creditors announced to ASX on 29 October 2013.

Directors mean the directors of the Company at the date of this Prospectus.

Eligible Shareholder means a Shareholder of the Company as at 7.00pm (Sydney time) on the Record Date.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

H&H means H&H Holdings Australia Pty Ltd ACN 162 108 143.

Hunter Hall means Hunter Hall Investment Management Limited ACN 063 081 612 as investment manager for Hunter Hall Global Value Limited & the Hunter Hall Value Growth Trust.

Insolvency Event means in relation to any person:

- (a) **(Receiver appointed)** A receiver, receiver and manager, administrator, trustee or similar official is appointed over any of the assets or undertaking of the person;
- (b) **(Payments suspended)** The person suspends payment of its debts generally;
- (c) **(Unable to pay)** The person is or becomes unable to pay its debts when they are due or is unable to pay its debts within the meaning of the Corporations Act or the person may be presumed to be insolvent under section 459C of the Corporations Act;
- (d) **(Arrangements with creditors)** The person enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;
- (e) **(Winding up)** An application or order is made for the winding up or dissolution of, or the appointment of a provisional liquidator to the person or a resolution is passed or steps are taken to pass a resolution for the winding up or dissolution of the person otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of the Underwriter; or
- (f) **(Administrator)** An administrator is appointed under Division 2 of Part 5.3A of the Corporations Act.

Jimblebar Creditors means those creditors of VDM who have entered into binding agreements or arrangements with VDM in relation to the Jimblebar Project.

New Shares means a new Share to be issued under the Offer.

Offer mean the offer of New Shares referred to in section 1.1 of this Prospectus.

Offer Period means the period from the Opening Date to the Closing Date (inclusive of those dates).

Official Quotation means official quotation on ASX.

Opening Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended or opened earlier).

Prescribed Occurrence in relation to the Company means any event listed in section 652C(1) or (2) of the Corporations Act.

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out at the commencement of this Prospectus.

Related Body Corporate means a corporation that is related to the Company pursuant to sections 9 and 50 of the Corporations Act.

Related Party has the meaning given to it in the ASX Listing Rules.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Share Registry means Computershare Investor Services Pty Limited.

Shortfall or Shortfall Shares means such New Shares offered under the Offer for which valid Applications have not been received from Eligible Shareholders before the Closing Date.

Shortfall Application Form means the shortfall application form to be provided by or available on request from the Company, in their discretion, to investors who have expressed an interest in subscribing for Shortfall Shares.

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in Section 1.6 of this Prospectus.

Uncertificated Holding Statement means a statement provided under ASX Listing Rule 8.5 in respect of an uncertificated holding of securities.

Underwriter means H&H.

Underwriting Agreement means the underwriting agreement dated 10 December 2013 between the Company and the Underwriter under which the Underwriter has agreed to manage and underwrite the Offer on the terms and conditions contained in those agreements.

Underwritten Amount means \$5 million.

Underwriting Fee has the meaning given to it in section 7.1.

Underwritten Shares means 500,000,000 of the New Shares.

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Application Form

ATTACHMENT B - DRAFT UNDERWRITING AGREEMENT

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EXECUTION VERSION

Underwriting agreement

relating to a non-renounceable rights
issue of 1,792,975,335 ordinary shares

H&H Australia Holdings Pty Ltd (**Underwriter**)

VDM Group Limited (**Company**)

MinterEllison

L A W Y E R S

LEVEL 4 ALLENDALE SQUARE 77 ST GEORGES TERRACE PERTH WA 6000
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Underwriting agreement

relating to a non-renounceable rights issue of 1,792,975,335
ordinary shares

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Annexure A

Details

Date

Parties

Name	H&H Australia Holdings Pty Ltd
ABN	66 162 108 143
Short form name	Underwriter
Notice details	Unit 3, 150 Stirling Street, Perth, Western Australia 6000 Facsimile: +61 8 9221 5978 Attention: Dr Dongyi Hua
Name	VDM Group Limited
ABN	95 109 829 334
Short form name	Company
Notice details	Level 1, Fortescue Centre, 30 Terrace Road, East Perth, Western Australia 6004 Facsimile: +61 8 9265 1399 Attention: Michael Perrott AM

Background

- A The issued capital of the Company is 1,792,975,335 ordinary fully paid shares on issue.
- B The Company proposes to raise the sum of \$17.9 million by offering to Shareholders, on the terms and conditions of the Prospectus, 1,792,975,335 ordinary shares at an issue price of \$0.01 each on a non-renounceable basis in the proportion of one new share for every 1 share held on the Books Closing Date.
- C The Company has requested the Underwriter to, and the Underwriter has agreed to:
 - (i) subscribe for at least 400,000,000 New Shares of the Underwriter's pro-rata entitlement to subscribe for New Shares; and
 - (ii) underwrite the issue of a further 500,000,000 ordinary shares under the Issue, on the terms and conditions of this agreement.

Agreed terms

1. Defined terms & interpretation

1.1 Defined terms

In this agreement:

Accounts means the audited consolidated annual financial statements of the Company (including balance sheet, profit and loss statement and statement of cash flows) for the year ended 30 June 2013.

Application Money means the money required to subscribe for New Shares.

ASIC means Australian Securities & Investments Commission.

ASX means ASX Limited, or as the context requires, the securities exchange operated by that entity.

ASX Approval means a decision by ASX to grant Quotation (as that expression is used in the Listing Rules) of all of the New Shares, which is conditional only upon:

- (a) the issue of the New Shares;
- (b) dispatch of Uncertificated Holding Statements in respect of the New Shares; and
- (c) confirmation being given to ASX that the matters in paragraphs (a) and (b) above have occurred.

Books Closing Date means the date specified as such in the Timetable.

Business Day means:

- (a) for receiving a notice under clause 19, a day that is not a Saturday, Sunday, public holiday or bank holiday in the place where the notice is received; and
- (b) for all other purposes, a day that is not a Saturday, Sunday, public holiday or bank holiday in Perth, Australia.

Business Hours means from 9.00am and 5.00pm on a Business Day.

Claim Notice has the meaning given in clause 15.4.

Closing Date means the date specified as such in the Timetable or, if varied under clause 5.2, that new closing date.

Corporations Act means the *Corporations Act 2001* (Cth).

Designated Bank Account means an account established by the Company with a bank for the sole purpose of receiving Application Money in accordance with section 722 of the Corporations Act.

Dispatch Date means the date specified as such in the Timetable.

Due Diligence Investigations means the accounting, legal and commercial investigations conducted by or on behalf of the Company, its directors and the Underwriter (including through a Due Diligence Committee), for the purpose of preparing and verifying the Prospectus and ensuring that the Prospectus complies with the Corporations Act.

Entitlement and Acceptance Form means the entitlement and acceptance form included in or accompanying the Prospectus.

Facility Agreement means the Convertible Loan, Debt Loan and Facility Agreement (as amended and restated) between the Underwriter, the Company and others dated 14 November 2013.

Force Majeure means any act of God, war, revolution, or any unlawful act against public order or authority, an industrial dispute, governmental restraint, or any other act which is not within the control of the parties.

GST has the meaning in section 195-1 of the GST Act.

GST Act means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Insolvency Event means in relation to any person:

- (a) **(Receiver appointed)** a receiver, receiver and manager, administrator, trustee or similar official is appointed over any of the assets or undertaking of the person;
- (b) **(Payments suspended)** the person suspends payment of its debts generally;
- (c) **(Unable to pay)** the person is or becomes unable to pay its debts when they are due or is unable to pay its debts within the meaning of the Corporations Act or the person may be presumed to be insolvent under section 459C of the Corporations Act;
- (d) **(Arrangements with creditors)** the person enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;
- (e) **(Winding up)** an application or order is made for the winding up or dissolution of, or the appointment of a provisional liquidator to the person or a resolution is passed or steps are taken to pass a resolution for the winding up or dissolution of the person otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of the Underwriter; or
- (f) **(Administrator)** an administrator is appointed under Division 2 of Part 5.3A of the Corporations Act.

Issue means the Company's offer to Shareholders to subscribe, by way of rights, for the New Shares in accordance with the Prospectus.

Issue Price means \$0.01 per New Share.

Listing Rules means the Listing Rules of ASX.

Lodgement Date means the date specified in the Timetable as the date that the Prospectus is lodged with ASIC and the ASX.

New Shares means 1,792,975,335 ordinary shares in the capital of the Company proposed to be issued by the Company under the Issue at the Issue Price which will rank equally in all respects with the ordinary shares in the Company on issue at the date of this agreement.

Offer Period means the period commencing on the Opening Date and ending on the Closing Date.

Official List means the official list of ASX.

Opening Date means, subject to variation under clause 5.1(a), the date specified as such in the Timetable.

Prescribed Occurrence in relation to the Company means any event listed in section 652C(1) or (2) of the Corporations Act.

Prospectus means the prospectus in relation to the Issue in the form of Annexure A.

Related Body Corporate means a corporation that is related to the Company pursuant to sections 9 and 50 of the Corporations Act.

Shareholders means the persons whose names appear in the register of members of the Company as holders of Shares at the close of business on the Books Closing Date.

Shares means ordinary shares in the capital of the Company.

Shortfall means the number of New Shares for which Valid Applications have not been received by 5.00pm on the Closing Date, as calculated by the Company in accordance with clause 9.1.

Shortfall Acceptance Form means the shortfall acceptance form included in or accompanying the Prospectus.

Timetable means the timetable for the Issue set out in Schedule 1.

Uncertificated Holding Statement means a statement provided under Listing Rule 8.5 in respect of an uncertificated holding of securities.

Underwritten Shares means 500,000,000 of the New Shares.

Valid Application means an acceptance of the Company's offer to subscribe for New Shares:

- (a) that is made on the Entitlement and Acceptance Form or the Shortfall Acceptance Form in accordance with the terms set out in the Prospectus;
- (b) that is received by the Company on or before the Closing Date at the place specified in the Prospectus for lodgement of Entitlement and Acceptance Forms;
- (c) that is not withdrawn before the Closing Date; and
- (d) in respect of which Application Money has become clear funds.

1.2 Interpretation

In this agreement, except where the context otherwise requires:

- (a) the singular includes the plural and vice versa, and a gender includes other genders;
- (b) another grammatical form of a defined word or expression has a corresponding meaning;
- (c) a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this agreement, and a reference to this agreement includes any schedule or annexure;
- (d) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- (e) a reference to **A\$, \$A, dollar** or **\$** is to Australian currency;
- (f) a reference to time is to Perth, Australia time;
- (g) a reference to a party is to a party to this agreement, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;
- (h) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- (i) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

- (j) a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act;
- (k) the meaning of general words is not limited by specific examples introduced by **including, for example** or similar expressions;
- (l) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;
- (m) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;
- (n) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this agreement or any part of it; and
- (o) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

1.3 Headings

Headings are for ease of reference only and do not affect interpretation.

2. Underwriting

2.1 Appointment

The Company appoints the Underwriter to underwrite the issue of New Shares up to the Underwritten Shares and subject to the satisfaction of the conditions precedent in clause 2.3, the Underwriter accepts the appointment.

2.2 Sub-underwriters

The Underwriter may appoint sub-underwriters on such terms and conditions as it determines in its absolute discretion, provided that such terms and conditions are not inconsistent with this agreement.

2.3 Conditions precedent

The obligations of the Underwriter under this agreement are subject to, and conditional on:

- (a) the Underwriter receiving, on or before the date on which the Prospectus is lodged with ASIC, an opinion letter from the Company's solicitors, in terms of the draft letter set out in Schedule 2; and
- (b) the Prospectus being lodged with ASIC on the Lodgement Date in a form satisfactory to the Underwriter in its reasonable satisfaction; and
- (c) the Company providing evidence to the reasonable satisfaction of the Underwriter that another shareholder of the Company has committed to subscribe for at least \$1,000,000 of New Shares under the Issue.

2.4 Satisfaction of conditions

The Company must use its best endeavours and do all things that are within its powers to ensure that the conditions precedent in clause 2.3 are satisfied.

2.5 Termination

If any condition in clause 2.3 is not satisfied by the date specified in the relevant paragraph of clause 2.3 or, if no date is specified, by the Lodgement Date, then the Underwriter may terminate its underwriting obligations immediately by serving notice in writing on the Company.

2.6 Effect of termination

Termination under clause 2.5 will not affect:

- (a) the rights and remedies of the Underwriter in respect of any breach of this agreement by the Company occurring prior to the date of termination; and
- (b) the rights of the Underwriter to be reimbursed for all expenses incurred pursuant to this agreement, including all expenses referred to in clause 10.2.

2.7 Not acting as adviser

The Company acknowledges and agrees that:

- (a) the Underwriter is only acting in its capacity as underwriter in relation to the Issue and that the Underwriter is not acting as adviser to the Company in respect of the Issue;
- (b) it is contracting with the Underwriter on an arm's-length basis to provide the services set out in this agreement; and
- (c) the Underwriter is not acting in a fiduciary capacity with respect to the Company or any of the Company's directors, officers or employees.

3. Prospectus

3.1 Preparation of Prospectus

The Prospectus will be prepared by the Company in full consultation with and subject to the approval of the Underwriter and will be in the form of the draft Prospectus attached to this agreement and signed by the parties for the purpose of identification.

3.2 Amendment of Prospectus

The draft Prospectus referred to in clause 3.1 may be amended only with the approval of the Underwriter who will not unreasonably withhold approval to amendments required by ASIC or ASX or amendments required to be made to comply with the Corporations Act or the Listing Rules.

3.3 Prospectus

The Company must:

- (a) lodge the Prospectus with ASIC by 5.00pm on the Lodgement Date, or any later time or date approved in writing by the Underwriter; and
- (b) ensure that the Prospectus complies with the Corporations Act, any applicable ASIC class orders and the Company's obligations under the Listing Rules, and any other laws of any jurisdiction in which the Company proposes to issue the Prospectus.

3.4 Due Diligence Committee

A representative of the Underwriter will be included in the due diligence committee responsible for preparing the Prospectus.

3.5 Required number

On or before the Opening Date, the Company must provide to the Underwriter 2 printed copies of the Prospectus, or such lesser number approved in writing by the Underwriter.

3.6 Dispatch of Prospectus

On or before the Dispatch Date, the Company must send a copy of the Prospectus and Entitlement and Acceptance Form to each Shareholder.

3.7 Supplementary Prospectus

The Company must ensure that if a matter referred to in section 719(1) of the Corporations Act occurs after lodgement of the Prospectus, a supplementary or replacement document is lodged under section 719 of the Corporations Act (with the Underwriter's prior written consent) without prejudice to the rights of the Underwriter under clause 16.

4. ASX Approval

4.1 Application

The Company must:

- (a) within seven days after the date of issue of the Prospectus, apply for an ASX Approval; and
- (b) deliver to the Underwriter, on the same day on which it is received or sent, copies of each item of correspondence received and sent by the Company that relates to the application for an ASX Approval.

4.2 Obtaining ASX Approval

The Company must ensure that ASX gives an ASX Approval before the Closing Date.

4.3 Satisfaction of conditions

The Company must ensure that all conditions of ASX Approval are satisfied as soon as practicable.

5. Offer Period

5.1 Application lists

The Company must:

- (a) open the application lists for the New Shares by 12.00 noon on the Opening Date or any later time or date approved by the Underwriter;
- (b) subject to clause 5.2, close the application lists at 5.00pm on the Closing Date; and
- (c) keep the Issue open during the Offer Period.

5.2 Circumstances for early closure

The Company may, with the prior written consent of ASX and the Underwriter:

- (a) close the application lists before the Closing Date; and
- (b) at any time permitted by applicable law close the application lists after the Closing Date.

6. Applications for New Shares

6.1 Valid Applications

The Company must not:

- (a) refuse or reject any Valid Application without the prior consent of the Underwriter; or
- (b) accept any application for New Shares that is not a Valid Application.

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6.2 Designated Bank Account

The Company must ensure that the Application Money deposited in the Designated Bank Account is not withdrawn until after the issue of the New Shares.

6.3 Promote issue

The Company must:

- (a) after lodgement of the Prospectus, at the Company's expense but subject to paragraph (b), promote the Issue and advertise the Prospectus to the extent and in the form and manner that the Underwriter reasonably requires; and
- (b) ensure that advertising, publicity and all other material relating to advertising and publicity of or in relation to the Issue or the Prospectus by the Company:
 - (i) complies with the Corporations Act, the Listing Rules and all other relevant laws; and
 - (ii) is not published or distributed without the prior approval of the Underwriter.

6.4 Underwriter's application for New Shares

The Underwriter must ensure that before 5.00pm on the Closing Date the Company receives a Valid Application from the Underwriter in respect of at least 400,000,000 New Shares of the Underwriter's pro-rata entitlement of New Shares.

7. Share registrar

7.1 Appointment of registrar

The Company must before the Opening Date appoint Computershare as the Company's share registrar.

7.2 Obligations of registrar

The Company must ensure that the appointed share registrar:

- (a) receives the Entitlement and Acceptance Forms and Shortfall Acceptance Forms and the Application Money in respect of both;
- (b) credits the Designated Bank Account on a daily basis during the Offer Period with the Application Money;
- (c) notifies the Underwriter in writing on each Business Day of:
 - (i) the number of Valid Applications received by it;
 - (ii) the identity of the applicants; and
 - (iii) the number of New Shares applied for in total and in each application;
- (d) keeps adequate records of all applications received (regardless of whether they are valid applications);
- (e) delivers a final computerised list of successful applicants to the Underwriter on the third Business Day after the Closing Date;
- (f) forwards to ASX, on completion of the Issue, the details of issues and other information required by the Listing Rules;
- (g) notifies applicants of the number of New Shares issued to them as soon as practicable after those issues are made by the Company; and

- (h) arranges for the prompt dispatch of share certificates or Uncertificated Holding Statements in respect of the New Shares in accordance with the Listing Rules and the Corporations Act.

8. Allotment

8.1 Issue in accordance with Prospectus

The Company will deal with Valid Acceptances and issue New Shares in accordance with the terms of the Prospectus.

8.2 Allotment by Company

The Company will promptly allot the New Shares in respect of which it has received Valid Applications in accordance with the Prospectus, this agreement, the Corporations Law and the Listing Rules.

8.3 Quotation of New Shares

The Company will do all things necessary to comply with the Listing Rules and to ensure that the New Shares are officially quoted by ASX as soon as practicable under the Listing Rules.

9. Shortfall

9.1 Calculation of Shortfall

The Company will calculate the Shortfall by deducting from 1,792,975,335 ordinary shares (being the maximum number of New Shares offered under the Prospectus) the number of New Shares in respect of which Valid Applications are received by the Company before 5.00pm on the Closing Date.

9.2 Application by Underwriter

If:

- (a) the Company has complied with all of its obligations under this agreement;
- (b) at 5.00pm on the Closing Date there is a Shortfall; and
- (c) the Company has by 5.00pm on the third Business Day after the Closing Date given to the Underwriter:
 - (i) notice in writing stating the Shortfall (having regard to cleared payments since the Closing Date); and
 - (ii) a certificate in the form contained in Schedule 5, signed by two directors of the Company stating that, at the date of delivery of the certificate, no event referred to in clause 16 and Schedule 5 has occurred,

the Underwriter must, within 10 Business Days after the Closing Date, lodge or cause to be lodged with the Company applications to subscribe for the number of New Shares equal to the lesser of 500,000,000 New Shares and the Shortfall and all Application Money in respect of those New Shares.

9.3 Review of applications

If there is a Shortfall:

- (a) the Underwriter can review applications to subscribe for New Shares which were rejected by the Company;
- (b) the Underwriter may relodge those applications which are or have become Valid Applications; and

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- (c) the Company must accept those applications as Valid Applications.

9.4 Issue within two days

If the Underwriter lodges applications under clause 9.2, the Company must issue New Shares in accordance with those applications not later than two Business Days after lodgement.

9.5 Acknowledgement regarding set-off

The parties acknowledge and agree that any amounts the Underwriter is required to pay to the Company pursuant to this agreement (including Application Money pursuant to clause 6.4 or 9.2) will be automatically set-off against any amounts owing from the Company to the Underwriter under the Facility Agreement which are required to be pre-paid to the Underwriter in accordance with clauses 14.2(d) and (e) of the Facility Agreement.

10. Commissions and expenses

10.1 Underwriting commission

The Company must, immediately after the issue of all of the Underwritten Shares, pay to the Underwriter an underwriting commission of \$150,000 (representing 3% of the maximum funds that may have been raised in respect of the Underwritten Shares).

10.2 Reimbursement of expenses

Subject to clause 10.3 the Company must:

- (a) reimburse the Underwriter on request for all outgoings, reasonable costs, expenses, fees, commissions, disbursements, charges, taxes or duties incurred by the Underwriter in connection with the Issue (including, but not limited to, reasonable legal fees (including reasonable legal fees related to escrow arrangements in respect of any sub-underwriting connected with the Issue), travel, postage and accommodation expenses and disbursements) notwithstanding that the Underwriter may have exercised its rights under clause 2.5 or clause 16; and
- (b) pay all other costs and expenses of and incidental to the Issue including costs and expenses for promotion and advertising.

10.3 Underwriter's own costs

The Underwriter is responsible for paying all sub-underwriting fees, handling fees, brokerage and other charges incurred by it in procuring Valid Applications.

11. Cessation of Underwriter's obligations

11.1 Obligations cease

The Company acknowledges and agrees that immediately on the Underwriter lodging applications under clause 9.2 the Underwriter will:

- (a) have satisfied in full its obligations under this agreement; and
- (b) not be required to pay any further amounts to the Company under this agreement.

11.2 Liability ceases

The liability of the Underwriter under this agreement ceases on the first to occur of:

- (a) the Company receiving Valid Applications for all of the Underwritten Shares;
- (b) if no notice has been given, the end of the last Business Day on which a notice may be given by the Company under clause 9.2(c);

- (c) the Underwriter discharging its obligations under clause 9.2; and
- (d) the date on which the Underwriter terminates, under clause 16, its obligations under clause 9.

12. Force Majeure

Where Force Majeure prevents or delays any party from performing any obligation under this agreement, that obligation is suspended as long as the Force Majeure subsists, or for a period of ten (10) Business Days from the date that the Force Majeure first occurs, whichever is the lesser.

13. Warranties by the Company

13.1 Company represents and warrants

- (a) Subject to clause 13.2, the Company represents and warrants to the Underwriter, at the date of this agreement and at all times until the date when all the Underwritten Shares are issued, that each of the warranties set out in Schedule 3 is completely true and accurate and not misleading in any way.
- (b) The warranties set out in paragraphs 16 to 20 of Schedule 3 are given only as at the date of this agreement, and only on the basis of, and to the extent of, the actual knowledge of Michael Perrott, Michael Fry and Samantha Drury as at the date of this agreement.

13.2 Underwriter's investigations

The Company is not liable for any inaccuracy in or breach of any of the representations or warranties in this agreement, if the inaccuracy or breach is, or the facts giving rise to the inaccuracy or breach were, within the actual knowledge of the Underwriter or any of its directors or officers prior to the parties entering into this agreement.

14. Covenants by the Company

14.1 Covenants

During the Offer Period the Company must:

- (a) neither do nor permit any activity which involves a breach by the Company or a Related Body Corporate of:
 - (i) its constitution;
 - (ii) the Corporations Act; or
 - (iii) the Listing Rules.
- (b) not dispose, or agree to dispose, of the whole, or a substantial part, of its business or property without the prior written consent of the Underwriter;
- (c) permit the Underwriter by itself or acting through its employees, agents, legal advisers or representatives to make during Business Hours any examination of and enquiries concerning the business, assets, liabilities, books and accounts of the Company and each Related Body Corporate as the Underwriter reasonably requires for the purpose of conducting all investigations that the Underwriter considers necessary or desirable in relation to the Issue;
- (d) subject to its continuous disclosure obligations pursuant to the Listing Rules, not make to ASX, or to any other person, any statements or announcements or issue any press releases directly or indirectly in respect of the Issue without the prior written consent of the _____

Underwriter. Where the Company is required to make an announcement or disclosure pursuant to its continuous disclosure obligations under the Listing Rules, the Company must use its best endeavours to ensure that the Underwriter is given a reasonable opportunity to consider and comment on any such announcement or disclosure before it is made; and

- (e) enforce its rights, take all action and do all things necessary or desirable for the Company to obtain the full benefit of the significant or material contracts referred to in the Prospectus.

14.2 Notification to Underwriter

The Company must notify the Underwriter as soon as it becomes aware of:

- (a) any event or occurrence which might be relevant to the Underwriter's ability to exercise its rights under clause 16;
- (b) any proposal to issue a supplementary or replacement document pursuant to its obligations under section 719 of the Corporations Act; or
- (c) any breach of this agreement including the warranties and covenants contained in this agreement.

14.3 Due diligence documentation

The Company must:

- (a) retain and securely store for a period of seven years from the Closing Date all documentation collected, produced or prepared during the Due Diligence Investigations (including minutes of meetings of any Due Diligence Committee and reports to and reports by such committee); and
- (b) give the Underwriter free and unfettered access to such documentation, at all reasonable times (including the right to take, at the Underwriter's cost, any copies of any part of such documentation it reasonably requires).

14.4 Obligation to advertise

After lodgement of the Prospectus and until the Closing Date, the Company will at the Company's own expense and subject to clause 14.1(d), publicly advertise the Prospectus at such times and in such form and manner as the Underwriter reasonably requests.

14.5 Obligation to procure acceptances

The Company will use its best endeavours, to the extent that the Underwriter requests, to procure that Valid Applications and Application Money are received for all New Shares.

15. Acknowledgment and indemnity

15.1 Company responsible

The Company acknowledges that:

- (a) notwithstanding the manner in which the Prospectus is prepared, the Company is solely responsible for the Issue, the Prospectus and any document distributed in relation to the Issue; and
- (b) the Underwriter does not accept responsibility or liability to the Company for the form, contents and correctness of the Prospectus or of any other document distributed by the Company in relation to the issue.

15.2 Company to indemnify

Subject to clause 15.3, the Company indemnifies the Underwriter and its directors, officers, employees and advisers (**Indemnified Parties**) against all losses, expenses, damages and costs (including reasonable legal or other costs associated with the enforcement of this indemnity and whether incurred by or awarded against the Indemnified Parties), outgoings and payments (**Losses**) that any Indemnified Party may sustain or incur as a result, whether directly or indirectly, of:

- (a) any warranty given under clause 13 being untrue, inaccurate or misleading or any breach by the Company of this agreement;
- (b) a claim (other than one for fees or expenses that are the responsibility of the Underwriter under clause 10.3) in relation to the Issue;
- (c) the Prospectus (and any replacement prospectus or supplementary prospectus);
- (d) any statement made or issued by an Indemnified Party to the extent that the statement is made or issued in good faith and in reliance on the Prospectus or on any material or information provided by or on behalf of the Company;
- (e) any announcement, advertising, publicity or other promotion made or distributed by the Company in relation to the Prospectus or the Issue; or
- (f) any investigations, enquiries, legal proceedings or review of the Prospectus or the Issue undertaken by ASIC, ASX or other regulatory body.

15.3 Limitation on indemnity

The indemnity contained in clause 15.2 does not apply to any losses incurred as a result of:

- (a) wilful misconduct of an Indemnified Party in relation to the Issue or the Prospectus; or
- (b) any penalty or fine which an Indemnified Party is required to pay for any contravention of the Corporations Act.

15.4 Notice of claim to indemnify

The Company is not liable in respect of any Loss pursuant to clause 15.2 unless the Underwriter or Indemnified Party gives the Company a notice describing in reasonable detail each fact, matter or circumstance giving rise to the Loss, and including an estimate of the amount of the Loss (**Claim Notice**) and the Claim Notice is received by the Company no later than 12 months after the date of this agreement.

15.5 Release of Indemnified Parties

The Company will not make any claim against any Indemnified Party and the Company unconditionally and irrevocably releases and discharges each Indemnified Party from any claim which could, but for this clause 15.5, be made by the Company for loss or damage arising, directly or indirectly, from the performance or non-performance of the Underwriter's obligations under this agreement or any involvement of an Indemnified Party in the preparation of the Prospectus, except to the extent that the loss or damage was caused solely by the fraud, negligence or wilful misconduct of an Indemnified Party or, in the case of the Underwrite, by breach by the Underwriter of this agreement.

15.6 Approval doesn't prejudice

Any approval or consent given by the Underwriter to any act, matter or thing does not waive or in any way prejudice the right of the Indemnified Parties to the indemnity contained in clause 15.2.

15.7 Contractual contribution

If for any reason the indemnity contained in clause 15.2 is unavailable or insufficient to hold harmless any Indemnified Party against any Losses against which the Indemnified Party is stated to be indemnified under this clause 15 (other than as a result of the operation of clause 15.2), then the Company agrees to contribute to the relevant Loss with the Indemnified Parties in accordance with clauses 15.8 to 15.11, in all cases to the maximum extent allowable by law.

15.8 Proportional contribution

Subject to clause 15.9, the respective proportional contribution of the Company and the Indemnified Parties in relation to the relevant loss will be as agreed by the Company and the Indemnified Parties (and failing agreement as determined by a court of competent jurisdiction) having regard to the participation in, instigation of or other involvement of the Company (in relation to the proportional contribution of the Company) and the Indemnified Parties (in relation to the proportional contribution of each Indemnified Party) in the act complained of. Without limiting the generality of this clause 15.8, regard must be had to the relative intent, knowledge, access to information and opportunity to correct any untrue statement or omission of each of the Company and the Indemnified Parties.

15.9 Limitation of contribution by Indemnified Parties

The Company agrees that in no event will the Indemnified Parties be required to contribute under clause 15.8 an aggregate amount that exceeds the commission and fees paid to the Underwriter by the Company under this agreement.

15.10 Reimbursement by Company

If an Indemnified Party pays an amount in relation to a loss where it is entitled to contribution from the Company under this clause 15 the Company agrees promptly to reimburse the Underwriter (on behalf of the Indemnified Party) for that amount.

15.11 Reimbursement by Underwriter

If the Company pays an amount in relation to a loss where it is entitled to a contribution from the Indemnified Parties under this clause 15 the Underwriter must promptly reimburse it for that amount.

15.12 Conduct of claims

Subject to clause 15.13, each Indemnified Party must:

- (a) take such reasonable action as the Company requests to avoid, dispute, resist, appeal, compromise or defend the claim or proceeding or any adjudication in respect of it;
- (b) not settle any claim or proceeding without the prior written consent of the Company, such consent not to be unreasonably withheld;
- (c) render all reasonable assistance and cooperation to the Company in the conduct of any legal or other proceedings, including without limitation providing the Company with any documents in its possession and signing all documents, authorities and directions which the Company may reasonably require for the prosecution or advancement of any legal or other proceedings; and
- (d) do anything reasonably necessary or desirable to ensure that the Company is subrogated to and enjoys the benefit of the rights of the Indemnified Party in relation to any cross-claim and to render such assistance as may be reasonably requested by the Company for that purpose.

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15.13 Company's obligations to Indemnified Parties

An Indemnified Party is under no obligation under clause 15.12 unless at the time the Company requests the Indemnified Party to take any action the Company agrees to indemnify the Indemnified Party against all costs, expenses and charges incurred by or awarded against the Indemnified Party in taking the action required, as and when they fall due, including legal costs and disbursements of its lawyers on a full indemnity basis and the cost of any involvement of any of the officers of the Indemnified Party at normal commercial rates.

16. Relief of the Underwriter's obligations

16.1 Right to terminate

Subject to clause 16.3, the Underwriter may, by notice to the Company, terminate its underwriting liability under this agreement, if any of the events set out in Schedule 4 occurs before the Company issues the Underwritten Shares.

16.2 Notification to Underwriter

The Company must notify the Underwriter as soon as it becomes aware of any event or occurrence which might be relevant to the ability of the Underwriter to exercise its rights under this clause 16.

16.3 Limitation on right to terminate

If an event set out in paragraphs 5 to 19 (inclusive, except excluding an event in paragraph 14(f)) of Schedule 4 occurs, the Underwriter can only exercise its rights under clause 16.1 if the Underwriter determines reasonably and in good faith that the event:

- (a) has or would have had a material adverse effect on the Issue; or
- (b) could create a potential liability for the Underwriter under the Corporations Act.

16.4 Waiver by Underwriter

The Underwriter may, by written notice to the Company, waive any of its rights under clause 16.1 but any waiver will only affect the Underwriter's right in relation to the particular event specifically referred to in the notice.

16.5 Termination not to affect claim

Any termination of this agreement pursuant to this clause 16 will not prejudice or nullify any claim for damages which either party may have against the other arising out of any breach of the terms of this agreement prior to the date of termination.

16.6 Exercise of right by Underwriter

The Underwriter may exercise a right, power or remedy under this agreement, including a right arising upon any event under clause 16.1, at its discretion, and separately or concurrently with any other right, power or remedy. A single or partial exercise of a right, power or remedy by the Underwriter does not prevent a further exercise of that or any other right, power or remedy. Failure by the Underwriter to exercise or delay in exercising a right, power or remedy does not prevent its exercise. The Underwriter is not liable for any loss caused by the exercise, attempted exercise, failure to exercise or delay in exercising any right, power or remedy.

17. Continuing obligations

Each warranty, covenant, undertaking and indemnity made or given by the Company in this agreement is a continuing obligation, separate from and independent of the other obligations of the Company and continues in full force after the date of the cessation of the Underwriter's liability.

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18. GST

18.1 Interpretation

In this clause 18, a word or expression defined in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) has the meaning given to it in that Act.

18.2 GST gross up

If the Underwriter makes a supply under or in connection with this agreement in respect of which GST is payable, the consideration for the supply but for the application of this clause 18.2 (**GST exclusive consideration**) is increased by an amount equal to the GST exclusive consideration multiplied by the rate of GST prevailing at the time the supply is made.

18.3 Reimbursements

If a party must reimburse or indemnify another party for a loss, cost or expense, the amount to be reimbursed or indemnified is first reduced by any input tax credit the other party is entitled to for the loss, cost or expense, and then increased in accordance with clause 18.2.

18.4 Tax invoice

The Company is not required to make a payment for a taxable supply made under or in connection with this agreement until the Underwriter has given the Company a tax invoice for the supply to which the payment relates.

19. Notices and other communications

19.1 Service of notices

A notice, demand, consent, approval or communication under this agreement (**Notice**) must be:

- (a) in writing, in English and signed by a person duly authorised by the sender; and
- (b) hand delivered or sent by prepaid post or facsimile to the recipient's address for Notices specified in the Details, as varied by any Notice given by the recipient to the sender.

19.2 Effective on receipt

A Notice given in accordance with clause 19.1 takes effect when taken to be received (or at a later time specified in it), and is taken to be received:

- (a) if hand delivered, on delivery;
- (b) if sent by prepaid post, two Business Days after the date of posting (or seven Business Days after the date of posting if posted to or from a place outside Australia);
- (c) if sent by facsimile, when the sender's facsimile system generates a message confirming successful transmission of the entire Notice unless, within eight Business Hours after the transmission, the recipient informs the sender that it has not received the entire Notice,

but if the delivery, receipt or transmission is not on a Business Day or is after 5.00pm on a Business Day, the Notice is taken to be received at 9.00am on the next Business Day.

20. Miscellaneous

20.1 Alterations

This agreement may be altered only in writing signed by each party.

20.2 Approvals and consents

Except where this agreement expressly states otherwise, a party may, in its discretion, give conditionally or unconditionally or withhold any approval or consent under this agreement.

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20.3 Assignment

A party may only assign this agreement or a right under this agreement with the prior written consent of each other party.

20.4 Costs

Each party must pay its own costs of negotiating, preparing and executing this agreement.

20.5 Stamp duty

Any stamp duty, duties or other taxes of a similar nature (including fines, penalties and interest) in connection with this agreement or any transaction contemplated by this agreement, must be paid by the Company.

20.6 Survival

Any indemnity or any obligation of confidence under this agreement is independent and survives termination of this agreement. Any other term by its nature intended to survive termination of this agreement survives termination of this agreement.

20.7 Counterparts

This agreement may be executed in counterparts. All executed counterparts constitute one document.

20.8 No merger

The rights and obligations of the parties under this agreement do not merge on completion of any transaction contemplated by this agreement.

20.9 Entire agreement

This agreement constitutes the entire agreement between the parties in connection with its subject matter and supersedes all previous agreements or understandings between the parties in connection with its subject matter.

20.10 Further action

Each party must do, at its own expense, everything reasonably necessary (including executing documents) to give full effect to this agreement and any transactions contemplated by it.

20.11 Severability

A term or part of a term of this agreement that is illegal or unenforceable may be severed from this agreement and the remaining terms or parts of the term of this agreement continue in force.

20.12 Waiver

A party does not waive a right, power or remedy if it fails to exercise or delays in exercising the right, power or remedy. A single or partial exercise of a right, power or remedy does not prevent another or further exercise of that or another right, power or remedy. A waiver of a right, power or remedy must be in writing and signed by the party giving the waiver.

20.13 Relationship

Except where this agreement expressly states otherwise, it does not create a relationship of employment, trust, agency or partnership between the parties.

20.14 Confidentiality

A party may only use confidential information of another party for the purposes of this agreement, and must keep the existence and the terms of this agreement and any confidential information of another party confidential except where:

- (a) the information is public knowledge (but not because of a breach of this agreement) or the party has independently created the information;

- (b) disclosure is required by law or a regulatory body (including a relevant stock exchange);
or
- (c) disclosure is made to a person who must know for the purposes of this agreement on the basis that the person keeps the information confidential.

20.15 Time of essence

Time is of the essence of this agreement.

20.16 Governing law and jurisdiction

This agreement is governed by the law of Western Australia and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia.

Schedule 1 - Timetable (clause 1)

Event	Date
Lodgement of Prospectus with ASIC and ASX	10 December 2013
'Ex' date	13 December 2013
Record Date	19 December 2013
Opening Date	20 December 2013
Closing Date	8 January 2014
Deferred settlement trading commences	9 January 2014
Issue and allotment of New Shares	16 January 2014

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Schedule 2 - Opinion letter (clause 2.3)

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Schedule 3 - Warranties by the Company (clause 13)

1. **(Authority)** Each of the Company and its Related Bodies Corporate is duly incorporated and is existing and in good standing and has power to make the Issue and to enter into, perform its obligations under and be bound by the terms and conditions of this agreement and issue and comply with the Prospectus without any further sanction or consent of the board of directors or members of the Company or any class of them.
2. **(Prospectus information)** The Prospectus complies with the relevant statutory and regulatory provisions and contains all information that investors and their professional advisers would reasonably require, and reasonably expect to find there, for the purpose of making an informed assessment of:
 - (a) the effect of the Issue on the Company; and
 - (b) the rights and liabilities attaching to the New Shares.
3. **(ASX announcements)** All statements and all information provided by the Company or any Related Body Corporate or any employees or agents of the Company or any of its Related Bodies Corporate to ASX were true and correct in all material respects when made to ASX and in making such statements or providing such information nothing material was omitted which would have made such statements or information misleading in any respect.
4. **(Continuous disclosure)** The Company has complied with all applicable continuous disclosure requirements under the Corporations Act and the Listing Rules.
5. **(No misleading conduct)** All statements of fact contained in the Prospectus are true and correct in all material respects and not misleading or deceptive and all expressions of opinion, intention and expectation contained in the Prospectus are truly and honestly held and not misleading or deceptive.
6. **(No omissions)** Except as disclosed pursuant to the Company's statutory continuous disclosure obligations prior to the date of this Prospectus or in the Prospectus, there are no facts known, or which on reasonable enquiry would be known, to the Company that in the context of the Issue may be material for disclosure or the omission of which would make any statement contained in the Prospectus misleading in any material respect.
7. **(Litigation)** Except as disclosed pursuant to the Company's statutory continuous disclosure obligations prior to the date of this Prospectus or in the Prospectus or previously disclosed to the Underwriter or its representatives, neither the Company nor any Related Body Corporate is engaged in or threatened with any legal action, investigation by regulatory authority or other proceedings and there are no circumstances known or which on reasonable enquiry would be known to the Company that are likely to give rise to any such proceedings.
8. **(Material Contracts)** in respect of the any material contracts of the Company and its subsidiaries (including any material financing or security arrangements, or material property leases or licenses to which the Company or its subsidiaries are a party):
 - (a) the Company has full power to enter into and comply with all such contracts and all other deeds, agreements and other instruments which the Prospectus contemplates, and has taken all necessary corporate action to authorise entering into them and complying with them; and

- (b) all such contracts have been duly executed by the Company or duly transferred to and accepted by the Company with the consent of all relevant parties and the same are binding and enforceable by the Company in accordance with their terms.

9. **(Information accurate)** All statements made and all information (including audited and unaudited financial statements) provided by the Company or any Related Body Corporate or any employees or agents of the Company or any Related Body Corporate to the Underwriter and its employees or agents during:
 - (a) the Due Diligence Investigations; or
 - (b) the investigations referred to in clause 14.1(c),
 are true and correct in all material respects and in making those statements or providing that information nothing has been omitted which would make those statements or that information misleading in any material respect.
10. **(Information Complete)** the Company has fully disclosed to the Underwriter all information and documents relating to the Company and its subsidiaries and the businesses, corporations and assets which the Company and its subsidiaries have acquired or intends to acquire, of which the Company or any Officer of the Company is aware, and which is likely to affect the decision of the Underwriter to enter into this agreement.
11. **(Stamp duty)** No stamp duty (or other tax of a similar nature) is or will be payable on the issue of the New Shares to an applicant making a Valid Application.
12. **(Compliance)** The Company has complied with the Corporations Act and all applicable policies and guidelines of ASIC, and all information and documents filed by the Company with ASIC are complete, true and correct in all material respects and in providing that information nothing has been omitted which would make those statements or that information misleading in any material respect.
13. **(Consents and Approvals)** all consents, approvals, certificates, and authorisations required to be obtained (whether in Australia or elsewhere) under or pursuant to any statute or governmental or administrative requirement, policy or directive or under or pursuant to any other body or any third party, by the Company or any other person in relation to the transactions referred to in the Prospectus have been duly obtained and the conditions (if any) to which the transactions are subject have been duly complied with.
14. **(Transactions contemplated by Prospectus)** each of the transactions referred to in the Prospectus are in full compliance with all applicable statutes or governmental or administrative requirements, policies or directives (whether in Australia or elsewhere).
15. **(Accounts)**
 - (a) The Accounts present a true and fair view of the financial position of the Company as at their date and have not been rendered misleading, in any material respect, by any event which has happened since that date.
 - (b) There has been no material adverse change since the date of the Accounts in the trading results or financial position of the Company.
16. **(Financial Statements)** The financial statements included in the Prospectus, together with the related schedules and notes, comply with the requirements of all material, relevant and applicable statutory and regulatory provisions (including the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and complies with Australian Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards

Board), and present fairly the financial position of the Company and its consolidated subsidiaries at the dates indicated.

17. **(No Material Adverse Change in Business)** Since the date as of which information is given in the 2013 Annual Report, except as otherwise stated therein or otherwise disclosed in the Prospectus or pursuant to the Company's continuous disclosure obligations, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, (B) there have been no transactions entered into by the Company or any of its subsidiaries, other than those in the ordinary course of business, that are material with respect to the Company and its subsidiaries considered as one enterprise, (C) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of shares of its issued capital.
18. **(Absence of Defaults and Conflicts Resulting from Transactions)** The execution, delivery and performance of the Underwriting Agreement, and the issuance and sale of the new shares pursuant to the Prospectus, will not result in a breach or violation by the Company of any of the material terms and provisions of, or constitute a material default by the Company or a debt repayment triggering event under, or result in the imposition of, any lien, charge or encumbrance upon any property or assets of the Company and its subsidiaries which has a material adverse effect on the assets or value of the Company and its subsidiaries when taken as a whole.
19. **(Payment of Taxes)** The Company and its subsidiaries have filed all tax returns that are required to have been filed by them pursuant to applicable federal, state, national, provincial, local and non-Australian tax law except insofar as the failure to file such returns would not have a material adverse effect on the Company and its subsidiaries as a whole, and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Company and its subsidiaries, except for such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided.
20. **(Not Insolvent)** No Insolvency Event has occurred, or is subsisting, in respect of the Company and each of its subsidiaries.
21. **(Issued Share Capital)** The issued share capital of the Company is accurately reflected in the Prospectus and its other ASX announcements.
22. **(New Shares)** New Shares issued pursuant to the Prospectus will be issued as fully paid ordinary shares, free from encumbrances, subject to the constitution of the company and with the rights and obligations described in the Prospectus.
23. **(Material Adverse Effect)** Except as disclosed in the Prospectus, or as notified to ASX in accordance with the Company's continuous disclosure obligations, since 30 June 2013:
 - (a) there has been no change in the assets, total liabilities or financial condition or profitability of the Company and its Related Bodies Corporate considered as one enterprise from that set out in the annual accounts for the year ending 30 June 2013, except for changes in the ordinary course of business or as notified to ASX in accordance with the Company's continuous disclosure obligations none of which individually or in the aggregate, could reasonably be expected to have a material adverse effect on change in the condition, financial or otherwise on the Company and its Related Bodies Corporate; and
 - (b) the business, assets, liabilities, financial position or prospects of the Company and its Related Bodies Corporate considered as one enterprise have not been materially adversely affected by any matter, either financial or otherwise.

Schedule 4 - Events causing relief of Underwriter's obligations (clause 16)

1. **(ASX Indices fall)** The All Ordinaries Index is, for five consecutive Business Days, at a level which is 85% or less than the level at the close of trading on the date of this agreement.
2. **(Change in law)** Any of the following occurs which does or is likely to prohibit, restrict or regulate the Issue, or materially reduces the level or likely level of Valid Applications:
 - (a) the introduction of legislation into the parliament of the Commonwealth of Australia or of any State or Territory of Australia;
 - (b) the public announcement of prospective legislation or policy or amendments or changes to existing legislation or policy by the Federal Government or the Government of any State or Territory; or
 - (c) the adoption by ASIC or its delegates or the Reserve Bank of Australia of any regulations or policy or amendments or changes to existing regulations or policy.
3. **(Breach of significant contracts)** A significant or material contract referred to in the Prospectus is, without the prior consent of the Underwriter:
 - (a) breached by the Company or a Related Body Corporate;
 - (b) terminated (whether by breach or otherwise);
 - (c) altered or amended in any way; or
 - (d) found to be void or voidable.
4. **(Listing)**
 - (a) ASX makes any official statement to any person, or indicates to the Company or the Underwriter that an ASX Approval will not be given; or
 - (b) an ASX Approval has not been given before the Closing Date.
5. **(Default)** The Company is in default of any of the terms and conditions of this agreement or breaches any warranty or covenant given or made by it under this agreement and that default or breach is either incapable of remedy or is not remedied within five Business Days after it occurs.
6. **(Failure to comply)** The Company or any Related Body Corporate fails to comply with any of the following:
 - (a) a clause of its constitution;
 - (b) a statute;
 - (c) any policy or guideline of ASIC or any other requirement, order or request made by or on behalf of ASIC or any governmental agency; or
 - (d) any agreement entered into by it.
7. **(Capital structure)** The Company or a Related Body Corporate alters its capital structure without the prior written consent of the Underwriter.
8. **(Constitution altered)** The constitution or any other constituent document of the Company or a Related Body Corporate is amended without the prior written consent of the Underwriter, which consent must not be unreasonably withheld.

9. **(Prescribed Occurrence)** a Prescribed Occurrence occurs in relation to the Company or any of the Company's subsidiaries;
10. **(Financial assistance)** The Company or a Related Body Corporate seeks the approval of Shareholders under section 260B of the Corporations Act, without the prior written consent of the Underwriter.
11. **(Business)** The Company or a Related Body Corporate:
- (a) disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property; or
 - (b) ceases or threatens to cease to carry on business,
- in either case without the prior written consent of the Underwriter.
12. **(Hostilities)** There is an outbreak of hostilities (whether or not war has been declared) not presently existing, or a major escalation in existing hostilities occurs, involving any one or more of the following:
- (a) Australia;
 - (b) the United Kingdom;
 - (c) the United States of America;
 - (d) the People's Republic of China; or
 - (e) Indonesia.
13. **(Financial position)** A materially adverse change, or development involving a prospective materially adverse change, occurs in the financial or trading position of the Company or a Related Body Corporate.
14. **(Prospectus)** Without limiting any other paragraph of this schedule:
- (a) there is a material omission from the Prospectus;
 - (b) the Prospectus contains a misleading or deceptive statement;
 - (c) a statement in the Prospectus becomes misleading or deceptive;
 - (d) a forecast in the Prospectus becomes incapable of being met or unlikely to be met in the projected time;
 - (e) the Prospectus does not comply with section 713 of the Corporations Act; or
 - (f) a matter referred to in section 719 of the Corporations Act occurs in respect of the Prospectus.
15. **(Corporations Act)** Without limiting any other paragraph of this schedule:
- (a) ASIC applies for an order under section 1324B of the Corporations Act in relation to the Prospectus and the application is not dismissed or withdrawn before the Closing Date;
 - (b) a person gives a notice under section 730 of the Corporations Act in relation to the Prospectus;
 - (c) ASIC gives notice of intention to hold a hearing in relation to the Prospectus under section 739(2) of the Corporations Act or makes an interim order under section 739(3) of the Corporations Act; or
 - (d) any person (other than the Underwriter) who consented to being named in the Prospectus withdraws that consent.

16. **(Supplementary prospectus)** The Underwriter reasonably forms the view that a supplementary or a replacement document must be lodged with ASIC under section 719 of the Corporations Act and the Company does not lodge a supplementary or a replacement document in the form, with the content and within the time reasonably required by the Underwriter.
17. **(Indictable offence)** A director (or, if he or she is not a director, the Chief Financial Officer, or the Chief Operating Officer) of the Company or a Related Body Corporate is charged with an indictable offence relating to a financial or corporate matter in relation to the Company or a Related Body Corporate.
18. **(Insolvency event)** An Insolvency Event occurs with respect to the Company or a Related Body Corporate.
19. **(Charge)** The Company or a Related Body Corporate charges or agrees to charge, the whole, or a substantial part of its business or property.
20. **(Listing Rules)** The Company commits a material breach of the Listing Rules.
21. **(Timetable)** Any event specified in the Timetable being delayed by more than 1 month from the date specified in Schedule 1.

Schedule 5 - Certificate (clause 9.2(c)(ii))

The Directors
Underwriter

Dear Sirs

Underwriting Agreement

We refer to the Underwriting Agreement made between H&H Australia Holdings Pty Ltd and VDM Group Limited relating to the underwriting of 500,000,000 ordinary shares under a prospectus dated on or about 10 December 2013 (**Underwriting Agreement**).

Pursuant to clause 9.2(c)(ii) of the Underwriting Agreement, we hereby certify on behalf of the Company that, at the date of delivery of this certificate, to the best of our information, knowledge and belief, no event referred to in clause 16 of the Underwriting Agreement has occurred.

Signed by

Director, []

Director, []

Signing page

EXECUTED as an agreement.

Executed by VDM Group Limited in
accordance with Section 127 of the
Corporations Act 2001

Signature of director



Signature of director/company secretary
(Please delete as applicable)



Name of director (print)

Name of director/company secretary (print)

**Executed by H&H Holdings Australia Pty
Ltd** in accordance with Section 127 of the
Corporations Act 2001

Signature of director



Signature of director/company secretary
(Please delete as applicable)



Name of director (print)

Name of director/company secretary (print)

For personal use only

Annexure A

Prospectus

Annexure to Underwriting agreement relating to a non-renounceable rights issue of 1,792,975,335 ordinary shares

MinterEllison

LAWYERS

ATTACHMENT C – ESCROW DEED

For personal use only

ATTACHMENT C – ESCROW DEED

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Draft

Escrow deed

Williams + Hughes (**Escrow Agent**)

H&H Holdings Australia Pty Ltd (**Underwriter**)

Australia Kengkong Investments Co Pty Ltd (**Sub-underwriter**)

MinterEllison

L A W Y E R S

Escrow deed

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Details

Date

Parties

Name **William + Hughes**
Short form name **Escrow Agent**
Notice details Ground Floor
 25 Richardson Street
 WEST PERTH WA 6005
 Facsimile: +61 8 9481 2041
 Attention: David Williams

Name **H&H Holdings Australia Pty Ltd ACN 162 108 143**
Short form name **Underwriter**
Notice details Unit 3, 150 Sterling Street, Perth, WA 6000
 Facsimile: +61 8 9221 5978
 Attention: Dr Dongyi Hua

Name **Australia Kengkong Investments Co Pty Ltd ACN 166 606 757**
Short form name **Sub-underwriter**
Notice details Suite 5503, 55/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
 Facsimile: +852 2877 1717
 Attention: Mr Hiuming Luk

Background

- A The Underwriter and the Sub-underwriter are parties to the Sub-underwriting Agreement.
- B Under the terms of the Sub-underwriting Agreement, it is contemplated that (amongst other things):
- (i) the Sub-underwriter will sub-underwrite the issue of certain shares in the Company to be issued pursuant to the Rights Issue; and
 - (ii) the Sub-underwriter will transfer the Sub-underwritten Amount into the Escrow Agent's Trust Account by no later than 13 December 2013 after the execution of the Sub-underwriting Agreement, to be held pursuant to the terms of this deed; and
 - (iii) the Sub-underwriter and the Underwriter will instruct the Escrow Agent to the release of the Escrow Amount pursuant to the terms of this deed.
- C This deed sets out the terms on which the Escrow Agent agrees to hold the Escrow Amount as Escrow Agent.

Agreed terms

1. Defined terms & interpretation

1.1 Defined terms

In this deed, unless otherwise defined, capitalised terms used herein shall bear the same meanings as those defined under the Sub-underwriting Agreement:

Authorised Representatives means the representatives listed in Schedule 2.

Business Day means a day which is not a Saturday, Sunday or public holiday, and on which all banks are open for business generally, in Perth, Western Australia.

Company means VDM Group Limited.

Claim includes a claim, notice, demand, action, proceeding, litigation, investigation, judgment, however arising, whether present, unascertained, immediate, future or contingent, whether based in contract, tort or statute and whether involving a third party or a party to this deed.

End Date means 31 March 2014.

Escrow Account means an Australian dollar interest bearing controlled monies account in the name of the Escrow Agent to be opened pursuant to clause 3.2.

Escrow Agent's Trust Account means the trust account of the Escrow Agent, with the following details:

BSB: 036 011

A/C No: 496 544

Account Name: Williams & Hughes Law Practice Trust Account

Escrow Amount means the amount in the Escrow Account, less any costs, expense, interest and other amounts that the Escrow Agent is expressly authorised to deduct under this deed.

Escrow Interest means all interest which accrues on the Escrow Amount whilst on deposit in the Escrow Account.

Escrow Party means each party to this deed, other than the Escrow Agent.

Indemnified Loss means, any losses, costs, charges, damages, expenses or other Liabilities arising out of or in connection with any fact, matter or circumstance, including all reasonable legal and other professional expenses on a solicitor-client basis incurred in connection with investigating, disputing, defending or settling any Claim relating to that fact, matter or circumstance (including any Claim based on the terms of this deed).

Liabilities means all liabilities (whether actual, contingent or prospective) of whatever description, irrespective of when the acts, events or things giving rise to the liability occurred.

Notice has the meaning given in clause 7.1.

Release Notice means a notice to the Escrow Agent in the form set out in Schedule 1.

Rights Issue means the 1 for 1 non-renounceable rights issue of the Company to be announced to the market on or about the date of this deed.

Sub-underwritten Amount means \$5,000,000.

Sub-underwriting Agreement means the sub-underwriting commitment letter relating to the Sub-underwriters commitment to sub-underwrite \$5,000,000 of the Rights Issue executed on or about the date of this deed.

Tax means all forms of taxes, duties, imposts, charges, withholdings, levies or other governmental impositions assessed or charged together with all costs, charges, interest, penalties, fines, expenses and other additional statutory charges, incidental or related to the imposition.

1.2 Interpretation

In this deed, except where the context otherwise requires:

- (a) the singular includes the plural and vice versa, and a gender includes other genders;
- (b) another grammatical form of a defined word or expression has a corresponding meaning;
- (c) a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this deed, and a reference to this deed includes any schedule or annexure;
- (d) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- (e) a reference to **A\$, \$A, dollar** or **\$** is to Australian currency;
- (f) a reference to time is to Perth, Australia time;
- (g) a reference to a party is to a party to this deed, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;
- (h) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- (i) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (j) a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act;
- (k) the meaning of general words is not limited by specific examples introduced by **including, for example** or similar expressions;
- (l) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;
- (m) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;
- (n) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this deed or any part of it; and
- (o) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

1.3 Headings

Headings are for ease of reference only and do not affect interpretation.

2. Appointment of Escrow Agent

The Escrow Parties appoint the Escrow Agent on the terms and conditions contained in this deed and the Escrow Agent accepts such appointment on the terms and conditions contained in this deed.

3. Escrow Account

3.1 Tax File Number

The Sub-underwriter must provide its Tax File Number to the Escrow Agent promptly following execution of this deed.

3.2 Opening of Escrow Account

The Escrow Agent must open the Escrow Account for the purposes of this deed, promptly after execution of it subject to the Escrow Parties doing all things reasonably required by the Escrow Agent to enable the Escrow Account to be opened.

3.3 Notification

Once the Escrow Agent has opened the Escrow Account, the Escrow Agent must notify the Escrow Parties of the account number and other relevant details of the Escrow Account.

3.4 Payment of Sub-underwritten Amount

The Sub-underwriter must, immediately after the execution of the Sub-underwriting Agreement and this deed, pay the Sub-underwritten Amount into the Escrow Agent's Trust Account by electronic transfer in immediately available funds. The Escrow Agent must, and the Escrow Parties irrevocably instruct the Escrow Agent to, transfer the Sub-underwritten Amount from the Escrow Agent's Trust Account into the Escrow Account by electronic transfer of immediately available funds promptly after the Escrow Account is established.

3.5 Operation

The Escrow Agent must maintain and operate the Escrow Agent's Trust Account and the Escrow Account (in its capacity as agent pursuant to clause 3.6) in accordance with the terms and conditions of this deed solely for the purposes of receiving, holding and disbursing the Escrow Amount.

3.6 Agent

Each Escrow Party irrevocably agrees, instructs and authorises the Escrow Agent and the Escrow Agent agrees with each of the Escrow Parties that:

- (a) subject to clause 4, the Escrow Agent must hold the Escrow Amount in the Escrow Account as agent for the Escrow Parties; and
- (b) no moneys may be paid or disbursed from the Escrow Account other than in accordance with the terms and conditions of this deed.

4. Release from escrow

4.1 Release funds

The Escrow Parties agree that the Escrow Agent may only release any or all of the Escrow Amount from the Escrow Account in accordance with a direction in the form of the Release Notice (which the parties agree shall be an effect release notice for the purposes of the parties obligations under the Sub-underwriting Agreement), duly executed by the Authorised

Representative of the Underwriter and the Authorised Representative of the Sub-underwriter, to immediately release the Escrow Amount in accordance with the Release Notice.

4.2 Conditions for release

The Escrow Agent must release all or any part of the Escrow Amount as required by and in accordance with:

- (a) a Release Notice given in accordance with clause 4.1; or
- (b) an order of a court of competent jurisdiction, as soon as is reasonably practicable and in any event within five Business Days of receipt of the court order, unless otherwise required by the relevant court order.

4.3 No other release

The Escrow Agent must not release any funds from the Escrow Account except as authorised under and pursuant to clause 4.2.

4.4 Limit on release

Nothing in this deed imposes on the Escrow Agent any obligation to release or pay any amount that exceeds the aggregate amount on deposit in the Escrow Account from time to time.

4.5 Escrow Interest

Upon the release of the Escrow Amount by the Escrow Agent in accordance with the terms of this deed, the Escrow Agent must pay all interest earned on the Escrow Amount while it is invested in the Escrow Account (net of Taxes that the Escrow Agent is required by law to withhold, net of bank charges and stamp duty on this deed and net of any fees due up to the date of release to the Escrow Agent for its services hereunder) to the Sub-underwriter.

4.6 Tax

All Taxes payable on the Escrow Interest are to be borne by the Sub-underwriter, except to the extent that the Escrow Agent is obliged to withhold, pay or remit to the Australian Taxation Office Taxes in relation to any amounts to which the Sub-underwriter is not presently entitled as at the end of a financial year.

5. Costs incurred by Escrow Agent

5.1 Costs

The Escrow Agent is entitled to and must be paid an amount equal to any and all costs and expenses incurred by the Escrow Agent together with its professional fees in relation to the establishment and operation of the Escrow Account and performance of the Escrow Agent's obligations under this deed (including bank charges for receiving, remitting or disbursing funds to and from the Escrow Account and any costs incurred in relation to legal proceedings as referred to in clause 6.4).

5.2 Payment of costs

The Escrow Agent shall withhold the fees, costs and expenses to which it is entitled under clause 5.1 from the Escrow Interest earned on the Escrow Amount before the Escrow Interest is released (as provided for in clause 4.5). If and to the extent such Escrow Interest as accrued does not suffice to pay the costs and expenses, the Escrow Parties must each pay the Escrow Agent on demand one half of the remaining, unpaid amount.

6. Duties, responsibilities and releases from liability

6.1 Duties and responsibilities

- (a) The duties and responsibilities of the Escrow Agent are limited to those set out in this deed and, accordingly, the Escrow Agent:
- (i) acts as a depository only and is not responsible or liable for the sufficiency or validity of any funds deposited with it;
 - (ii) is not under any duty to inquire into the terms and provisions of any agreement or instruction other than as set out in this deed;
 - (iii) is not and must not be treated as being a trustee or fiduciary acting for the benefit of any of the parties; and
 - (iv) will have no further duties or responsibilities under this deed following payment of any other monies held in the Escrow Account and paid in accordance with clause 4.1.
- (b) For the avoidance of doubt, the Escrow Agent is not required to use or advance its own funds or otherwise incur financial liability on its part in performance of its duties or the exercise of its rights under this deed.

6.2 Notifications to the Escrow Agent

The Escrow Agent:

- (a) is only subject to, and only obliged to recognise, notifications or directions given in accordance with this deed;
- (b) is entitled to rely on any notification which the Escrow Agent in good faith believes to be genuine (without the need for the Escrow Agent to take any further steps or make any enquiry or investigation as to whether the notice is valid or genuine); and
- (c) is not required to undertake any verification of the identity of the Authorised Representatives or any person purporting to sign as the Authorised Representatives..

6.3 Release from liability

- (a) The Escrow Agent:
- (i) will not be liable for any error of judgment or for any acts done or steps taken or omitted by it in connection with this deed, except for the Escrow Agent's own negligence, misconduct, default, breach of the terms of this deed, fraud or dishonesty or that of any of its partners, employees, agents or representatives; and
 - (ii) may rely on advice given to it by its legal advisers on any legal questions arising in connection with the administration of this document and will be free of Liability for acting in reliance on that advice.
- (b) Each of the Escrow Parties waives any Claim which it may have or may assert against the Escrow Agent arising out of the execution, delivery or performance by the Escrow Agent of this deed, unless that Claim is based upon the negligence, misconduct, default, breach of the terms of this deed, fraud or dishonesty of the Escrow Agent or any of its partners, employees, agents or representatives.
- (c) The Escrow Parties jointly and severally indemnify and hold harmless the Escrow Agent from any Indemnified Loss or Claims which the Escrow Agent may incur or sustain as a result of its performance under this deed except if the Indemnified Loss or Claim is due to

the negligence, misconduct, default, breach of the terms of this deed, fraud or dishonesty of the Escrow Agent or any of its directors, officers, employees, agents or representatives.

6.4 Inter-pleader and legal proceedings

- (a) If a dispute arises between the Escrow Parties with respect to the escrow arrangements contained in this deed, the Escrow Agent:
 - (i) may interplead all of the assets held in escrow by it under this deed in a court of competent jurisdiction; and
 - (ii) will then be fully relieved from any Liability or obligation with respect to those interpleaded assets.
- (b) The Escrow Parties must pursue any legal redress or recourse in connection with any dispute relating to the escrow arrangements contained in this deed without making the Escrow Agent a party, unless the dispute is based upon the gross negligence, wilful misconduct, fraud or dishonesty of the Escrow Agent or any of its directors, officers, employees, agents or representatives.

7. Notices and other communications

7.1 Service of notices

A notice, demand, consent, approval or communication under this deed (**Notice**) must be:

- (a) in writing, in English and signed by a person duly authorised by the sender; and
- (b) hand delivered or sent by prepaid post or facsimile to the recipient's address specified in the Details, as varied by any Notice given by the recipient to the sender.

7.2 Effective on receipt

A Notice given in accordance with clause 7.1 takes effect when taken to be received (or at a later time specified in it), and is taken to be received:

- (a) if hand delivered, on delivery;
- (b) if sent by prepaid post, on the second Business Day after the date of posting (or on the seventh Business Day after the date of posting if posted to or from a place outside Australia);
- (c) if sent by facsimile, when the sender's facsimile system generates a message confirming successful transmission of the entire Notice unless, within eight Business Hours after the transmission, the recipient informs the sender that it has not received the entire Notice,

but if the delivery, receipt or transmission is not on a Business Day or is after 5.00pm on a Business Day, the Notice is taken to be received at 9.00am on the next Business Day.

8. Authorised Representatives

The name of each of the Sub-underwriter's and the Underwriter's Authorised Representatives are set out in Schedule 2. If there is a change in an Authorised Representative for the Sub-underwriter or the Underwriter, the Sub-underwriter and the Underwriter (whichever is applicable) must immediately provide the name of the new Authorised Representative to the Escrow Agent.

9. Cumulative rights

A party's rights and remedies under this deed do not exclude another legal right or remedy.

10. Miscellaneous

10.1 Alterations

This deed may be altered only in writing signed by each party.

10.2 Approvals and consents

Except where this deed expressly states otherwise, a party may, in its discretion, give conditionally or unconditionally or withhold any approval or consent under this deed.

10.3 Assignment

A party may only assign this deed or a right under this deed with the prior written consent of each other party.

10.4 Costs

Each party must pay its own costs of negotiating, preparing and executing this deed.

10.5 Stamp duty

Any stamp duty, duties or other Taxes of a similar nature (including fines, penalties and interest) in connection with this deed or any transaction contemplated by this deed, must be paid by the parties in equal shares.

10.6 Survival

Any indemnity or any obligation of confidence under this deed is independent and survives termination of this deed. Any other term by its nature intended to survive termination of this deed survives termination of this deed.

10.7 Counterparts

This deed may be executed in counterparts. All executed counterparts constitute one document.

10.8 No merger

The rights and obligations of the parties under this deed do not merge on completion of any transaction contemplated by this deed.

10.9 Entire agreement

This deed constitutes the entire agreement between the parties in connection with its subject matter and supersedes all previous agreements or understandings between the parties in connection with its subject matter.

10.10 Further action

Each party must do, at its own expense, everything reasonably necessary (including executing documents) to give full effect to this deed and any transactions contemplated by it.

10.11 Severability

A term or part of a term of this deed that is illegal or unenforceable may be severed from this deed and the remaining terms or parts of the term of this deed continue in force.

10.12 Waiver

A party does not waive a right, power or remedy if it fails to exercise or delays in exercising the right, power or remedy. A single or partial exercise of a right, power or remedy does not prevent another or further exercise of that or another right, power or remedy. A waiver of a right, power or remedy must be in writing and signed by the party giving the waiver.

10.13 Relationship

Except where this deed expressly states otherwise, it does not create a relationship of employment, trust, agency or partnership between the parties.

10.14 Confidentiality

A party may only use confidential information of another party for the purposes of this deed, and must keep the existence and the terms of this deed and any confidential information of another party confidential except where:

- (a) the information is public knowledge (but not because of a breach of this deed) or the party has independently created the information;
- (b) disclosure is required by law or a regulatory body (including a relevant stock exchange); or
- (c) disclosure is made to a person who must know for the purposes of this deed on the basis that the person keeps the information confidential.

10.15 Governing law and jurisdiction

This deed is governed by the law of the State of Western Australia and each party irrevocably and unconditionally submits to the exclusive jurisdiction of the courts of the State of Western Australia.

Schedule 1 – Release Notice

[Insert date]

To

William + Hughes
Escrow Agent
Ground Floor
25 Richardson Street
WEST PERTH WA 6005
Facsimile: +61 8 9481 2041
Attention: Mr David Williams

The Sub-underwriter and the Underwriter authorise and direct you to withdraw from the Escrow Account the Escrow Amount and to pay that amount immediately after receipt of this notice (and no earlier) into the bank account/s detailed below.

[Insert name and bank account details]

All terms in this notice have the same meanings as in the Escrow Deed between Escrow Agent, Underwriter and Sub-underwriter.

**Executed by the Sub-underwriter
(Australia Kengkong Investments Co Pty
Ltd ACN 166 606 757)**

Signature of Authorised Representative

Name of Authorised Representative (print)

**Executed by the Underwriter (H&H
Holdings Australia Pty Ltd ACN 162 108
143)**

Signature of Authorised Representative

Name of Authorised Representative (print)

Signing page

EXECUTED as a deed.

Executed by David Williams on behalf of
the partnership known as Williams + Hughes
in the presence of

Signature of witness

Signature of David Williams who states that he has
received no revocation of his authority

Name of witness (print)

Executed by H&H Holdings Australia Pty Ltd
ACN 162 108 143 in accordance with section 127
of the Corporations Act 2001 (Cth):

Signature of director

Signature of company secretary/director

Full name of director

Full name of company secretary/director

Executed by in Australia Kengkong
Investments Co Pty Ltd ACN 166 606 757
accordance with section 127 of the Corporations
Act 2001 (Cth):

Signature of director

Signature of company secretary/director

Full name of director

Full name of company secretary/director

For personal use only

ATTACHMENT D – WARRANTIES

1. In this Attachment D, "2013 Annual Report" means the Annual Financial Report For the Year Ended 30 June 2013 of VDM Group and its Controlled Entities. Otherwise, any capitalized terms below that are not otherwise defined in this Sub-Underwriting Agreement shall have the meanings as stated in the Underwriting Agreement.
2. The Sub-underwriter acknowledges and agrees that notwithstanding any other provisions of this agreement the representations and warranties given in clauses (a) to (aa) of this Attachment D are given only as at the date of this agreement, and only on the basis of, and to the extent of, the actual knowledge of Dr Dongyi Hua (the ultimate controller of the Underwriter) as at the date of this agreement, assuming that he has made no (and is under no obligation to make) additional enquiries with respect of the accuracy or completeness of those warranties than he has already made as at the date of this agreement.
 - (a) (**Authority**) Each of the Company and its Related Bodies Corporate is duly incorporated and is existing and in good standing and has power to make the Issue and to enter into, perform its obligations under and be bound by the terms and conditions of the Underwriting Agreement and issue and comply with the Prospectus without any further sanction or consent of the board of directors or members of the Company or any class of them.
 - (b) (**Prospectus information**) The Prospectus complies with the relevant statutory and regulatory provisions and contains all information that investors and their professional advisers would reasonably require, and reasonably expect to find there, for the purpose of making an informed assessment of:
 - (A) the effect of the Issue on the Company; and
 - (B) the rights and liabilities attaching to the New Shares.
 - (c) (**ASX announcements**) All statements and all information provided by the Company or any Related Body Corporate or any employees or agents of the Company or any of its Related Bodies Corporate to ASX were true and correct in all material respects when made to ASX and in making such statements or providing such information nothing was omitted which would have made such statements or information misleading in any material respect.
 - (d) (**Continuous disclosure**) The Company has complied with all applicable continuous disclosure requirements under the Corporations Act and the Listing Rules.
 - (e) (**No misleading conduct**) All statements of fact contained in the Prospectus are true and correct in all material respects and not misleading or deceptive and all expressions of opinion, intention and expectation contained in the Prospectus are truly and honestly held and not misleading or deceptive.
 - (f) (**No omissions**) Except as disclosed pursuant to the Company's statutory continuous disclosure obligations prior to the date of this Prospectus or in the Prospectus, there are no facts known, or which on reasonable enquiry would be known, to the Company that in the context of the Issue may be material for disclosure or the omission of which would make any statement contained in the Prospectus misleading in any material respect.
 - (g) (**Litigation**) Except as disclosed pursuant to the Company's statutory continuous disclosure obligations prior to the date of this Prospectus or in the Prospectus,

neither the Company nor any Related Body Corporate is engaged in or threatened with any legal action, investigation by regulatory authority or other proceedings and there are no circumstances known or which on reasonable enquiry would be known to the Company that are likely to give rise to any such proceedings.

- (h) **(Material Contracts)** in respect of any material contracts of the Company and its subsidiaries (including but not limited to any material financing or security arrangements, or material property leases or licenses to which the Company or its subsidiaries are a party):
- (A) the Company has full power to enter into and comply with all such contracts and all other deeds, agreements and other instruments which the Prospectus contemplates, and has taken all necessary corporate action to authorise entering into them and complying with them;
 - (B) all such contracts have been duly executed by the Company or duly transferred to and accepted by the Company with the consent of all relevant parties and the same are binding and enforceable by the Company in accordance with their terms.
- (i) **(Information accurate)** All statements made and all information (including audited and unaudited financial statements) provided by the Company or any Related Body Corporate or any employees or agents of the Company or any Related Body Corporate to the Underwriter and its employees or agents during:
- (A) the Due Diligence Investigations; or
 - (B) the investigations referred to in clause 13.1(c) of the Underwriting Agreement,
- are true and correct in all material respects and in making those statements or providing that information nothing has been omitted which would make those statements or that information misleading in any material respect.
- (j) **(Information Complete)** the Company has fully disclosed to the Underwriter all information and documents relating to the Company and its subsidiaries and the businesses, corporations and assets which the Company and its subsidiaries have acquired or intends to acquire, of which the Company or any Officer of the Company is aware, and which is likely to affect the decision of the Underwriter to enter into the Underwriting Agreement.
- (k) **(Stamp duty)** No stamp duty (or other tax of a similar nature) is or will be payable on the issue of the New Shares to an applicant making a Valid Application.
- (l) **(Compliance)** The Company has complied with the Corporations Act and all applicable policies and guidelines of ASIC, and all information and documents filed by the Company with ASIC are complete, true and correct in all material respects and in providing that information nothing has been omitted which would make those statements or that information misleading in any material respect.
- (m) **(Consents and Approvals)** all consents, approvals, certificates, and authorisations required to be obtained (whether in Australia or elsewhere) under or pursuant to any statute or governmental or administrative requirement, policy or directive or under or pursuant to any other body or any third party, by the Company or any other person in relation to the transactions referred to in the Prospectus have been

for such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided.

- (t) **(Not Insolvent)** No Insolvency Event has occurred, or is subsisting, in respect of the Company and each of its subsidiaries.
- (u) **(Issued Share Capital)** The issued share capital of the Company is accurately reflected in the Prospectus and its other ASX announcements.
- (v) **(New Shares)** New Shares issued pursuant to the Prospectus will be issued as fully paid ordinary shares, free from encumbrances, subject to the constitution of the company and with the rights and obligations described in the Prospectus.
- (w) **(Material Adverse Effect)** Except as disclosed in the Prospectus, or as notified to ASX in accordance with the Company's continuous disclosure obligations, since 30 June 2013:
 - (A) there has been no change in the assets, total liabilities or financial condition or profitability of the Company and its Related Bodies Corporate considered as one enterprise from that set out in the annual accounts for the year ending 30 June 2013, except for changes in the ordinary course of business or as notified to ASX in accordance with the Company's continuous disclosure obligations none of which individually or in the aggregate, could reasonably be expected to have a material adverse effect on change in the condition, financial or otherwise on the Company and its Related Bodies Corporate; and
 - (B) the business, assets, liabilities, financial position or prospects of the Company and its Related Bodies Corporate considered as one enterprise have not been materially adversely affected by any matter, either financial or otherwise.

Representations with respect to the Underwriter

- (x) **(Authority)** The Underwriter is duly incorporated and is existing and in good standing and has power to enter into, perform its obligations under and be bound by the terms and conditions of this Sub-underwriting Agreement without any further sanction or consent of the board of directors or members of the Underwriter or any class of them.
- (y) **(Consents and Approvals)** all consents, approvals, certificates, and authorisations required to be obtained (whether in Australia or elsewhere) under or pursuant to any statute or governmental or administrative requirement, policy or directive or under or pursuant to any other bodies or any third party, by the Underwriter in relation to the transactions contemplated under this Sub-underwriting Agreement have been duly obtained and the conditions (if any) to which the transactions are subject have been duly complied with.
- (z) **(Absence of Further Requirements)** No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any person (including any court or governmental authority or agency) is necessary or required for the performance by the Underwriter of its obligations under the Sub-underwriting Agreement, or the performance of the transactions contemplated by the Sub-underwriting Agreement.
- (aa) **(Not Insolvent)** No Insolvency Event has occurred, or is subsisting, in respect of the Underwriter.