



ASX ANNOUNCEMENT

14 December 2015

## Mining Investment Contract and Share Subscription Agreement Update

### A. Mining Investment Contract

VDM Group Limited (**VDM**) announces that the Ministry of Geology and Mining of the Republic of Angola (**MGM**) has signed a Mining Investment Contract (**MIC**) with VDM, Pebric Mining and Consulting LDA (**Pebric**) and Seabank Resources LDA (**Seabank**) in relation to the Cachoeiras do Binga copper exploration project located in the Republic of Angola (**Cachoeiras do Binga**).

The MIC grants VDM, Pebric and Seabank (**JV Parties**) with exclusive mining rights for copper located in the 3,854 km<sup>2</sup> Cachoeiras do Binga exploration concession area.

The Board is pleased to have achieved this important milestone for securing VDM's interest in Cachoeiras do Binga and is looking forward to commencing exploration of the mineral concession in due course.

The following are the key terms of the MIC and its effects on VDM's participation in Cachoeiras do Binga.

#### Key Terms of the MIC

- The JV Parties are granted exclusive mining rights for copper located in the 3,854 km<sup>2</sup> Cachoeiras do Binga exploration concession area.
- The rights related to the prospecting title for Cachoeiras do Binga, which is held in the name of Pebric, will be exercisable by the JV Parties after payment of a USD\$482,000 refundable security deposit to MGM.
- The amount intended for investment in the prospecting phase of the project is USD \$24 million.
- MGM will issue an exploitation title provided that the JV Parties have satisfied their duties relating to the exploration and evaluation phase including preparation and approval of a feasibility study demonstrating the technical, economic, and financial feasibility of the operation and its environmental impact.
- The exploitation title will be issued by MGM to a commercial company that will be incorporated to undertake the exploitation and commercialisation of the mineral deposits. The Angolan State (through a State-owned company, Ferrangol EP) shall receive 15% of the initial share capital of the commercial company.

#### BOARD & MANAGEMENT

Mr Luk Hiuming  
NON-EXECUTIVE CHAIRMAN

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MANAGING DIRECTOR AND  
CHIEF EXECUTIVE OFFICER

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#### ASX CODE

VMG

- The MIC will be valid for an initial period of five years, renewable for another two years, including a period not exceeding 12 months from the date of completion of the survey for the evaluation work. For project operations beyond that time, further extensions, renewals or other terms will need to be agreed by the parties.

#### Effect on VDM's Participation in Cachoeiras do Binga

- Signing of the MIC has satisfied the only remaining condition for VDM to complete the acquisition of its interest in Cachoeiras do Binga in accordance with the agreement announced on 29 September 2014 and further explained in the notice of meeting for VDM's AGM held 28 November 2014 (**Copper Project Acquisition Agreement**).
- Seabank has waived the completion requirement under the Copper Project Acquisition Agreement for VDM to pay \$4,875,000 cash consideration to Seabank, and VDM and Seabank have entered into a separate payment arrangement. Under the payment arrangement, VDM will pay Seabank \$200,000 in January 2016, \$2,000,000 in June 2016, and \$2,675,000 in December 2016.
- VDM will complete Copper Project Acquisition Agreement by allotting and issuing 650 million VDM shares to Seabank.
- Upon completion of the Copper Project Acquisition Agreement, the participating interests of the JV Parties in Cachoeiras do Binga during the exploration and evaluation phase shall be:

○	VDM	65%
○	Pebric	30%
○	Seabank	5%
- Pebric's 30% participating interest will be free-carried as to 15% during the exploration and evaluation phase. As such VDM will be responsible for funding approximately 79% of the project costs during that phase, while Seabank will be responsible for approximately 6%.

## **B. Share Subscription Agreement and Alternative Funding**

Signing of the MIC has satisfied the only condition precedent to completion of the \$18 million subscription agreement announced to the ASX on 18 August 2015. Unfortunately, the subscriber has now advised VDM that due to their own internal matters they are not intending to proceed with the subscription, which is due for completion by the 21st business day following satisfaction of the condition precedent. VDM is considering its legal options and has reserved all its rights under that agreement.

However, VDM advises that it is discussion with its largest shareholder, Australia Kengkong Investments Co Pty Ltd, to obtain replacement financing to fund the Cachoeiras do Binga investment and ongoing corporate working capital. Such financing is expected to be in the form of an interest bearing loan.

**For further information please contact:**

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