



## Appendix 4D

### Half year report Period ended 31 December 2017

## VDM Group Limited

ABN 95 109 829 334  
ASX Code: VMG

**The information contained in this report relates to the following periods:**

Current period: half year ended 31 December 2017

Corresponding period: half year ended 31 December 2016

<b>Results for the current period (\$000)</b>		<b>Change from the corresponding period</b>	
Revenue from continuing operations	339	Down	41.8%
Loss from continuing operations after tax attributable to members	(1,229)	Down	30.1%
Net loss for the period attributable to members	(1,229)	Up	24.9%

**Net tangible assets:**

	<b>Current period</b>	<b>Corresponding period</b>
Net tangible liabilities per ordinary security at end of period (cents per share)	(0.22)	(0.16)

**Dividend payments:**

VDM Group does not propose to pay an interim dividend for the current period.

**Supplementary Comments**

Additional Appendix 4D disclosures are contained in the attached directors' report and consolidated financial statements for the period ended 31 December 2017, which include an independent Auditor's Review Report from Ernst and Young.



# **VDM GROUP LIMITED**

**and its Controlled Entities**

**ABN 95 109 829 334**

**INTERIM FINANCIAL REPORT  
HALF YEAR ENDED 31 DECEMBER 2017**

# VDM GROUP LIMITED

## CORPORATE INFORMATION

---

### DIRECTORS

Mr Luk Hiuming  
Dr Hua Dongyi  
Mr Michael Fry

Non-executive Chairman  
Executive Director of Mining  
Non-executive Director

### COMPANY SECRETARY

Mr Michael Fry (appointed 9 February 2018)  
Mr Pdraig O'Donoghue (until 9 February 2018)

### REGISTERED AND PRINCIPAL OFFICE

Suite 2, Level 2, 123 Adelaide Terrace  
East Perth WA 6004  
Telephone (08) 9265 1100  
Website <http://www.vdmgroup.com.au>

### POSTAL ADDRESS

PO Box 3347  
East Perth WA 6892

### AUDITORS

Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000

### SHARE REGISTER

Computershare Investor Services Pty Limited  
GPO Box 2975  
Melbourne, VIC 3001  
Telephone 1300 850 505  
(outside Australia) +61 3 9415 4000

VDM Group Limited shares are listed on the Australian Securities Exchange (ASX)

<b>ASX Code</b>	VMG
<b>ACN</b>	109 829 334
<b>ABN</b>	95 109 829 334

In this report, the following definitions apply:

“**Board**” means the Board of Directors of VDM Group Limited

“**Company**” means VDM Group Limited ABN 95 109 829 334

“**VDM**” or “**Group**” means VDM Group Limited and its controlled entities

**VDM GROUP LIMITED**  
**CONTENTS**

---

DIRECTORS' REPORT..... 4  
AUDITOR'S INDEPENDENCE DECLARATION ..... 6  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME ..... 7  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION ..... 8  
CONSOLIDATED STATEMENT OF CASH FLOWS ..... 9  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ..... 10  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ..... 11  
DIRECTORS' DECLARATION ..... 23  
INDEPENDENT AUDITOR'S REVIEW REPORT..... 24

# VDM GROUP LIMITED

## DIRECTORS' REPORT

### For the half year ended 31 December 2017

---

Your directors submit their report of VDM Group Limited ("the Company") and of the Consolidated Entity, being the Company and its controlled entities ("VDM" or "the Group") for the half year ended 31 December 2017.

#### 1. BOARD COMPOSITION

The names and details of the directors of VDM Group Limited in office during the half year and until the date of this report are set out below. Each director was in office for this entire period unless stated otherwise.

##### **Mr Luk Hiuming**

*Non-executive Chairman*

Appointed Non-Executive Director on 21 March 2014, appointed Non-Executive Chairman on 29 January 2015

Member of the Audit & Risk Committee

##### **Dr Hua Dongyi**

*Executive Director of Mining*

Appointed Director on 28 August 2013, appointed Managing Director on 9 September 2013, appointed Executive Chairman and Interim CEO on 29 November 2013, appointed Managing Director and CEO on 29 January 2015, appointed Executive Director of Mining on 1 March 2016.

Member of the Audit & Risk Committee

##### **Mr Michael Fry**

*Non-executive Director (independent)*

Appointed 3 June 2011

Chairman of the Audit & Risk Committee

#### **COMPANY SECRETARY:**

##### **Mr Michael Fry**

Appointed 9 February 2018

#### **Past Company Secretaries that resigned during the period and until the date of this report**

Mr Pdraig O'Donoghue was Company Secretary from 12 February 2014 to 9 February 2018.

#### 2. NATURE AND PRINCIPAL ACTIVITIES

VDM is comprised of 3 operating divisions:

*VDM Mining:* mining exploration, development and operation in Africa and Latin America.

*VDM Trading:* export Australian goods to Asian markets & imports Asian goods to Australia.

*VDM Construction:* engineering, procurement and construction.

Business activities during the period principally related to:

- delivering imported structural steel to VDM's construction client; and
- working through the safety issues identified at the Cachoeiras do Binga copper project located in the Republic of Angola (**Cachoeiras do Binga**) with VDM's project partners and the Government of Angola.

The business activities of the comparative period principally related to: 1) mobilising the initial exploration team members to Cachoeiras do Binga; and 2) delivering imported structural steel to VDM's construction clients.

**VDM GROUP LIMITED**  
**DIRECTORS' REPORT**  
**For the half year ended 31 December 2017**

---

**3. OPERATING AND FINANCIAL REVIEW**

The Mining division worked with its project partners and the Government of Angola to address the safety hazards at Cachoeiras do Binga.

The Construction division delivered imported structural steel to a Western Australian construction client.

The Trading division undertook minimal activity while the Company searches for a partner to scale the trading business to market-competitive levels.

Revenue from continuing operations of \$339,000 (2016: \$582,000) is 41.8% lower than the comparative period mainly due to decreased Construction division revenue from structural steel sales.

Total expenses from continuing operations of \$1,577,000 (2016: \$2,339,000) reflect a decrease of 32.6% from the comparative period mainly due to lower materials, employee, onerous lease, legal, and other expenses, partially offset by higher impairment expenses and higher interest expense on borrowed funds.

Cash decreased by \$768,000 in the half year with negative cash flow from operating activities of \$1,122,000 being offset mainly by \$345,000 of funds released from security deposits and \$9,000 proceeds from the sale of plant and equipment.

**4. SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

On 1 February 2018, the Company announced that it signed a heads of agreement for a conditional joint funding arrangement for the Cachoeiras do Binga project with a potential new strategic partner.

**5. AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration is set out on page 6 and forms part of the Directors' Report for the half year ended 31 December 2017.

**Rounding**

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Instrument 2016/191. The Company is an entity to which the Instrument applies.

Signed in accordance with a resolution of the directors.



**Dr Hua Dongyi**  
Executive Director of Mining  
Perth, Western Australia  
9 February 2018

## Auditor's Independence Declaration to the Directors of VDM Group Limited

As lead auditor for the review of VDM Group Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of VDM Group Limited and the entities it controlled during the financial period.



Ernst & Young



V L Hoang  
Partner  
9 February 2018

**VDM GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the half year ended 31 December 2017**

		31 Dec 2017	31 Dec 2016
	Notes	\$000	\$000
<b>Continuing operations</b>			
<b>Revenue</b>	3	<b>339</b>	<b>582</b>
<b>Expenses</b>			
Materials and inventory		(302)	(376)
Employee benefits expense	4a	(597)	(1,107)
Occupancy related expenses		(87)	(313)
Depreciation and amortisation	4b	(89)	(89)
Impairment	4c	(230)	-
Onerous contracts expense		94	(14)
Legal expenses		(11)	(57)
Finance costs	4d	(264)	(186)
Other expenses	4e	(91)	(197)
<b>Total expenses</b>		<b>(1,577)</b>	<b>(2,339)</b>
Profit/(loss) on sale of assets		9	-
<b>Other income and expenses</b>		<b>9</b>	<b>-</b>
<b>Loss from continuing operations before income tax</b>		<b>(1,229)</b>	<b>(1,757)</b>
Income tax expense	6	-	-
<b>Loss from continuing operations after income tax</b>		<b>(1,229)</b>	<b>(1,757)</b>
<b>Discontinued operations</b>			
Profit from discontinued operations after income tax	5	-	773
<b>Loss for the period</b>		<b>(1,229)</b>	<b>(984)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		<b>(1,229)</b>	<b>(984)</b>
Total comprehensive loss for the period is attributed to:			
Owners of the parent		<b>(1,229)</b>	<b>(984)</b>
		<b>(1,229)</b>	<b>(984)</b>
<b>Loss per share</b>			
Basic loss per share (cents per share)		<b>(0.02)</b>	(0.02)
Diluted loss per share (cents per share)		<b>(0.02)</b>	(0.02)
<b>Loss per share from continuing operations</b>			
Basic loss per share (cents per share)		<b>(0.02)</b>	(0.03)
Diluted loss per share (cents per share)		<b>(0.02)</b>	(0.03)



**VDM GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2017**

		31 Dec 2017	30 Jun 2017
	Notes	\$000	\$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	598	1,366
Security deposits	8	672	198
Trade and other receivables		495	538
Inventory		57	165
Other assets		86	-
<b>Total current assets</b>		<b>1,908</b>	<b>2,267</b>
<b>Non-current assets</b>			
Security deposits	8	-	819
Exploration and evaluation assets	9	10,783	10,783
Development properties	10	1,370	1,600
Property, plant and equipment	11	889	978
<b>Total non-current assets</b>		<b>13,042</b>	<b>14,180</b>
<b>Total assets</b>		<b>14,950</b>	<b>16,447</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	5,840	5,465
Interest-bearing loans and borrowings	13	9,300	9,098
Provisions	14	1,196	2,021
<b>Total current liabilities</b>		<b>16,336</b>	<b>16,584</b>
<b>Non-current liabilities</b>			
Provisions	14	28	48
<b>Total non-current liabilities</b>		<b>28</b>	<b>48</b>
<b>Total liabilities</b>		<b>16,364</b>	<b>16,632</b>
<b>Net liabilities</b>		<b>(1,414)</b>	<b>(185)</b>
<b>Equity</b>			
Contributed equity		288,722	288,722
Equity reserve		457	457
Retained losses		(290,593)	(289,364)
<b>Total equity</b>		<b>(1,414)</b>	<b>(185)</b>

**VDM GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the half year ended 31 December 2017**

	Notes	31 Dec 2017 \$000	31 Dec 2016 \$000
<b>Cash flows from operating activities</b>			
Receipts from customers		503	1,238
Payments to suppliers and employees		(1,723)	(3,935)
Interest received		7	11
GST refunded/(paid)		91	(30)
<b>Net cash flows used in operating activities</b>		<b>(1,122)</b>	<b>(2,716)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		-	(1)
Release from security deposit		345	59
Proceeds from sale of property, plant and equipment		9	1,806
<b>Net cash flows from investing activities</b>		<b>354</b>	<b>1,864</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	1,500
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>1,500</b>
Net (decrease)/increase in cash and cash equivalents		(768)	648
Cash and cash equivalents at beginning of period		1,366	2,045
<b>Cash and cash equivalents at end of period</b>	7	<b>598</b>	<b>2,693</b>

**VDM GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the half year ended 31 December 2017**

	<b>Contributed Equity \$000</b>	<b>Accumulated Losses \$000</b>	<b>Equity Reserve \$000</b>	<b>Total \$000</b>
<b>Balance at 1 July 2017</b>	<b>288,722</b>	<b>(289,364)</b>	<b>457</b>	<b>(185)</b>
Comprehensive loss for the period	-	(1,229)	-	(1,229)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(1,229)</b>	<b>-</b>	<b>(1,229)</b>
<b>Balance at 31 December 2017</b>	<b>288,722</b>	<b>(290,593)</b>	<b>457</b>	<b>(1,414)</b>
<b>Balance at 1 July 2016</b>	<b>288,722</b>	<b>(286,133)</b>	<b>457</b>	<b>3,046</b>
Comprehensive loss for the period	-	(984)	-	(984)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(984)</b>	<b>-</b>	<b>(984)</b>
<b>Balance at 31 December 2016</b>	<b>288,722</b>	<b>(287,117)</b>	<b>457</b>	<b>2,062</b>

**VDM GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2017**

---

**CONTENTS**

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES .....	12
2. SEGMENT INFORMATION .....	14
3. REVENUE .....	16
4. EXPENSES.....	16
5. DISCONTINUED OPERATIONS.....	17
6. INCOME TAX .....	18
7. CASH AND CASH EQUIVALENTS .....	19
8. SECURITY DEPOSITS .....	19
9. EXPLORATION AND EVALUATION ASSETS .....	19
10. DEVELOPMENT PROPERTIES .....	19
11. PROPERTY, PLANT AND EQUIPMENT .....	20
12. TRADE AND OTHER PAYABLES .....	21
13. INTEREST-BEARING LOANS AND OTHER BORROWINGS .....	21
14. PROVISIONS .....	21
15. RELATED PARTY DISCLOSURES .....	22
16. COMMITMENTS AND CONTINGENCIES .....	22
17. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE .....	22
18. FAIR VALUE.....	22

# **VDM GROUP LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **For the half year ended 31 December 2017**

---

#### **1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

##### **(a) Corporate information**

The interim consolidated financial statements of VDM Group Limited (the "Company") and its controlled entities ("VDM" or the "Group") for the half year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 9 February 2018.

VDM Group Limited is a for-profit entity limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX").

Business activities during the period principally related to:

- delivering imported structural steel to VDM's construction client; and
- working through the safety issues identified at the Cachoeiras do Binga copper project located in the Republic of Angola with VDM's project partners and the Government of Angola.

The business activities of the comparative reporting period principally related to: 1) mobilisation of initial exploration team members to site and a small amount of preliminary exploration work at the Cachoeiras do Binga copper exploration project in the Republic of Angola; and 2) sale of imported structural steel to construction clients.

##### **(b) Basis of preparation**

The interim consolidated financial statements for the half year ended 31 December 2017, represent a general purpose financial report prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at 30 June 2017 and any public announcements made by VDM during the interim reporting period in accordance with the continuous disclosure requirements of the ASX listing rules.

##### **(c) New and amended accounting standards and interpretations**

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2017.

The Group has adopted all Australian Accounting Standards and Interpretations effective from 1 July 2017. The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## **VDM GROUP LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **For the half year ended 31 December 2017**

---

#### **(d) Going Concern**

VDM incurred a net loss after tax from continuing operations for the half year ended 31 December 2017 of \$1,229,000 (2016: \$1,757,000). Net cash flows used in operating activities were \$1,122,000 (2016: \$2,716,000). At 31 December 2017, VDM had net current liabilities of \$14,428,000 (30 June 2017: \$14,317,000). The cash balance of VDM at 31 December 2017 was \$598,000 (30 June 2017: \$1,366,000) with a further \$672,000 of security deposits (30 June 2017: \$1,017,000).

VDM will require further capital funding:

- for general corporate working capital including trade and other payables, and provisions that become due (refer to notes 12 and 14);
- to progress its business strategy including the Cachoeiras do Binga exploration program;
- to pursue other business growth opportunities; and
- to settle shareholder loans that become due (refer to note 13).

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

In forming this view, the directors have taken into consideration that the Group expects:

- to undertake future capital raisings sufficient to meet the above noted funding requirements and the Group is consulting with potential sophisticated investors in this regard;
- VDM's largest shareholder, Australia Kengkong Investments Co Pty Ltd will not demand repayment of amounts due under the FLA until sufficient capital raisings are completed; and
- to obtain favourable payment terms from certain creditors including:
  - continued deferral of underwriting fees payable to H&H;
  - continued deferral of directors fees payable to Mr Luk; and
  - application of rent payable on an onerous lease against the related security deposit.

Should VDM not achieve the matters set out above, there is material uncertainty as to whether VDM will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classifications of liabilities that may be necessary should VDM not be able to continue as a going concern.

#### **(e) Significant Accounting Judgements, Estimates and Assumptions**

Preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has not identified any critical accounting policies for which judgement, estimates and assumptions are made, which are in addition to the significant judgements, estimates and assumptions identified in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2017.

**VDM GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2017**

**2. SEGMENT INFORMATION**

VDM is arranged under three operating divisions: i) construction, ii) trading and iii) mining. Refer to the "Review and Results of Operations" in the Directors' Report for an overview of the three operating divisions. The accounting policies adopted for the reported segments are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 June 2017.

The following table presents the revenue, profit and selected balance sheet information for the Group's reportable segments for the half year ended 31 December 2017.

	Construction \$000	Trading \$000	Mining \$000	Unallocated \$000	Total \$000
<b>Revenue</b>					
External revenue	283	-	-	56	339
<b>Total segment revenue</b>	<b>283</b>	<b>-</b>	<b>-</b>	<b>56</b>	<b>339</b>
<b>Results</b>					
<b>Segment results before tax</b>	<b>(45)</b>	<b>-</b>	<b>(120)</b>	<b>(1,064)</b>	<b>(1,229)</b>
Finance costs	-	-	-	264	264
Depreciation & amortisation	-	-	-	89	89
Impairment	-	-	-	230	230
<b>Reconciliation of segment results before tax to net loss after tax</b>					
Segment results before tax					(1,229)
<b>Net loss after tax from continuing operations per the statement of comprehensive income</b>					<b>(1,229)</b>
<b>Total assets</b>	<b>637</b>	<b>-</b>	<b>11,105</b>	<b>3,208</b>	<b>14,950</b>
<b>Total liabilities</b>	<b>1,534</b>	<b>-</b>	<b>4,778</b>	<b>10,052</b>	<b>16,364</b>

**VDM GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2017**

The following table presents the revenue, profit, and selected expenditure information for the half year ended 31 December 2016 and selected balance sheet information as at 30 June 2017 for the Group's reportable segments.

	Construction \$000	Trading \$000	Mining \$000	Unallocated \$000	Total \$000
<b>Revenue</b>					
External revenue	437	8	-	137	582
<b>Total segment revenue</b>	<b>437</b>	<b>8</b>	<b>-</b>	<b>137</b>	<b>582</b>
<b>Results</b>					
<b>Segment results before tax</b>	<b>(6)</b>	<b>(78)</b>	<b>(199)</b>	<b>(1,474)</b>	<b>(1,757)</b>
Finance Costs	2	-	-	184	186
Depreciation & amortisation	-	-	-	89	89
<b>Reconciliation of segment results before tax to net loss after tax</b>					
Segment results before tax					(1,757)
<b>Net loss after tax from continuing operations per the statement of comprehensive income</b>					<b>(1,757)</b>
<b>Total assets</b>	<b>492</b>	<b>-</b>	<b>10,783</b>	<b>5,172</b>	<b>16,447</b>
<b>Total liabilities</b>	<b>1,630</b>	<b>1</b>	<b>4,875</b>	<b>10,126</b>	<b>16,632</b>
<b>Other disclosures</b>					
Exploration and evaluation asset additions	-	-	2,552	-	2,552
Property plant and equipment additions	-	-	-	1	1



**VDM GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2017**

	31 Dec 2017	31 Dec 2016
	\$000	\$000
<b>3. REVENUE</b>		
<b>Sales revenue</b>		
Revenue from operating activities	283	445
<b>Total sales revenue</b>	<b>283</b>	<b>445</b>
<b>Other revenue</b>		
Interest	7	11
Net rental income	2	9
Net foreign exchange gains	47	4
Other	-	113
<b>Total other revenue</b>	<b>56</b>	<b>137</b>
<b>Total revenue</b>	<b>339</b>	<b>582</b>
<b>4. EXPENSES</b>		
<b>a) Employee benefits expense</b>		
Wages and salaries	542	994
Restructuring/redundancy costs	-	23
Superannuation expense	47	73
Other employee benefits expense	8	17
<b>Total employee benefits expense</b>	<b>597</b>	<b>1,107</b>
<b>b) Depreciation and amortisation</b>		
Depreciation	89	89
<b>Total depreciation and amortisation</b>	<b>89</b>	<b>89</b>
<b>c) Impairment charges</b>		
Impairment of development properties	230	-
<b>Total impairment charges</b>	<b>230</b>	<b>-</b>
<b>d) Finance costs</b>		
Bank fees and other finance charges	9	13
Interest	255	173
<b>Total finance costs</b>	<b>264</b>	<b>186</b>
<b>e) Other expenses</b>		
Insurances	72	100
Telecommunications	7	17
Computer costs	21	37
Other	(9)	43
<b>Total other expenses</b>	<b>91</b>	<b>197</b>

**VDM GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2017**

---

**5. DISCONTINUED OPERATIONS**

On 28 July 2016, VDM announced the closure of its Equipment division. As at 30 June 2017, all of the Equipment division's assets were sold.

	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
	<b>\$000</b>	<b>\$000</b>
<b><i>Financial performance of discontinued operations</i></b>		
Revenue	-	21
Expenses	-	(211)
<b>Operating loss</b>	<b>-</b>	<b>(190)</b>
Profit on sale of assets	-	1,249
Share of loss from joint venture	-	(286)
<b>Profit from discontinued operations before income tax</b>	<b>-</b>	<b>773</b>
Income tax expense	-	-
<b>Profit from discontinued operations after income tax</b>	<b>-</b>	<b>773</b>

**VDM GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2017**

	31 Dec 2017	31 Dec 2016
	\$000	\$000
<b>6. INCOME TAX</b>		
<b>a) Numerical reconciliation between aggregate tax expense recognised in the income statement and the tax expense calculated in the statutory income tax return</b>		
Accounting loss before tax	(1,229)	(984)
<b>Total accounting loss before tax</b>	<b>(1,229)</b>	<b>(984)</b>
Prima facie income tax benefit @ 27.5%	(338)	(271)
Tax adjustment for non-deductible expenses	-	-
Temporary differences and unrecognised tax losses	338	271
<b>Aggregate income tax expense</b>	<b>-</b>	<b>-</b>

**b) Tax losses**

VDM Group has recognised a deferred tax asset of nil (30 June 2017: nil) for Australian income tax purposes on the basis that it is not 'probable' that the carried forward revenue loss will be utilised against future assessable taxable profits.

**VDM GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2017**

	31 Dec 2017	30 Jun 2017
	\$000	\$000
<b>7. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand	598	1,366
<b>Cash and cash equivalents</b>	<b>598</b>	<b>1,366</b>

<b>8. SECURITY DEPOSITS</b>		
<b>Security Deposits</b>	<b>672</b>	<b>1,017</b>
Current	672	198
Non-current	-	819
<b>Total security deposits</b>	<b>672</b>	<b>1,017</b>

Security deposits are recorded at cost and will be returned to the Group upon the satisfaction of contract and associated retention periods. No provision has been recorded against these amounts for contract claims.

<b>9. EXPLORATION AND EVALUATION ASSETS</b>		
<b>Balance at beginning of period</b>	10,783	10,827
Reversals	-	(44)
<b>Balance as at end of period</b>	<b>10,783</b>	<b>10,783</b>

<b>10. DEVELOPMENT PROPERTIES</b>		
Development properties	1,370	1,600
<b>Total development properties</b>	<b>1,370</b>	<b>1,600</b>
<b>Reconciliation of carrying amounts</b>		
Balance at beginning of period	1,600	2,012
Additions	-	-
Disposals	-	-
Impairment of development properties	(230)	(412)
<b>Balance at end of period</b>	<b>1,370</b>	<b>1,600</b>

Management performed a net realisable assessment which resulted in recognition of a \$230,000 impairment to development properties (2017: \$412,000).

**VDM GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2017**

---

	<b>31 Dec 2017</b>	<b>30 Jun 2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>11. PROPERTY, PLANT AND EQUIPMENT</b>		
Leasehold improvements at cost	14	660
Accumulated depreciation	(5)	(568)
<b>Total leasehold improvements</b>	<b>9</b>	<b>92</b>
Freehold land and buildings at cost	887	887
Accumulated depreciation	(29)	(25)
<b>Total freehold land and buildings</b>	<b>858</b>	<b>862</b>
Plant & equipment at cost	238	983
Accumulated depreciation	(216)	(959)
<b>Total plant &amp; equipment</b>	<b>22</b>	<b>24</b>
<b>Total property, plant and equipment</b>	<b>889</b>	<b>978</b>

**VDM GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2017**

	31 Dec 2017	30 Jun 2017
	\$000	\$000
<b>12. TRADE AND OTHER PAYABLES</b>		
Trade payables and accruals	1,113	732
Employee related payables	10	20
GST payable	22	18
Other payables	4,695	4,695
<b>Total trade and other payables</b>	<b>5,840</b>	<b>5,465</b>
<b>13. INTEREST-BEARING LOANS AND OTHER BORROWINGS</b>		
Shareholder loan (AUD denominated)	4,962	4,826
Shareholder loan (USD denominated)	4,338	4,272
<b>Total interest bearing loans and other borrowings</b>	<b>9,300</b>	<b>9,098</b>
<b>14. PROVISIONS</b>		
<b>Current</b>		
Employee entitlements	110	125
Construction warranties	550	605
Onerous contracts	202	885
Other construction contract obligations	217	222
Other provisions	117	184
<b>Total current provisions</b>	<b>1,196</b>	<b>2,021</b>
<b>Non-Current</b>		
Employee entitlements	28	24
Other provisions	-	24
<b>Total non-current provisions</b>	<b>28</b>	<b>48</b>
<b>Total provisions</b>	<b>1,224</b>	<b>2,069</b>

**VDM GROUP LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2017**

---

**15. RELATED PARTY DISCLOSURES**

**Transactions with key management personnel**

*Luk Hiuming*

As at 31 December 2017, VDM owed \$98,000 to Mr Luk related to directors fees that have not been paid on his instruction (30 June 2017: \$65,000). No interest accrues and the outstanding amount is due when demanded by Mr Luk. The amount due to Mr Luk is included in trade and other payables (note 12).

*Kengkong*

On 27 January 2016, VDM entered into a Framework Loan Agreement ("FLA") with its largest shareholder, Australia Kengkong Investments Co Pty Ltd ("Kengkong"). VDM's Non-executive Chairman Mr Luk controls Kengkong. The FLA contemplates the parties entering into a secured one-year 6% loan facility that will incorporate the FLA liabilities. Until that occurs, the FLA advances plus interest accrued at 6% per annum are immediately repayable in the denominated currency when demanded by Kengkong. There were no drawings under the FLA during the reporting period. The amounts due under the FLA are included in interest-bearing loans and other borrowings (note 13).

*H&H*

As at 31 December 2017, VDM owed H&H Holdings Australia Pty Ltd ("H&H") \$75,000 of underwriting commissions for the Company's December 2013 Rights Issue (30 June 2017: \$75,000) No interest accrues and the outstanding amount is due when demanded by H&H. Dr Hua, VDM's Executive Director of Mining controls H&H. The amount due to H&H is included in trade and other payables (note 12).

**16. COMMITMENTS AND CONTINGENCIES**

Changes to commitments and contingencies previously disclosed in the Group's annual consolidated financial statements for the year ended 30 June 2017, are specified below.

**Bank guarantees**

As at 31 December 2017, VDM had \$632,000 of bank guarantees on issue as security for leased commercial property and to guarantee performance of contracts (30 June 2017: \$977,000).

**17. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE**

On 1 February 2018, the Company announced that it signed a heads of agreement for a conditional joint funding arrangement for the Cachoeiras do Binga project with a potential new strategic partner.

**18. FAIR VALUE**

At 31 December 2017 there are no financial assets or financial liabilities which are accounted for at fair value. Carrying amounts approximate the fair value of financial assets and financial liabilities presented in the Consolidated Statement of Financial Position.

**VDM GROUP LIMITED**  
**DIRECTORS' DECLARATION**  
**For the half year ended 31 December 2017**

---

In accordance with a resolution of the directors of VDM Group Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017, and of its performance for the half year ended on that date; and
  - (ii) complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) Subject to the satisfactory achievement of the matters described in note 1(d), there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board



**Dr Hua Dongyi**  
Executive Director of Mining  
Perth, Western Australia  
9 February 2018



# Independent auditor's review report to the members of VDM Group Limited

## Report on the half-year financial report

### Conclusion

We have reviewed the accompanying half-year financial report of VDM Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Emphasis of matter - Material uncertainty related to going concern

We draw attention to Note 1(d) in the half-year financial report which describes the principal conditions that raised doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



V L Hoang  
Partner  
Perth

9 February 2018