



Appendix 4D

Half year report

Period ended 31 December 2018

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 2018

Corresponding period: half year ended 31 December 2017

Results for the current period (\$000)		Change from the corresponding period
Revenue from continuing operations	143	Down 57.8%
Loss from continuing operations after tax attributable to members	(596)	Down 51.5%
Net loss for the period attributable to members	(596)	Down 51.5%

Net tangible assets:

	Current period	Corresponding period
Net tangible liabilities per ordinary security at end of period (cents per share)	(0.11)	(0.22)

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 2018, which include an independent Auditor's Review Report from Hall Chadwick.



VDM GROUP LIMITED

and its Controlled Entities

ABN 95 109 829 334

**INTERIM FINANCIAL REPORT
HALF YEAR ENDED 31 DECEMBER 2018**

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

REGISTERED AND PRINCIPAL OFFICE

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AUDITORS

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283 Rokeby Road
Subiaco WA 6008

SHARE REGISTER

Computershare Investor Services Pty Limited
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Melbourne, VIC 3001
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VDM Group Limited shares are listed on the Australian Securities Exchange (ASX)

ASX Code	VMG
ACN	109 829 334
ABN	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
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VDM GROUP LIMITED

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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 2018.

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

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 Construction: engineering, procurement and construction.

VDM Trading: procurement and trading of raw materials and commodities.

Business activities during the period principally related to:

- exploration activity at the Cachoeiras do Binga copper project located in the Republic of Angola (**Cachoeiras do Binga**) supported by VDM's project partners and the Government of Angola; and
- investigation of other project opportunities connected with VDM's Mining, Construction and Trading divisions.

The business activities of the comparative period principally related to: 1) exploration activities at Cachoeiras do Binga; and 2) supply of imported structural steel.

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 which enabled the commencement of exploration activities.

In June 2018 VDM announced that the first phase of drilling at CdB had commenced and would comprise of up to 5,000 metres of diamond drilling. The announcement advised that the program had been designed to confirm and follow-up exploration results from 1973 and earlier, which confirmed the existence of copper mineralisation.

**VDM GROUP LIMITED
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

The drilling work has been undertaken by specialist contractor, Shandong of China, and is being overseen by Yiefei Jia and Pengfei Xiao, Principal Geologists, from technical services contractor SRK Consulting.

The Company's objective is to undertake a three-phase program to delineate a JORC resource prior to undertaking any Feasibility Study.



Image 1: Drilling rig in operation at CdB



Image 2: Signing ceremony prior to drilling commencing

On 3 December 2018, VDM announced that the first stage of the Phase One Drilling Program had been completed with a total of 41 diamond core holes having been drilled for a cumulative total of 3,903 metres, with copper mineralisation visible in drill cores from 38 holes of the 41 holes.

Twenty (20) holes were drilled in Areas 1, 2 and 3 to verify historical information; whilst twelve (12) holes were drilled in Area 4 and nine (9) holes in Area 5, respectively, with the holes in Areas 4 and 5 for investigating targets generated from geological mapping, geochemical and geophysical information.

The depths of the completed diamond core holes varied from 31 metres to 273 metres with an average depth of 95 metres. A list of the hole collars is included at Appendix A.

Apparent malachite and its variations showing green and blue can be easily observed in the drill cores, refer images following. According to the geological logs and the fast analyser used in the field, the interceptions varied from few meters to more than ten meters, but this needs to be confirmed by the chemical analyses of core samples.



Images 3 and 4: Drill-core of selected holes from Phase One Drilling Program at CdB Copper Project in Angola

VDM GROUP LIMITED

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

A total of 843 samples were collected from the half cores of the mineralised intervals and boundaries. The samples were crushed and split following a standard operating procedure. Paperwork is being finalised for despatch of the samples for chemical assay and the results are expected in Q1, 2019.

The Phase One Drilling Program in 2018 is now suspended due to the raining season, and will be re-launched in 2019 when weather permits access to the project area. The next stage of Phase One Drilling Program can be expected to target further parts of Areas 4 and 5 and follow-up the most prospective assay results.

Assay results remain pending as at the date of this memorandum. Preliminary assay information received in early February 2019 appear highly positive, but are yet to be plotted.

The Construction division took on no new work during the half-year with efforts focussed on closing out previous contracts and claims, and review of new opportunities.

The Trading division remained inactive whilst the Company searches for a partner to scale the trading business to market-competitive levels.

Revenue from continuing operations of \$143,000 (2017: \$339,000) is 57.8% lower than the comparative period mainly due to decreased Construction division revenue from structural steel sales.

Total expenses from continuing operations of \$739,000 (2017: \$1,577,000) reflect a decrease of 53.1% from the comparative period mainly due to lower materials, employee costs, property rent and depreciation.

Cash increased by \$1,915,000 in the half year with negative cash flow from operating activities of \$983,000 being offset from \$4,000,000 of funds received from the issue of shares and the repayment of interest accrued to 30 June 2018 on Keng Kong loan.

4. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

5. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 7 and forms part of the Directors' Report for the half year ended 31 December 2018.

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
27 February 2019

AUDITOR'S INDEPENDENCE DECLARATION VDM GROUP LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of VDM Group Limited.

As lead audit partner for the review of the financial report of VDM Group Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.



Hall Chadwick Audit (WA) Pty Ltd
ABN 42 163 529 682



Nikki Shen
Director

Dated 27 February 2019

VDM GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

		31 Dec 2018	31 Dec 2017
	Notes	\$000	\$000
Continuing operations			
Revenue	3	143	339
Expenses			
Materials and inventory		71	(302)
Employee benefits expense	4a	(359)	(597)
Occupancy related expenses		(15)	(87)
Depreciation and amortisation	4b	(7)	(89)
Impairment	4c	-	(230)
Onerous contracts expense		-	94
Legal expenses		(53)	(11)
Finance costs	4d	(269)	(264)
Other expenses	4e	(107)	(91)
Total expenses		(739)	(1,577)
Profit on sale of assets		-	9
Other income and expenses		-	9
Loss from continuing operations before income tax		(596)	(1,229)
Income tax expense	5	-	-
Loss from continuing operations after income tax		(596)	(1,229)
Discontinued operations			
Loss for the period		(596)	(1,229)
Other comprehensive income		-	-
Total comprehensive loss for the period		(596)	(1,229)
Total comprehensive loss for the period is attributed to:			
Owners of the parent		(596)	(1,229)
		(596)	(1,229)
Loss per share			
Basic loss per share (cents per share)		(0.01)	(0.02)
Diluted loss per share (cents per share)		(0.01)	(0.02)
Loss per share from continuing operations			
Basic loss per share (cents per share)		(0.01)	(0.02)
Diluted loss per share (cents per share)		(0.01)	(0.02)

VDM GROUP LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		31 Dec 2018	30 Jun 2018
	Notes	\$000	\$000
ASSETS			
Current assets			
Cash and cash equivalents	6	5,869	3,954
Security deposits	7	20	38
Trade and other receivables		24	53
Other assets		89	-
Total current assets		6,002	4,045
Non-current assets			
Security deposits	7	18	-
Exploration and evaluation assets	8	11,492	11,174
Development properties	9	1,250	1,250
Property, plant and equipment	10	876	882
Total non-current assets		13,636	13,306
Total assets		19,638	17,351
LIABILITIES			
Current liabilities			
Trade and other payables	11	5,083	5,457
Interest-bearing loans and borrowings	12	9,165	9,800
Provisions	13	1,024	1,138
Total current liabilities		15,272	16,395
Non-current liabilities			
Provisions	13	40	34
Total non-current liabilities		40	34
Total liabilities		15,312	16,429
Net assets/(liabilities)		4,326	922
Equity			
Contributed equity	14	296,710	292,710
Equity reserve		457	457
Accumulated losses		(292,841)	(292,245)
Total equity		4,326	922

VDM GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Notes	31 Dec 2018 \$000	31 Dec 2017 \$000
Cash flows from operating activities			
Receipts from customers		335	503
Payments to suppliers and employees		(1,070)	(1,723)
Interest received		39	7
GST refunded		31	91
Net cash flows used in operating activities		(665)	(1,122)
Cash flows from investing activities			
Payments for exploration and evaluation		(318)	-
Release from security deposit		-	345
Proceeds from sale of property, plant and equipment		-	9
Net cash flows (used in)/from investing activities		(318)	354
Cash flows from financing activities			
Repayment of borrowings		(1,102)	-
Proceeds from issue of shares		4,000	-
Net cash flows from financing activities		2,898	-
Net increase/(decrease) in cash and cash equivalents		1,915	(768)
Cash and cash equivalents at beginning of period		3,954	1,366
Cash and cash equivalents at end of period	6	5,869	598

VDM GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Issued Capital Ordinary \$000	Accumulated Losses \$000	Equity Reserve \$000	Total \$000
Balance at 1 July 2018	292,710	(292,245)	457	922
Comprehensive loss for the period	-	(596)	-	(596)
Total comprehensive loss for the period	-	(596)	-	(596)
Transactions with owners in their capacity as owners				
Share Issue	4,000	-	-	4,000
Balance at 31 December 2018	296,710	(292,841)	457	4,326
Balance at 1 July 2017	288,722	(289,364)	457	(185)
Comprehensive loss for the period	-	(1,229)	-	(1,229)
Total comprehensive loss for the period	-	(1,229)	-	(1,229)
Balance at 31 December 2017	288,722	(290,593)	457	(1,414)

VDM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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VDM GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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 2018 were authorised for issue in accordance with a resolution of the directors on 27 February 2019.

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:

- exploration activity at the Cachoeiras do Binga copper project located in the Republic of Angola supported by VDM's project partners and the Government of Angola; and
- investigation of other project opportunities connected with VDM's Mining, Construction and Trading divisions.

The business activities of the comparative period principally related to: 1) preparatory works for commencing of exploration at Cachoeiras do Binga; and 2) supply of imported structural steel.

(b) Basis of preparation

The interim consolidated financial statements for the half year ended 31 December 2018, 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 2018 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 2018.

The Group has adopted all Australian Accounting Standards and Interpretations effective from 1 July 2018. 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 2018

(d) Going Concern

VDM incurred a net loss after tax from continuing operations for the half year ended 31 December 2018 of \$596,000 (2017: \$1,229,000). Net cash flows used in operating activities were \$665,000 (2017: \$1,122,000). At 31 December 2018, VDM had net current liabilities of \$9,270,000 (30 June 2018: \$12,350,000). The cash balance of VDM at 31 December 2018 was \$5,869,000 (30 June 2018: \$3,954,000) with a further \$38,000 of security deposits (30 June 2018: \$38,000).

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.

VDM will require further capital funding:

- to progress its business strategy including the Cachoeiras do Binga exploration program;
- to pursue other business growth opportunities;
- to settle shareholder loans; and
- for general working capital including payment of trade and other payables, and provisions that become due.

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;
- VDM's largest shareholder, Australia Kengkong Investments Co Pty Ltd, will not demand repayment of amounts due under the Framework Loan Agreement until VDM completes sufficient capital raisings; and
- VDM's Cachoeiras do Binga joint venture partner Seabank Resources LDA not demanding repayment of outstanding amounts until the Group completes a significant capital raising or when the group's financial status has a significant improvement.

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 2018.

VDM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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 2018.

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 2018.

	Construction \$000	Trading \$000	Mining \$000	Unallocated \$000	Total \$000
Revenue					
External revenue	99	-	-	44	143
Total segment revenue	99	-	-	44	143
Results					
Segment results before tax	369	-	(163)	(802)	(596)
Finance costs	-	-	-	269	269
Depreciation & amortisation	-	-	-	7	7
Reconciliation of segment results before tax to net loss after tax					
Segment results before tax					(596)
Net loss after tax from continuing operations per the statement of comprehensive income					(596)
Total assets	305	-	11,492	7,841	19,638
Total liabilities	655	-	4,689	9,968	15,312
Other disclosures					
Exploration and evaluation asset additions	-	-	318	-	318

VDM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

The following table presents the revenue, profit, and selected expenditure information for the half year ended 31 December 2017 and selected balance sheet information as at 30 June 2018 for the Group's reportable segments.

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

VDM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018	31 Dec 2017
	\$000	\$000
3. REVENUE		
Sales revenue		
Revenue from operating activities	98	283
Total sales revenue	98	283
Other revenue		
Interest	40	7
Net rental income	5	2
Other	-	47
Total other revenue	45	56
Total revenue	143	339
4. EXPENSES		
a) Employee benefits expense		
Wages and salaries	326	542
Superannuation expense	28	47
Other employee benefits expense	5	8
Total employee benefits expense	359	597
b) Depreciation and amortisation		
Depreciation	7	89
Total depreciation and amortisation	7	89
c) Impairment charges		
Impairment of development properties (note 9)	-	230
Total impairment charges	-	230
d) Finance costs		
Bank fees and other finance charges	1	9
Interest	268	255
Total finance costs	269	264
e) Other expenses		
Insurances	73	72
Telecommunications	6	7
Computer costs	19	21
Bad debts provision	(195)	-
Foreign exchange losses/(gains)	194	-
Other	10	(9)
Total other expenses	107	91

VDM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018 \$000	31 Dec 2017 \$000
5. INCOME TAX		
a) Numerical reconciliation between aggregate tax expense recognised in the income statement and the tax expense calculated in the statutory income tax return		
Accounting loss before tax	(596)	(1,229)
Total accounting loss before tax	(596)	(1,229)
Prima facie income tax expense @ 27.5%	(164)	(338)
Prior year tax over provision	-	-
Tax adjustment for non-deductible expenses	-	-
Temporary differences and unrecognised tax losses	164	338
Aggregate income tax expense	-	-

b) Tax losses

VDM Group has recognised a deferred tax asset of nil (30 June 2018: 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.

	31 Dec 2018 \$000	30 Jun 2018 \$000
6. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	5,869	3,954
Cash and cash equivalents	5,869	3,954

7. SECURITY DEPOSITS

	31 Dec 2018	30 Jun 2018
Security Deposits	38	38
Current	20	38
Non-current	18	-
Total security deposits	38	38

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.

VDM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018	30 Jun 2018
	\$000	\$000
8. EXPLORATION AND EVALUATION ASSETS		
Balance at beginning of period	11,174	11,128
Additions	318	46
Balance as at end of period	11,492	11,174

9. DEVELOPMENT PROPERTIES

Development properties	1,250	1,250
Total development properties	1,250	1,250
Reconciliation of carrying amounts		
Balance at beginning of period	1,250	1,600
Additions	-	-
Disposals	-	-
Impairment of development properties	-	(350)
Balance at end of period	1,250	1,250

Management performed a net realisable assessment which resulted in recognition of a \$nil impairment to development properties (30 June 2018: \$350,000).

10. PROPERTY, PLANT AND EQUIPMENT

Leasehold improvements at cost	14	14
Accumulated depreciation	(6)	(6)
Total leasehold improvements	8	8
Freehold land and buildings at cost	887	887
Accumulated depreciation	(37)	(33)
Total freehold land and buildings	850	854
Plant & equipment at cost	68	68
Accumulated depreciation	(50)	(48)
Total plant & equipment	18	20
Total property, plant and equipment	876	882

VDM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	31 Dec 2018	30 Jun 2018
	\$000	\$000
11. TRADE AND OTHER PAYABLES		
Trade payables and accruals	306	755
Employee related payables	17	2
GST payable	-	11
Other payables	4,760	4,689
Total trade and other payables	5,083	5,457
12. INTEREST-BEARING LOANS AND OTHER BORROWINGS		
Shareholder loan (AUD denominated)	4,613	5,096
Shareholder loan (USD denominated)	4,552	4,704
Total interest bearing loans and other borrowings	9,165	9,800
13. PROVISIONS		
Current		
Employee entitlements	74	88
Construction warranties	475	509
Onerous contracts	-	2
Other construction contract obligations	153	217
Other provisions	322	322
Total current provisions	1,024	1,138
Non-Current		
Employee entitlements	40	34
Total non-current provisions	40	34
Total provisions	1,064	1,172
14. CONTRIBUTED EQUITY		
a) Ordinary shares		
Issued and fully paid	296,710	292,710
	Number of Shares	\$000
Balance at 1 July 2017	5,477,660,952	288,722
Share Issues	-	-
Balance at 1 July 2018	5,877,660,952	292,710
Share Issues	400,000,000	4,000
Capital raising costs	-	-
Balance at 31 December 2018	6,277,660,952	296,710

VDM GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

15. RELATED PARTY DISCLOSURES

Transactions with key management personnel

Luk Hiuming

As at 31 December 2018, VDM owed \$33,000 to Mr Luk related to directors fees that have not been paid on his instruction (30 June 2018: \$143,000). 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 11).

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 12).

H&H

As at 31 December 2018, 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 2018: \$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 11).

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 2018, are specified below.

Bank guarantees

As at 31 December 2018, VDM had \$18,000 of bank guarantees on issue as security for leased commercial property (30 June 2018: \$18,000).

17. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

18. FAIR VALUE

At 31 December 2018 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 2018**

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 2018, 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
27 February 2019

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 2018, the consolidated statement of profit or loss and other comprehensive income, the 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 2018 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 2018 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.



Hall Chadwick Audit (WA) Pty Ltd
ABN 42 163 529 682



Nikki Shen
Director

Dated 27 February 2019