VDM GROUP LIMITED

and its Controlled Entities

ABN 95 109 829 334

2019

ANNUAL REPORT

VDM GROUP LIMITED
CORPORATE INFORMATION

DIRECTORS

Mr Luk Hiuming	Non-executive Chairman
Dr Hua Dongyi	Executive Director of Mining
Mr Michael Fry	Non-executive Director

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER (ACTING)

Mr Michael Fry

REGISTERED AND PRINCIPAL OFFICE

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SHARE REGISTER

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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

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Dear Shareholders

Over the course of the past year VDM's main activity has been in the area of Mining, being the business sector that is expected to provide the best investment returns for shareholders and position your Company for long term success.

Business overview

VDM Mining: Significant exploration progress has been made at the Cachoeiras do Binga (CdB) project in the past year with the Phase One drilling program extending the area of known copper mineralisation. The Phase Two drilling program is currently in progress having commenced in May 2019 and aims to build on the success of the Phase One program. Drilling can be expected to continue up until November 2019, or until weather restricts access. The CdB partners are grateful for the assistance and cooperation from the Government of Angola, the exploration contractor, and technical services contractor SRK Consulting.

Recently, VDM announced the acquisition of a 55% interest in the Cage Bengo Gold Project, also located in Angola. The project area is extremely large, covering 9,904km^2 and is considered prospective for gold, copper, manganese and iron mineralisation.

Our focus areas for VDM mining over the next 12 months are to:

1) complete an initial mineral resource estimate for CdB, which I expect will be the first step towards a full copper mining feasibility study for the project; and
2) undertake geological mapping and sampling at Cage Bengo prior to commencement of drilling.

The above two goals will require further strong support from existing partners who understand and see the potential in the copper and gold projects retained by VDM and are able to provide the funding support that VDM requires. To this end, VDM was extremely pleased to have completed a $4 million placement in January of this year, which was conducted at a significant premium to the Company's share price at the time.

I am confident that the Company's investment in CdB will provide healthy returns for our shareholders and partners and am of the view that the addition of the Cage Bengo project is a very positive development for VDM.

VDM Construction: VDM continues to retain capability and will review the situation on an ongoing basis.

Safety and Environment

It is my pleasure to report that VDM has had another outstanding safety performance with no Lost Time Injuries in the year and a LTIFR of nil. Safety is a fundamental plank of VDM's business and we will continue to ensure that safety is a top priority.

Corporate

I wish to thank my fellow directors, our employees, and all VDM stakeholders for their service and support to the Company. I am especially grateful to our largest shareholder, Australia Kengkong Investments Co Pty Ltd, who has continued to support VDM's business strategy for this past year.

Dr Hua Dongyi
Executive Director of Mining
30 August 2019

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 year ended 30 June 2019.

1. DIRECTORS

Current Directors

The names and details of the directors of VDM Group Limited in office during the year and until the date of this report are as follows: Directors were in office for the entire year unless otherwise stated.

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

Mr Luk has abundant experience in an extensive range of business sectors, including textile & clothing, pharmaceutical, steel, real estates, manufacturing mining, natural resources, new energy and oil and gas. Apart from businesses in mainland China, he also has extensive international experience in various industries around the globe. Mr Luk is currently Chairman of Australia Kengkong Investments Co Pty Ltd.

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
Doctorate of Engineering

Dr Hua is the former Vice President, Executive Chairman and CEO of CITIC Pacific Mining, a position he held from October 2009 until April 2013. He was previously with Beijing-based CITIC Group, which he joined in 2002. Dr Hua has held executive management positions during the past 15 years for construction and resource development projects across Asia, Africa and Latin America in countries such as China, Angola, the Philippines, Pakistan, Brazil and Algeria. Dr Hua is the Vice President of the Australian China Business Council Western Australia. Dr Hua is also Executive Director and CEO of Frontier Services Group Limited, an aviation and logistics company listed on the Hong Kong Stock Exchange.

Mr Michael Fry
Chief Financial Officer/Company Secretary
Appointed Chief Financial Officer/Company Secretary on 12 February 2018, appointed Non-Executive Director on 3 June 2011
Chairman of the Audit & Risk Committee
Bachelor of Commerce

Mr Fry is an experienced company manager across a broad range of industry sectors. Mr Fry has a background in accounting and corporate advice having worked with KPMG (Perth) where he qualified as a Chartered Accountant, Deloitte Touche Tohmatsu (Melbourne) and boutique corporate advisory practice Troika Securities Ltd (Perth). From 2006 to 2011, 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.

Mr Fry is Chief Financial Officer and Company Secretary of ASX-listed companies Globe Metals & Mining Limited (ASX:GBE), Cauldron Energy Limited (ASX: CXU) and Winmar Resources Limited (ASX: WFE). Mr Fry is also a Director of Winmar Resources Limited. Mr Fry was previously a director of ASX-listed company Cougar Metals NL between 13 October 2014 to 14 June 2017.

Company Secretary

Mr Michael Fry
Appointed 12 February 2018

2. INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the directors in the shares of the Company were:

Directors	Number of Ordinary Shares
Luk Hiuming	2,070,000,000
Hua Dongyi	1,085,110,976
Michael Fry	1,000,000

3. DIVIDENDS

There were no dividends declared or paid during the year ended 30 June 2019 (2018: nil).

4. NATURE AND PRINCIPAL ACTIVITIES

VDM is comprised of 2 operating divisions:

VDM Mining: mining exploration, development and operation in Africa.
VDM Construction: engineering, procurement and construction.

Business activities during the period principally related to:
1) exploration of the Cachoeiras do Binga copper project located in the Republic of Angola;
2) review of trading opportunities; and
3) review of opportunities focussed primarily on supporting Chinese companies operating in Australia with construction requirements.

The business activities of the comparative period principally related to: 1) mobilising the initial exploration team members to the Cachoeiras do Binga copper project located in the Republic of Angola; 2) delivering imported structural steel to VDM's construction client.

General
At 30 June 2019, VDM employed 6 people in Western Australia (2018: 7).

5. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 6 March 2019, VDM announced that it had completed a $4 million share placement pursuant to the Company's 10% Enhanced Placement Capacity (under ASX Listing Rule 7.1A). A total of 400,000,000 new shares were issued, 200,000,000 to CF International Development Limited of Hong Kong at $0.01 per share, and 200,000,000 to Briston Holdings Limited of British Virgin Isles at $0.01 per share. The funds are to be used to advance the CdB copper project in Angola and working capital.

6. OPERATING AND FINANCIAL REVIEW

The Mining division worked with its project partners to overcome safety concerns at site to enable exploration activities to commence at the Company's CdB copper project in Angola in mid-June 2018. The Phase One drilling program at CdB concluded in late November 2018 due to onset of the raining season, with the Company having completed a total of 41 diamond core holes for a cumulative total of 3,903 metres.

Assay results from Phase One were announced on ASX platform on 15 March 2019 and disclosed that twenty of the forty-one holes drilled returned assays grading better than 0.5% Cu with mineralisation intersected being predominantly in a zone that extended from surface to 50 metres beneath surface.

The Phase Two drilling program commenced in May 2019 and aims to build on the success of the Phase One program. In the period up to 24 July 2019, a total of forty-seven diamond core holes had been drilled for a cumulative total of 2,751.66 metres. A total of 395 samples have been collected from the half cores of the mineralised intervals and boundaries. Drilling can be expected to continue up until November 2019, or until weather restricts access.

The Construction division reviewed opportunities focussed primarily on supporting Chinese companies operating in Australia with construction requirements.

Whilst the Trading division continued to assess opportunities and to search for a partner to scale the trading business to market-competitive levels.

The Board undertook a comprehensive risk review to identify the key risks to VDM's business. The review included an internal and external stakeholder analysis that identified the diverse needs of the various stakeholders and the potential risks to VDM if those needs are not met. This analysis is updated annually.

Risk	Response
Funding for debt repayment, advancing the CdB exploration program, and other corporate activities.	VDM has entered into a conditional heads of agreement with Jiangxi to provide funding for the CdB project and is working with other potential partners to provide additional funding.
Size and quality of CdB's contained mineralisation	This risk cannot be mitigated, however VDM will aim to avoid over-investment by undertaking a phased and well-planned exploration program.
Operating efficiently and safely in the Republic of Angola	VDM's current Executive Director of Mining has extensive experience and strong relationships in Angola. VDM will utilise Angolan-experienced and reputable exploration contractors and advisors.
Counterparty risks related CdB investment structure and CdB partners	VDM has maintained good relations with its CdB partners and uses written agreements and formal decision-making processes to avoid potential misunderstandings.

Revenue from continuing operations was $332,000 (2018: $563,000) a decrease of 41.03% from the prior year reflecting the close-out of structural steel sales agreements within the Construction division, with no new arrangements being entered into.

The loss from continuing operations after tax of $1,904,000 (2018: $2,881,000) is 33.9% lower than the prior year, mainly due to a reduction of corporate expenses.

Shareholder Loan

VDM has a shareholder loan for $9,461,000 (2018: $9,800,000) with its largest shareholder, Australia Kengkong Investments Co Pty Ltd ("Kengkong") under a Framework Loan Agreement ("FLA"). 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.

7. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 13 August 2019, the Company announced the acquisition of a 55% interest in the Cage Bengo Gold Project which is considered prospective for gold, copper, manganese and iron mineralisation. On 20 August 2019 the Company issued 650,000,000 new shares to project vendor and joint venture partner Seabank Resources LDA of Angola.

Apart from the above, there have been no significant events occur after 30 June 2019 date and up to the date of this report.

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

VDM intends to undertake future capital raisings in the 2020 financial year. Funds raised will be used for general corporate working capital, to advance the Cachoeiras do Binga Copper Project and the Cage Bengo Gold Project, both of which are located in Angola. VDM also intends on advancing other potential business growth opportunities, and to repay the shareholder loan.

9. ENVIRONMENTAL REGULATION AND PERFORMANCE

VDM operations are subject to environmental regulations under Commonwealth and State legislation. The Board believes that VDM has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to VDM.

10. SHARE OPTIONS

As at the date of this report, there were 52 million unissued ordinary shares under option with an exercise price of 1.6 cents (2018: nil) and an expiry date of 31 July 2021.

The options were granted on the 19 July 2018 to Dr Chris Yu, VDM's Exploration & Mining Manager as part of his remuneration arrangements.

11. INDEMNIFICATION OF AUDITORS

To the extent permitted by law, VDM Group Limited has agreed to indemnify it auditors, Hall Chadwick Audit (WA) Pty Ltd, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Hall Chadwick Audit (WA) Pty Ltd during or since the financial year.

12. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

VDM Group Limited has agreed to indemnify all the directors and executive officers for any costs or expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities of the consolidated entity for which they may be held personally liable.

The Company has paid a premium to insure the directors and officers of the Company and its controlled entities. Details of the premium are subject to a confidentiality clause under the contract of insurance.

13. DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year, and the number of meetings attended by each director, were as follows:

	Board meetings	Audit & Risk Committee meetings
Number of meetings held:	2	-
Number of meetings attended:		
Luk Hiuming	2	-
Hua Dongyi	2	-
Michael Fry	2	-

As at the date of this report, VDM Group had an audit and risk committee of the board of directors. Members acting on the audit and risk committee of the board during the year were Mr Fry (Chair), Dr Hua and Mr Luk.

14. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received an Independence Declaration from the auditor of VDM Group Limited, attached on page 16. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Refer to note 28 of the consolidated financial statements for disclosure relating to the cost of non-audit services conducted during the year.

15. CORPORATE GOVENANCE STATEMENT

Throughout FY19, VDM's corporate governance arrangements were consistent with the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council (ASX Principles).
VDM's 2019 Corporate Governance Statement is available at www.vdm.com.au. The Corporate Governance Statement outlines details in relation to VDM's values, its Board, Board Committees, risk management framework and financial reporting, diversity and inclusion, key corporate governance policies and shareholder engagement. VDM's website also contains copies of VDM's Board and Committee Charters and key policies and documents referred to in the Corporate Governance Statement.

16. 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.

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2019 outlines the remuneration arrangements of VDM in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) of VDM. KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of VDM, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report, the term 'executive' includes executive directors and other senior executives of VDM and excludes non-executive directors.

The remuneration report is presented under the following sections:

1. Individual KMP disclosures
2. Board oversight of remuneration
3. Executive remuneration arrangements
4. Executive remuneration outcomes for 2019 (including link to performance)
5. Executive contracts
6. Non-Executive Director remuneration arrangements
7. Additional statutory disclosure relating to options and shares
8. Loans to key management personnel
9. Other transactions and balances with key management personnel and their related entities

1. INDIVIDUAL KMP DISCLOSURES

Details of KMP of VDM are set out below. KMP served for the full year unless noted.

Current directors	
Luk Hiuming	*Non–Executive Chairman*
Hua Dongyi	*Executive Director of Mining*
Michael Fry	*Chief Financial Officer/Company Secretary*
Current executives	
Chris Yu	*Exploration and Mine Manager*

2. BOARD OVERSIGHT OF REMUNERATION

The Board is responsible for the remuneration arrangements of directors and executives. Based on the Board's present composition and size, as well as the importance of remuneration decisions, the Board considers this will provide effective governance of these matters.

The board assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing directors and executives.

The Board approves the remuneration arrangements of the CEO and other executives and all awards made under the long-term incentive (LTI) and short-term incentive (STI) plans. The Board also sets the aggregate remuneration of NEDs which is then subject to shareholder approval.

In accordance with good corporate governance practice, the structure of NED and executive remuneration is separate and distinct.

Remuneration report approval at 2018 annual general meeting

The 2018 remuneration report received positive shareholder support at the Company's annual general meeting, with a vote of 84.4% in favour.

3. EXECUTIVE REMUNERATION ARRANGEMENTS

Remuneration strategy

VDM's executive remuneration strategy is designed to cost effectively attract, motivate and retain high performing individuals and align the interests of executives and shareholders.

To this end, key objectives of the Company's reward framework are to ensure that remuneration practices:

- Are aligned to the VDM's business strategy;
- Offer competitive remuneration benchmarked against the external market;
- Provide strong linkage between individual and group performance and rewards; and
- Align the interests of executives with shareholders.

Fixed remuneration

The employment contracts of executives do not include any guarantee of base pay increases. Fixed remuneration is reviewed annually by the Board. The process consists of a review of company, divisional and individual performance, relevant comparative remuneration internally and externally, and where appropriate external advice independent of management. No external advice was received in the current year.

Variable remuneration – short term incentive (STI)

VDM has Bonus Scheme STI based on the principal of rewarding operational employees from a bonus pool calculated as 30% of divisional earnings results above an annual earnings target and corporate division employees from a bonus pool calculated as the average of divisional bonuses.

The Bonus Scheme is based on the following structural components:

a) Bonus Pool: calculated as percentage of divisional earnings results above the earnings target for a calendar year;
b) Apportionment of the Bonus Pool: apportioned to employee divisional team members as proposed by the Division Head and approved by the Managing Director and the Board;
c) Payment of Bonus: to be paid after release of the Annual Financial Report;
d) Eligibility: Persons who start employment during the year are eligible for a time-adjusted bonus payment.

The total potential STI available is set at a level so as to provide sufficient incentive to executives to achieve the operational targets and such that the cost to VDM is reasonable in the circumstances.

The Group has implemented two new Accounting Standards that have come into effect, which is included in the results. AASB 15: Revenue from Contracts with Customers has been applied using the cumulative effective method that is, by recognising the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of equity at 1 July 2018. Therefore, the comparative information has not been restated and continues to be reported under AASB 118: Revenue and AASB 111: Construction Contracts. AASB 9: Financial Instruments has been applied using the retrospective method, with comparative amounts restated where appropriate.

The financial performance measure driving the majority of the STI payment outcomes is divisional profit earnings before interest and tax (EBIT). The table below shows the Group's gross EBIT history for the past five financial years.

Financial Year	EBIT $'000	Closing share price $
2019	(1,619)	0.002
2018	(2,348)	0.002
2017	(2,777)	0.001
2016	(5,433)	0.003
2015	(12,713)	0.006

As a result of the negative EBIT performance in 2019, no STI awards were made in the 2019 financial year (2018: nil).

Variable remuneration — long term incentive (LTI)

VDM does not have a general equity-based incentive plan for employees, however the following two specific option arrangements were approved as a cost-effective and non-cash remuneration incentive to attract and retain the two key executives holding VDM's CEO and Mining Director positions:

- The Dr Hua's employment contract provides for the grant of the following stock options:
    - 10 million options with an exercise price of $0.015, exercisable on 11 March 2017 and expiring on 11 March 2020.
    - 10 million options with an exercise price of $0.020, exercisable on 11 March 2018 and expiring on 11 March 2021.
    - 10 million options with an exercise price of $0.025, exercisable on 11 March 2019 and expiring on 11 March 2022.

  As at the date of this report, none of Dr Hua's options had been granted. There are no performance or market conditions related to the options and they will not carry any voting or dividend rights.

- Dr Chris Yu employment contract provides for the grant of the following stock options:
    - 52 million options with an exercise price of $0.016, expiring on 31 July 2021.

  The options were issued to Dr Yu on 17 July 2018.

4. EXECUTIVE REMUNERATION OUTCOMES (INCLUDING LINK TO PERFORMANCE)

Table 1: Executive remuneration for the year ended 30 June 2019

	Base Salary & Fees	Cash Bonus	Super Contri-butions	Value of Share-based Payments	Long Service Leave	Termination Benefits	Total	Performance Related
	$	$	$	$	$	$	$	%
Executive directors								
D Hua	198,000	-	18,810	-	2,875	-	219,685	0%
Other KMP								
C Yu[(1)]	60,000	-	-	34,660	-	-	94,660	0%
Totals	258,000	-	18,810	34,660	2,875	-	314,345	0%

Notes:
1. C Yu was appointed to the position of Exploration & Mining Manager on a permanent basis on 17 July 2018.

Table 2: Executive remuneration for the year ended 30 June 2018

	Base Salary & Fees	Cash Bonus	Super Contri-butions	Value of Share-based Payments	Long Service Leave	Termination Benefits	Total	Performance Related
	$	$	$	$	$	$	$	%
Executive directors								
D Hua	198,000	-	18,810	-	2,875	-	219,685	0%
Other KMP								
S Diep[(1)]	53,699	-	5,012	-	-	-	58,711	0%
P O'Donoghue[(2)]	110,466	-	10,435	-	-	-	120,901	0%
Totals	362,165	-	34,257	-	2,875	-	399,297	0%

Notes:
1. S Diep's employment finished on 28 August 2017 and his position of chief executive officer has not been filled.
2. P O'Donoghue's employment finished on 12 February 2018 and his position of chief financial officer has not been filled.

5. EXECUTIVE CONTRACTS

Remuneration arrangements for KMP are formalised in employment agreements. Details of these contracts are provided below.

Executive Director of Mining

The Executive Director of Mining, Dr Hua is employed under a rolling contract. Dr Hua's fixed remuneration is $216,810 per annum. The termination provisions of Dr Hua's employment contract are as follows:

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
Employer-initiated termination	6 months	6 months	Pro-rated for time and performance subject to Board discretion	Unexercised options expire
Termination for serious misconduct	None	None	None	Unexercised options expire
Employee-initiated termination	3 months	3 months	Pro-rated for time and performance subject to Board discretion	Unexercised options expire

Other KMP

Exploration & Mining Manager

The Exploration & Mining Manager, Dr Chris Yu is employed under a rolling contract. Dr Yu's fixed remuneration is $60,000 per annum. The termination provisions of Dr Yu's employment contract are as follows:

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
Employer-initiated termination	4 weeks	4 weeks	Not applicable	Unexercised options expire
Termination for serious misconduct	None	None	Not applicable	Unexercised options expire
Employee-initiated termination	4 weeks	4 weeks	Not applicable	Unexercised options expire

6. NON-EXECUTIVE DIRECTOR REMUNERATION ARRANGEMENTS

Remuneration policy

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to NEDs of comparable companies.

The constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The latest determination was at the 2010 annual general meeting held on 19 November 2010 when shareholders approved an aggregate fee pool of $600,000 per year. This amount includes superannuation and fees paid to directors in their capacity as members of the Board and its committees.

The Board will not seek an increase of the NED fee pool at the 2019 Annual General Meeting.

Current Structure

The remuneration of NEDs consists of directors' fees only. There are no committee fees. NEDs do not receive retirement benefits, other than superannuation and they do not participate in any incentive programs.

The table below provides the NED fees for the year ended 30 June 2019.

	Annual NED fees including superannuation
Board Chairman	$65,000
Other Non-executive Directors	$76,250

Table 3: Non-executive remuneration for the year ended 30 June 2019

	Base Salary & Fees	**Cash Bonus**	**Non-Monetary Benefits**	**Super Contri-butions**	**Value of Share-based Payments**	**Long Service Leave**	**Termination Benefits**	**Total**	**Performance Related**
	$	$	$	$	$	$	$	$	%
Current non-executive directors									
M Fry	70,719	-	-	5,531	-	-	-	76,250	0%
H Luk	65,000	-	-	-	-	-	-	65,000	0%
Totals	135,719	-	-	5,531	-	-	-	141,250	0%

Table 4: Non-executive remuneration for the year ended 30 June 2018

	Base Salary & Fees	**Cash Bonus**	**Non-Monetary Benefits**	**Super Contri-butions**	**Value of Share-based Payments**	**Long Service Leave**	**Termination Benefits**	**Total**	**Performance Related**
	$	$	$	$	$	$	$	$	%
Current non-executive directors									
M Fry	58,219	-	-	5,531	-	-	-	63,750	0%
H Luk	65,000	-	-	-	-	-	-	65,000	0%
Totals	123,219	-	-	5,531	-	-	-	128,750	0%

7. ADDITIONAL DISCLOSURES RELATING TO OPTIONS AND SHARES

This section sets out the additional disclosures required under the *Corporations Act 2001*.

Table 5: Shareholdings of key management personnel (held directly and indirectly)

2019	Balance 1 July 2018	Granted as remuneration	Options exercised	Net change Other	Balance 30 June 2019
Current directors					
H Luk	2,070,000,000	-	-	-	2,070,000,000
D Hua	1,085,110,976	-	-	-	1,085,110,976
M Fry	1,000,000	-	-	-	1,000,000
Total shareholding	3,156,110,976	-	-	-	3,156,110,976

Table 6: Shareholdings of key management personnel (held directly and indirectly)

2018	Balance 1 July 2017	Granted as remuneration	Options exercised	Net change Other	Balance 30 June 2018
Current directors					
H Luk	2,070,000,000	-	-	-	2,070,000,000
D Hua	1,085,110,976	-	-	-	1,085,110,976
M Fry	1,000,000	-	-	-	1,000,000
Past executives					
S Diep(1)	1,000,000	-	-	(1,000,000)	-
P O'Donoghue(2)	250,000	-	-	(250,000)	-
Total shareholding	3,157,360,976	-	-	(1,250,000)	3,156,110,976

Notes:
1. S Diep's employment terminated on 28 August 2017.
2. P O'Donoghue's employment terminated on 12 February 2018.

Table 7: Compensation options granted to key management personnel

2019	Balance 1 July 2018	Granted as remuneration	Options exercised	Net change Other	Balance 30 June 2018
Executive directors					
D Hua	-	-	-	-	-
Other KMP					
C Yu	-	52,000,000	-	-	52,000,000
Totals	-	52,000,000	-	-	52,000,000

Option holdings of KMP

On the 19 July 2018 Dr Chris Yu was granted 52,000,000 share options with an exercise price of 1.6 cents and an expiry of 31 July 2021, valued at $104,000 (2018: nil). The fair value of options granted as remuneration has been determined in accordance with Australian Accounting Standards and will be recognised as an expense over the relevant vesting period to the extent that conditions necessary for vesting are satisfied.

The employment contract of Executive Director of Mining Dr Hua provides for the grant of options without any performance conditions. Refer to section 3 of the Remuneration Report for details of his options entitlement. The options are subject to shareholder approval which has not yet taken place as such the fair value of the options as at 30 June 2019 is not material.

Performance rights holdings of KMP

There were no performance rights granted to KMP during the year ended 30 June 2019 (2018: nil). There were no performance rights held by KMP as at 30 June 2019 (2018: nil).

8. LOANS TO KEY MANAGEMENT PERSONNEL

There were no loans granted to KMP's during the year ended 30 June 2019 (2018: nil).

9. OTHER TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED ENTITIES

(a) Details and terms and conditions of other transactions with KMP and their related parties

Luk Hiuming

As at 30 June 2019, VDM owed $65,000 to Mr Luk which related to directors' fees that have not been paid on his instruction. No interest accrues and the outstanding amount is due when demanded by Mr Luk.

Kengkong

On 27 January 2016, VDM entered into a Framework Loan Agreement ("FLA") with its largest shareholder, Australia Kengkong Investments Co Pty Ltd ("Kengkong"). At 30 June 2019, the balance of the loan was $9,461,000 (2018: $9,800,000). During the period, Kengkong had no further advances to VDM under the terms of a FLA. 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. VDM's Non-executive Chairman Mr Luk controls Kengkong, refer to note 18 for full detailed disclosure on outstanding balance.

H&H

As at 30 June 2019, VDM owes H&H Holdings Australia Pty Ltd ("H&H") $75,000 of underwriting commissions for the Company's December 2013 Rights Issue (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.

(b) Amounts recognised at the reporting date in relation to the other transactions:

	2019 $'000	2018 $'000
Statement of Comprehensive Income		
Interest expense (i)	535	533
Total finance costs	535	533
Current Liabilities		
Trade and other payables (ii)	75	75
Interest-bearing loans and other borrowings (iii)	9,461	9,800
Total liabilities	9,536	9,875

Notes:
(i) Interest expense on Kengkong shareholder loan (6% per annum).
(ii) Underwriting commission due to H&H.
(iii) Shareholder loan due to Kengkong inclusive of accrued interest

This report is made in accordance with a resolution of the directors.

Dr Hua Dongyi
Executive Director of Mining
30 August 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 audit partner of VDM Group Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

Hall Chadwick

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

Nikki Shen
Director

Dated 30 August 2019

VDM GROUP LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $000	2018 $000
Continuing operations			
Revenue	5	**332**	**563**
Expenses			
Materials and inventory		-	(378)
Employee benefits expense	6a	(711)	(995)
Occupancy related expenses		(46)	(124)
Depreciation and amortisation	6b	(13)	(96)
Impairment and write downs	6c	(505)	(350)
Legal expenses		(18)	(269)
Share based payments		(35)	-
Finance costs	6d	(537)	(544)
Other expenses	6e	(371)	(697)
Total expenses		**(2,236)**	**(3,453)**
Profit on sale of assets		-	9
Other income and expenses		**-**	**9**
Loss from continuing operations before income tax		**(1,904)**	**(2,881)**
Income tax expense	7	-	-
Loss from continuing operations after income tax		**(1,904)**	**(2,881)**
Loss for the year		**(1,904)**	**(2,881)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(1,904)**	**(2,881)**
Total comprehensive loss for the period is attributed to:			
Owners of the parent		**(1,904)**	**(2,881)**
		(1,904)	**(2,881)**
Loss per share			
Basic loss per share (cents per share)	8	**(0.03)**	(0.05)
Diluted loss per share (cents per share)	8	**(0.03)**	(0.05)
Loss per share from continuing operations			
Basic loss per share (cents per share)	8	**(0.03)**	(0.05)
Diluted loss per share (cents per share)	8	**(0.03)**	(0.05)

The accompanying notes form part of these financial statements.

	Notes	2019 $000	2018 $000
ASSETS			
Current assets			
Cash and cash equivalents	10	5,235	3,954
Security deposits	11	38	38
Trade and other receivables	12	35	53
Total current assets		**5,308**	**4,045**
Non-current assets			
Exploration and evaluation assets	13	11,757	11,174
Development properties	14	996	1,250
Property, plant and equipment	15	23	28
Investment property	16	595	854
Total non-current assets		**13,371**	**13,306**
Total assets		**18,679**	**17,351**
LIABILITIES			
Current liabilities			
Trade and other payables	17	5,289	5,457
Interest-bearing loans and borrowings	18	9,461	9,800
Provisions	19	856	1,138
Total current liabilities		**15,606**	**16,395**
Non-current liabilities			
Provisions	19	20	34
Total non-current liabilities		**20**	**34**
Total liabilities		**15,626**	**16,429**
Net assets		**3,053**	**922**
Equity			
Contributed equity	20	296,710	292,710
Share options reserve	21	35	-
Equity reserve	21	457	457
Accumulated losses	21	(294,149)	(292,245)
Total equity		**3,053**	**922**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 $000	2018 $000
Cash flows from operating activities			
Receipts from customers		352	650
Payments to suppliers and employees		(2,112)	(3,185)
Interest received		86	11
GST refunded		57	136
Net cash flows used in operating activities	22	**(1,617)**	**(2,388)**
Cash flows from investing activities			
(Investment in) release from security deposit		-	979
Proceeds from sale of property, plant and equipment		-	9
Net cash flows from investing activities		**-**	**988**
Cash flows from financing activities			
Repayment of borrowings		(1,102)	-
Proceeds from issue of shares		4,000	4,000
Transaction costs on issue of shares		-	(12)
Net cash flows from financing activities		**2,898**	**3,988**
Net increase in cash and cash equivalents		1,281	2,588
Cash and cash equivalents at beginning of period		3,954	1,366
Cash and cash equivalents at end of period	10	**5,235**	**3,954**

The accompanying notes form part of these financial statements.

VDM GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Issued Capital Ordinary $000	Accumulated Losses $000	Equity reserve $000	Share options reserve $000	Total $000
Balance at 1 July 2018	**292,710**	**(292,245)**	**457**	**-**	**922**
Comprehensive loss for the year	-	(1,904)	-	-	(1,904)
Total comprehensive loss for the year	-	(1,904)	-	-	(1,904)
Transactions with owners in their capacity as owners					
Share Issue	4,000	-	-	-	4,000
Share based payments	-	-	-	35	35
Capital raising costs	-	-	-	-	-
Balance at 30 June 2019	**296,710**	**(294,149)**	**457**	**35**	**3,053**
Balance at 1 July 2017	**288,722**	**(289,364)**	**457**	**-**	**(185)**
Comprehensive loss for the year	-	(2,881)	-	-	(2,881)
Total comprehensive loss for the year	-	(2,881)	-	-	(2,881)
Transactions with owners in their capacity as owners					
Share Issue	4,000	-	-	-	4,000
Capital raising costs	(12)	-	-	-	(12)
Balance at 30 June 2018	**292,710**	**(292,245)**	**457**	**-**	**922**

The accompanying notes form part of these financial statements.

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1. CORPORATE INFORMATION

The consolidated financial statements of VDM Group Limited and its controlled entities ("VDM" or the "Group") for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 30 August 2019.

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

Business activities during the period principally related to: 1) mobilising the initial exploration team members to the Cachoeiras do Binga copper project located in the Republic of Angola; 2) delivering imported structural steel to VDM's construction clients.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on the historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

The consolidated financial statements provide comparative information in respect of the previous year.

b) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

c) Adoption of New and Revised Standards

Standards and Interpretations applicable to 30 June 2019

In the year ended 30 June 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period. Those which have a material impact on the Company are set out below.

AASB 9 Financial Instrument

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and makes changes to a number of areas including classification of financial instruments, measurements, impairment of financial assets and hedge accounting model.

Financial instruments are classified as either held at amortised cost or fair value.

Financial instruments are carried at amortised cost if the business model concept can be satisfied.

All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed. Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive income (FVOCI). Previously classified available-for-sale investments, now carried at fair value are exempt from impairment testing and gains or loss on sale are no longer recognised in profit or loss.

The AASB 9 impairment model is based on expected loss at day 1 rather than needing evidence of an incurred loss, this is likely to cause earlier recognition of bad debt expenses. Most financial instruments held at fair value are exempt from impairment testing.

The Group has applied AASB 9 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information accordingly, the information presented for 30 June 2018 has not been restated. There is no impact to profit or loss or net assets on the adoption of this new standard in the current or comparative years.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue and AASB 111 Construction Contracts and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The Group has applied AASB 15 Revenue from Contracts with Customers for the first time in the current period. AASB 15 establishes a single comprehensive income for entities to use in accounting for revenue arising from contracts with customers. AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, including in respect of multiple element arrangements. The core principle of AASB 15 is that it requires identification of distinct performance obligations within a transaction and associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks or rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- *Step 1: Identify the contract(s) with a customer.*
- *Step 2: Identify the performance obligations in the contract.*
- *Step 3: Determine the transaction price.*
- *Step 4: Allocate the transaction price to the performance obligations in the contract.*
- *Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.*

The Group has adopted AASB 15 using the modified retrospective method of adoption (without practical expedients) with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018. Accordingly, the information presented for 30 June 2018 has not been restated. The effect of the application of AASB 15 has been applied to all contracts at date of initial application and there is no impact to profit or loss or net assets on the adoption of this new standard in the current or comparative years.

Other than the above, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the year ended 30 June 2019. Those which may have a material impact on the Company are set out below.

AASB 16 Leases AASB 16 replaces AASB 117 Leases. AASB 16 removes the classification of leases as either operating leases of finance leases for the lessee – effectively treating all leases as finance leases. Most leases will be capitalised on the statement of financial position by recognising a 'right-of-use' asset and a lease liability for the present value obligation. This will result on an increase on the recognised assets and liabilities in the statement of financial position as well as change in expense recognition, with interest and depreciation replacing operating lease expense. Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance and operating leases. AASB 16 is effective from annual reporting periods beginning on or after 1 July 2019, with early adoption permitted for entities that also adopt AASB 15.

Other than the above, the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group.

d) Going concern

VDM incurred a net loss after tax from continuing operations for the year ended 30 June 2019 of $1,904,000 (2018: $2,881,000). Net cash flows used in operating activities were $1,617,000 (2018: $2,388,000). At 30 June 2019, VDM had net current liabilities of $10,298,000 (30 June 2018: $12,350,000). The cash position of VDM at 30 June 2019 was $5,235,000 (30 June 2018: $3,954,000) with a further $38,000 of security deposits (30 June 2018: $38,000).

VDM will require further capital funding:

- for general corporate working capital including trade and other payables, and provisions that become due (refer to notes 17 and 19);
- to progress its business strategy including the Cachoeiras do Binga and Cage Bengo Gold exploration program;
- to pursue other business growth opportunities; and
- to settle shareholder loans once called (refer to note 18).

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. The directors are confident in raising the required funds successfully based on the past and recent capital raised;
- VDM's largest shareholder, Australia Kengkong Investments Co Pty Ltd will not demand repayment of amounts due under the FLA within the next twelve months from the date of signing this report, confirmation of which has been received;
- A Cachoeiras do Binga joint venture partner will not demand repayment of the outstanding creditor balance detailed in note 17 until the Group's next significant capital raising or when the Group's financial status has a significant improvement, confirmation of which has been received; and
- its application for the renewal of its Cachoeiras do Binga prospecting license which has expired on 15 May 2017 to be approved. Despite that the license renewal is still awaiting approval, directors confirm that the Group continues to retain the relevant exploration rights.

Based on the above, the directors have prepared cashflow forecasts that indicate the Group will be cash flow positive for the next twelve months from the date of signing this report

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) Basis of consolidation

The consolidated financial statements comprise the financial statements of VDM Limited and its subsidiaries as at 30 June 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

f) Business Combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 *Financial Instruments*, is measured at fair value with changes in fair value recognised either in profit or loss. If the contingent consideration is not within the scope of AASB 9, it is measured in accordance with the appropriate Australian Accounting Standard. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

g) Joint arrangements

The Group undertakes certain business activities through joint arrangements. A joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an arrangement which exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. The Group's joint arrangements are of two types, either:

i. joint operations; or
ii. joint ventures.

A joint operation is a type of joint arrangement in which the parties with joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. In relation to its interests in joint operations, the financial statements of the Group includes:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly

All such amounts are measured in accordance with the terms of each arrangement which are in proportion to the Group's interest in the joint operation.

A joint venture is a type of joint arrangement in which the parties with joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method.

h) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of associates and joint ventures is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associates and joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investments in associates or joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in the associates or joint ventures is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss as 'Share of profit of associates and joint ventures' in the statement of profit or loss.

Upon loss of significant influence over the associates or joint control over the joint ventures, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

i) Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/ non-current classification.

An asset is current when it is:
- expected to be realised or intended to be sold or consumed in normal operating cycle;
- held primarily for the purposes of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.
A liability is current when:
- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax asset and liabilities are classified as non-current assets and liabilities.

j) Foreign currency translation

The Group's consolidated financial statements are presented in Australian dollars, which is also the Parent's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances in foreign currencies
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

k) Revenue recognition

The Group has applied AASB 15: Revenue from Contracts with Customers using the cumulative effect method. Therefore, the comparative information has not been restated and continues to be presented under AASB 118: Revenue and AASB 111: Construction Contracts. The details of accounting policies under AASB 118 and AASB 111 are disclosed separately since they are different from those under AASB 15. No further disclosures are made as there are no material impact in regards to this change.

<u>*In the comparative period*</u>

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the cost incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customers.

Sale of development properties

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the cost incurred or to be incurred in respect of the transaction can be measured reliably. Transfer of the risks and rewards of ownership coincides with the transfer of the legal title.

Construction and infrastructure development projects

Revenue from construction and infrastructure development projects is recognised in the financial year in which the activities are performed on a percentage of completion method or, where an independent third party provides an estimate of the stage of works completed, based on the independent third-party assessment. Where the percentage to complete method is used, it is based on the cost incurred to date over anticipated total contract costs.

Where it is probable that total contract costs will exceed total contract revenue for a contract, the excess of costs over revenue is recognised as an expense immediately. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent expenses recognised are recoverable.

Rendering of services
Revenue from consulting services is recognised by reference to the stage of completion of a contract or contracts in progress at balance sheet date or at the time of completion of the contract and billing to the customer. Stage of completion is assessed by reference to the work performed.

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent expenses recognised are recoverable.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends
Dividend revenue is recognised when the shareholders' right to receive the payment is established.

Rental income
Rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

Applicable from 1 January 2018
Revenue is measured based on the consideration specified in a contract with a customer and excludes any amounts collected on behalf of third parties. The Group recognises revenue when it satisfies a performance obligation by transferring control over a product to a customer. Revenue from the sale of investment property is recognised at a point in time when control of the asset is transferred which is on delivery of the goods.

Revenue derived from property development and resale, once a contract has been entered into, the Group is restricted by the terms of the contract by selling the property to another customer and the properties have generally no alternative use. The Group has an enforceable right to payment for work completed to date. Therefore, revenue is recognised over time. The Group considers the cost-to-cost method an appropriate measure of progress for the completion of the performance obligation. The cost-to-cost method is based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

There is no change to the pre-existing revenue policy for the provision of services, interest, dividend and rental income following the implementation of AASB 15.

l) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation
VDM Group Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2004.

VDM Group Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. VDM Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, VDM Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets and liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in VDM Group. Details of the tax funding agreement are disclosed in note 7.

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

m) Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable. Once classified as held for sale, they are not depreciated or amortised.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

n) Property, plant and equipment

Property, plant and equipment is stated at historic cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line and diminishing balance method over the estimated useful life of over 3 to 15 years for its plant and equipment.

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, at each financial year end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

o) Investment property

Investment property which comprised of freehold residential property is held to generate long-term rental yields. It is stated at historic cost less accumulated depreciation and any accumulated impairment losses.

p) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. An operating lease is a lease other than a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

q) Financial instruments

Financial instruments - assets

a. Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

b. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

c. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

i. Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

ii. Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

d. Impairment

From 1 January 2018, the Group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Financial instruments - liabilities

a. Classification

From 1 January 2018, the Group classifies its financial liabilities in the following measurement categories:

- those to be measured subsequently at FVTPL, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial liabilities and the contractual terms of the cash flows.

For financial liabilities measured at FVTPL, gains and losses, including any interest expenses will be recorded in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

For financial liabilities measured at amortised cost, The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

b. Recognition and derecognition

Regular way purchases of financial liabilities are recognised on trade-date, the date on which the Group commits to purchase the financial liability. Financial liabilities are derecognised when the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

c. Measurement

At initial recognition, the Group measures financial liabilities at its fair value plus, in the case of financial liabilities not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial liabilities. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

r) Development properties

Inventories and development properties are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Where held at cost, cost comprises all costs of purchase, cost of conversion and costs incurred bringing the inventories or development properties to their present location or condition. Inventory is measured on a first in, first out basis.

s) Exploration and evaluation expenditure:

Expenditure on acquisition, exploration and evaluation of mineral resources relating to an area of interest is partially or fully capitalised, and recognised as an exploration and evaluation asset where rights to tenure of the area of interest are current and;

i. it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale and/or;

ii. exploration and evaluation activities are continuing in an area of interest but at reporting date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

An area of interest refers to an individual geological area whereby the presence of a mineral deposit is considered favourable or has been proved to exist. It is common for an area of interest to contract in size progressively, as exploration and evaluation lead towards identification of a mineral deposit, which may prove to contain economically recoverable reserves. When this happens during the exploration for and evaluation of mineral resources, exploration and evaluation expenditures are still included in the cost of the exploration and evaluation asset notwithstanding that the size of the area of interest may contract as the exploration and evaluation operations progress. In most cases, an area of interest will comprise a single mine or deposit.

Impairment
The carrying value of exploration and evaluation assets are assessed for impairment regularly and if information becomes available suggesting that the recovery of any of the assets is unlikely or that the Group no longer holds tenure, the relevant asset amount is written off to the profit or loss in the period when the new information becomes available.

Exploration and evaluation assets are disclosed in note 13.

t) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 30 June and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised in the statement of profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.
Intangible assets with indefinite useful lives are tested for impairment annually as at 30 June at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

u) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and security deposits with an original maturity of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in current liabilities on the balance sheet.

v) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

w) Provisions and employee benefits

Provisions are recognised when the has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave due to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. Where a period end falls between pay dates an accrual is raised for any unpaid wages and salaries at the period end.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Equity-settled contributions
Share-based payments to employees are measured at the fair value of the instruments at grant date and amortised over the vesting periods. The corresponding amounts are recognised in the option reserve and statement of profit or loss and other comprehensive income respectively. The fair value of the options is determined using the Black-Scholes pricing model.

x) Comparatives

Certain comparatives have been reclassified to comply with the current year presentation. This includes the reclassification of a rental property which has been reclassified from property, plant and equipment to investment property and prior year comparisons restated.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The 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 identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

a) Impairment of non-financial assets

Management assesses impairment of all non-financial assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment.

b) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and lease terms (for lease equipment). In addition, the condition of the assets is assessed at least once per year and considered against remaining useful life. Adjustments to useful lives are made when considered necessary.

c) Accounting for outstanding litigations

Where the Group is involved with outstanding litigation, provisions are raised where claims against the Group are probable and are able to be measured, at the best estimate of the expenditure required to settle the obligation at the reporting date. Where claims are not able to be reliably measured or are subject to future events not wholly within control of the Group.

d) Construction warranties

In determining the level of warranty obligations required for construction contracts, VDM has made judgments in respect of the expected performance of the product and the costs of fulfilling the performance of the construction obligations. Historical experience and current knowledge of the performance of products has been used in determining this provision. The related carrying amounts are disclosed in note 19.

e) Other construction contract obligations

In determining the level of other construction contract obligations VDM has made judgments in respect of the expected amount of costs, other than warranty costs, that may be incurred in relation to completed construction contracts. Historical experience and current knowledge of the construction contracts and subcontracts has been used in determining this provision. The related carrying amounts are disclosed in note 19.

f) Net realisable value of development properties

In determining the value at which the development properties is likely to be sold for, management has made judgments in respect of the estimated selling price in the ordinary course of business, benchmarked to available market data less the estimated costs necessary to make the sale and the expected timing in which the sale will take place.

g) Joint arrangements

Judgement is required to determine when the Group has joint control, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements relate to the operating and capital decisions of the arrangement, such as: the approval of the capital expenditure program for each year, and appointing, remunerating and terminating the key management personnel of, or service providers to, the joint arrangement. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Judgement is also required to classify a joint arrangement as either a joint operation or joint venture. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement.

Specifically, it considers:

- The structure of the joint arrangement – whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
    - the legal form of the separate vehicle;
    - the terms of the contractual arrangement; and
    - other facts and circumstances (when relevant).

This assessment often requires significant judgement, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting.

h) Exploration and evaluation expenditures

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgements to determine whether expenditure will be capitalised and carried as exploration and expenditure assets or be written off to the profit or loss in the period.

4. SEGMENT INFORMATION

VDM is arranged under two operating divisions: i) construction and ii) mining. Each division was a reportable segment in the current reporting period. The accounting policies adopted for the reportable segment are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 June 2019.

The following table presents the revenue, profit and selected balance sheet information for the Group's reportable segments for the year ended 30 June 2019.

	Construction $000	Mining $000	Unallocated $000	Total $000
Revenue				
External revenue	233	-	99	332
Total segment revenue	**233**	**-**	**99**	**332**
Results				
Segment results before tax	**292**	**(314)**	**(1,882)**	**(1,904)**
Finance costs	-	-	537	537
Depreciation and amortisation	-	-	13	13
Impairment and write downs	-	-	505	505
Reconciliation of segment results before tax to net loss after tax				
Segment results before tax				(1,904)
Net loss after tax from continuing operations per the statement of comprehensive income				**(1,904)**
Total assets	**311**	**11,757**	**6,611**	**18,679**
Total liabilities	**528**	**4,679**	**10,419**	**15,626**
Other disclosures				
Exploration and evaluation asset additions	-	583	-	583

Major Customers

During 2019, VDM had one customer that contributed greater than 10% of revenue. This customer contributed a total of 70% of VDM revenue which was from the Construction segment (2018: one customer contributed greater than 10% of revenue. This customer contributed a total of 75% of VDM revenue which was from the Construction segment).

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

2018	**Construction** $000	**Mining** $000	**Unallocated** $000	**Total** $000
Revenue				
External revenue	446	-	117	563
Total segment revenue	**446**	**-**	**117**	**563**
Results				
Segment results before tax	**(364)**	**(267)**	**(2,250)**	**(2,881)**
Finance costs	-	-	544	544
Depreciation and amortisation	-	-	96	96
Impairment and write downs	-	-	350	350
Reconciliation of segment results before tax to net loss after tax				
Segment results before tax				(2,881)
Net loss after tax from continuing operations per the statement of comprehensive income				**(2,881)**
Total assets	**54**	**10,829**	**6,468**	**17,351**
Total liabilities	**922**	**4,818**	**10,689**	**16,429**
Other disclosures				
Exploration and evaluation asset additions	-	46	-	46

5. REVENUE

	2019 $000	2018 $000
Sales revenue		
Revenue from contracts with customers	169	-
Revenue based on AASB 118 and 111	-	355
Total sales revenue	**169**	**355**
Other revenue		
Interest	86	11
Net rental income	13	8
Other	64	189
Total other revenue	**163**	**208**
Total revenue	**332**	**563**

6. EXPENSES

	2019 $000	2018 $000
a) Employee benefits expense		
Wages and salaries	654	911
Superannuation expense	56	78
Other employee benefits expense	1	6
Total employee benefits expense	**711**	**995**
b) Depreciation and amortisation		
Depreciation	13	96
Total depreciation and amortisation	**13**	**96**
c) Impairment charges		
Write down of development property	254	350
Impairment of investment property (note 17)	251	-
Total impairment charges	**505**	**350**
d) Finance costs		
Bank fees and other finance charges	2	11
Interest	535	533
Total finance costs	**537**	**544**
e) Other expenses		
Insurances	147	144
Telecommunications	12	15
Computer costs	36	39
Bad debts provision/(write back)	(195)	185
Foreign exchange losses	211	138
Other	160	176
Total other expenses	**371**	**697**

	2019	2018
	$000	**$000**
7. INCOME TAX		
a) The components of tax expense comprise:		
Current income tax:		
Income tax expense on adjustments in respect of current income tax of previous years	-	-
Deferred income tax:		
Relating to origination & reversal of temporary differences	-	-
Prior year tax losses no longer recognised	-	-
Adjustments in respect of deferred income tax of previous years	-	-
Income tax expense reported in the statement of comprehensive income	**-**	**-**
b) 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	(1,904)	(2,881)
Total accounting loss before tax	**(1,904)**	**(2,881)**
Prima facie income tax expense @ 27.5%	(524)	(792)
Prior year tax over provision	-	-
Tax adjustment for non-deductible expenses	148	96
Temporary differences and unrecognised tax losses	376	696
Aggregate income tax expense	**-**	**-**
Income tax expense reported in the consolidated income statement	-	-
Aggregate income tax expense	**-**	**-**

Current period income tax amounts were calculated based on a reduced corporate income tax rate of 27.5% (2018: 27.5%).

7. INCOME TAX (CONTINUED)

c) Recognised deferred tax asset and liabilities	Statement of financial position		Statement of comprehensive income	
	2019 $000	**2018 $000**	**2019 $000**	**2018 $000**
Deferred tax liabilities				
Other	-	(21)	(21)	-
Gross deferred tax liabilities	**-**	**(21)**	**(21)**	**-**
Deferred tax assets				
Provision for employee entitlements	36	34	(3)	7
Provisions – other	178	277	99	228
Trade and other receivables	245	402	157	(51)
Trade and other payables	124	110	(13)	25
Contributed equity	32	32	33	126
Deferred tax assets not recognised	(615)	(834)	(252)	(335)
Gross deferred tax assets	**-**	**21**	**21**	**-**
Deferred tax expense			**-**	**-**
Net deferred tax asset recognised in the balance sheet	**-**	**-**		

d) Tax losses

VDM Group has recognised a deferred tax asset of $nil (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.

VDM has estimated tax losses of $131,424,000 (2018: $128,755,000). Utilisation of the carried forward tax losses by the company is subject to satisfaction of the Continuity of Ownership Test ("COT") or, failing that, the Same Business Test ("SBT"). It is likely that VDM has failed COT during the 2015 financial year, therefore in order to be able to utilise the pre-2016 losses in the future, VDM may be required to satisfy the SBT. Where VDM derives assessable income in a future income year, an assessment of whether the same business has been carried on between just before the COT failure and the intervening period will determine whether the losses are available for utilisation.

e) Unrecognised temporary differences

At 30 June 2019, there were no unrecognised temporary differences associated with VDM's investments in subsidiaries, or joint ventures, as VDM has no liability for additional taxation should unremitted earnings be remitted (2018: nil).

f) Tax consolidation

Members of the tax consolidation group and the tax sharing arrangement
VDM Group Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2004. VDM Group Limited is the head entity of the tax-consolidated group. Members of Group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

	2019 $000	2018 $000
8. LOSS PER SHARE		
a) Loss used in calculating loss per share		
Net loss from continuing operations attributable to ordinary equity holders of the parent	(1,904)	(2,881)
Net loss attributable to ordinary equity holders of the parent for basic earnings	**(1,904)**	**(2,881)**
b) Weighted average number of shares	**No.**	**No.**
Weighted average number of ordinary shares for basic and diluted earnings per share	**6,105,606,157**	**5,589,441,774**

9. DIVIDENDS PROPOSED AND PAID		
a) Declared and paid during the year		
Dividends on ordinary shares:		
Final dividend for 2018: nil cents per share (2017: nil cents per share)	-	-
Interim dividend for 2018: nil cents per share (2017: nil cents per share)	-	-
Dividends paid during the year	**-**	**-**
b) Dividend proposed, not recognised as a liability		
Final dividend for 2018: nil cents per share (2017: nil cents per share)	-	-
c) Franking credits:		
Franking credits available for the subsequent financial year:		
Franking account balance as at the end of the financial year at 27.5% (2017: 27.5%)	3,459	3,459
Franking debits that will arise from the refunds of income tax receivable as at the end of the financial year	-	-
Franking credits available for future periods	**3,459**	**3,459**

10. CASH AND CASH EQUIVALENTS

	2019 $000	2018 $000
Cash at bank and in hand	5,235	3,954
Cash and cash equivalents	**5,235**	**3,954**
Reconciliation to cash flow statement		
For the purposes of the cash flow statement, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and in hand	5,235	3,954
Cash for reconciliation of cash flow statement	**5,235**	**3,954**

Cash at bank earns interest at floating rates or term deposit rates.

11. SECURITY DEPOSITS

	2019 $000	2018 $000
Security Deposits	**38**	**38**
Current	38	38
Non-current	-	-
Total security deposits	**38**	**38**

Security deposits are comprised of cash pledged as collateral for bank guarantees issued by the Group. The security deposits are not available for immediate use.

12. TRADE AND OTHER RECEIVABLES	2019 $000	2018 $000
Trade receivables	891	1,336
Other debtors	35	104
Retentions	-	76
Loans to related parties	-	-
Impairment of trade and other receivables	(891)	(1,302)
Impairment of other debtors and retentions	-	(161)
Total trade and other receivables	**35**	**53**
a) Ageing of trade receivables		
0 - 30 days	-	-
31 - 60 days	-	4
> 60 days PDNI*	-	30
> 60 days IM** (expected loss rate of 100% - fully provided for)	891	1,302
Total trade receivables	**891**	**1,336**
b) Allowance for impairment loss		
Balance at 1 July 2018	1,463	1,278
Charge for the year	30	185
Write-back over provision	(195)	-
Write offs	(407)	-
Balance at 30 June 2019	**891**	**1,463**

* *PDNI – past due not impaired*
** *IM - impaired*

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The loss allowance provision as at 30 June 2019 is determined based on the expected credit losses, incorporating forward-looking information.

The amounts written off are all due to customers declaring bankruptcy, or receivables that have now become unrecoverable.

c) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair values.

The maximum exposure to credit risk is the fair value of receivables.

d) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in note 24.

	2019 $000	2018 $000

13. EXPLORATION AND EVALUATION ASSETS

	2019 $000	2018 $000
Balance as at 1 July	11,174	11,128
Additions	583	46
Balance as at 30 June	**11,757**	**11,174**

There has been $583,000 of additions in the period for exploration and evaluation (30 June 2018: $46,000).

Ultimate recoupment of the exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

14. DEVELOPMENT PROPERTIES

	2019 $000	2018 $000
Development properties	996	1,250
Total development properties	**996**	**1,250**
Reconciliation of carrying amounts		
Balance at 1 July	1,250	1,600
Additions	-	-
Disposals	-	-
Write down of development properties	(254)	(350)
Balance at 30 June	**996**	**1,250**

15. PROPERTY, PLANT AND EQUIPMENT

	2019 $000	2018 $000
Leasehold improvements at cost	14	14
Accumulated depreciation	(7)	(6)
Total leasehold improvements	**7**	**8**
Plant & equipment at cost	68	68
Accumulated depreciation	(52)	(48)
Total plant & equipment	**16**	**20**
Total property, plant and equipment	**23**	**28**
Reconciliation of carrying amounts		
Leasehold Improvements		
Balance at 1 July net of accumulated depreciation	8	92
Additions	-	-
Disposals	-	-
Depreciation	(1)	(84)
Balance at 30 June	**7**	**8**
Plant and equipment		
Balance at 1 July net of accumulated depreciation	20	24
Additions	-	-
Disposals	-	-
Impairment	-	-
Depreciation	(4)	(4)
Transfer from plant and equipment under lease	-	-
Balance at 30 June	**16**	**20**
Total property, plant and equipment	**23**	**28**

16. INVESTMENT PROPERTIES

Investment properties	595	854
Total investment properties	**595**	**854**
Reconciliation of carrying amounts		
Balance at 1 July	854	862
Depreciation	(8)	(8)
Impairment provision	(251)	-
Balance at 30 June	**595**	**854**

Management has assessed the fair value of the investment property to approximate $595,000 based on comparable sales of similar properties and market. This has thus resulted in an impairment provision of $595,000 to be recognised in the current year.

17. TRADE AND OTHER PAYABLES	2019 $000	2018 $000
Trade payables and accruals	606	755
Employee related payables	4	2
GST payable	-	11
Other payables	4,679	4,689
Total trade and other payables	**5,289**	**5,457**

Other payables includes $4,875,000 of purchase consideration due to a Cachoeiras do Binga joint venture partner less the share of exploration costs of $196,000 incurred by the Group in accordance with the terms of the joint venture agreement (30 June 2018: $4,875,000 less share of exploration costs of $186,000). Under the terms of the cash consideration agreement VDM shall pay the full remaining balance to the Cachoeiras do Binga joint venture partner within 21 days of completion of VDM's next significant capital raising or when VDM's financial status has a significant improvement.

a) Fair values

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

b) Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is disclosed in note 24.

c) Entities subject to class order relief

VDM Group Limited provides financial guarantees to its subsidiaries by way of a Deed of Cross Guarantee (refer to note 26(c)).

18. INTEREST BEARING LOANS AND OTHER BORROWINGS

	2019 $000	2018 $000
Shareholder loan (AUD denominated)	4,747	5,096
Shareholder loan (USD denominated)	4,714	4,704
Hire purchase liabilities	-	-
Total interest bearing loans and other borrowings	**9,461**	**9,800**

a) Fair values

The carrying amount of current interest-bearing loans approximates their fair value.

b) Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is disclosed in note 24.

c) Financing facilities

Credit cards	20	20
Bank guarantees	18	18
Balance at 30 June 2019	**38**	**38**

The bank guarantee facility limit is equal the amount of bank guarantees issued and outstanding in favour of VDM. The credit card facility is available subject to annual review.

d) Shareholder loans

During the period VDM's largest shareholder, Australia Kengkong Investments Co Pty Ltd ("Kengkong"), had no further advances to VDM under the terms of a Framework Loan Agreement ("FLA") (2018: Nil). At 30 June 2019, $9,461,000 (2018: $9,800,000) shareholder loans were due. The FLA contemplates the parties entering into a secured one-year 6% per annum loan facility that will incorporate the FLA liabilities. Until that occurs, the FLA advances, plus accrued interest of 6% per annum are immediately repayable in the denominated currency when demanded by Kengkong. An interest rate of 20% per annum applies if VDM defaults on the loan.

The 30 June 2019 shareholder loan balances include $535,000 of interest accrued in the year (2018: $533,000 of accrued interest) and $228,000 of unrealised foreign exchange losses recorded in the year (2018: $169,000 of unrealised foreign exchange gains). During the period Kengkong Investments Co Pty Ltd demanded that the accrued interest up to 30 June 2018 be paid which was subsequently paid by VDM on the 23 August 2018. As part of the AGM held on November 28 2016, Kengkong is entitled to first ranking security over the assets and properties of the Group.

19. PROVISIONS

	2019 $000	2018 $000
Current		
Employee entitlements	112	88
Construction warranties	340	509
Onerous contracts	-	2
Other construction contract obligations	153	217
Other provisions	251	322
Total current provisions	**856**	**1,138**
Non-Current		
Employee entitlements	20	34
Onerous contracts	-	-
Other provisions	-	-
Total non-current provisions	**20**	**34**
Total provisions	**876**	**1,172**

a) Movement in provisions

2019	Balance 1 Jul 2018 $000	Arising during the year $000	Utilised during the year $000	Unused amounts reversed $000	Balance 30 Jun 2019 $000
Employee entitlements	122	48	(38)	-	132
Construction warranties	509	-	(115)	(54)	340
Onerous contracts	2	-	(2)	-	-
Other construction contract obligations	217	-	-	(64)	153
Other provisions	322	-	(61)	(10)	251
Total provisions	**1,172**	**48**	**(216)**	**(128)**	**876**

2018	Balance 1 Jul 2017 $000	Arising during the year $000	Utilised during the year $000	Unused amounts reversed $000	Balance 30 Jun 2018 $000
Employee entitlements	149	64	(91)	-	122
Construction warranties	605	-	(41)	(55)	509
Onerous contracts	885	-	(786)	(97)	2
Other construction contract obligations	222	17	(6)	(16)	217
Other provisions	208	205	(14)	(77)	322
Total provisions	**2,069**	**286**	**(938)**	**(245)**	**1,172**

19. PROVISIONS (CONTINUED)

b) Nature and timing of provisions

Construction warranties are estimated costs for warranty claims on completed construction projects based on past experience. It is estimated that these costs will be incurred in the next financial year.

Other construction contract obligations are estimated costs, other than warranty claims, related to construction contracts.

Other provisions are mainly comprised of remaining deductibles under insurance claims. The insurance deductible portion is estimated to be incurred in the next financial year.

Provisions estimated to be settled after the end of the next financial year are classified as non-current. Provisions estimated to be settled in the next financial year are classified as current.

	2019 $000	2018 $000
20. 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	400,000,000	4,000
Capital raising costs	-	(12)
Balance at 1 July 2018	**5,877,660,952**	**292,710**
Share Issues	400,000,000	4,000
Capital raising costs	-	-
Balance at 30 June 2019	**6,277,660,952**	**296,710**

b) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

c) Capital Management

When managing capital, the Board's objective is to ensure the Company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

In the short to medium term the Company is focussed on maintaining an appropriate level of working capital. Until achievement of profitable operations and positive cash flow, the Directors do not anticipate paying dividends.

The level of dividends paid by the Company in the future will depend upon the availability of distributable earnings, the Company’s franking credit position, operating results, available cash flow, financial condition, taxation position, future capital requirements, as well as general business and financial conditions and any other factors the Directors may consider relevant.

VDM is not subject to any externally imposed capital requirements.

21. ACCUMULATED LOSSES AND RESERVES

	2019 $000	2018 $000
a) Movement in accumulated losses		
Balance at 1 July	(292,245)	(289,363)
Net loss attributable to members of VDM Group Limited	(1,904)	(2,882)
Balance at 30 June	**(294,149)**	**(292,245)**
b) Share options reserve		
Balance at 1 July	-	-
Arising during the year	35	-
Balance at 30 June	**35**	**-**
c) Movement in equity reserve		
Balance at 1 July	457	457
Balance at 30 June	**457**	**457**

Option reserve
The option reserve records items recognised as expenses on valuation of employee share options.

Equity reserve
The equity reserve is used to record differences between the carrying value of non-controlling interests and the consideration paid/received, where there has been a transaction involving non-controlling interests that did not result in a loss of control. The reserve is attributable to the equity of the parent.

22. CASHFLOW STATEMENT INFORMATION

Reconciliation of net profit after tax to the net cash flows from operations

	2019 $000	2018 $000
Net loss after tax	(1,904)	(2,881)
Non-cash items:		
Depreciation and amortisation	13	96
Impairment and write down of assets	505	350
Share based payment	35	-
Profit on disposal of property, plant and equipment	-	(9)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	18	140
Decrease in inventory	-	164
Increase in trade and other creditors	12	406
Decrease in provisions	(296)	(654)
Net cash flows used in operating activities	**(1,617)**	**(2,388)**

23. RELATED PARTY DISCLOSURE

Note 29 provides the information about VDM's structure including details of the subsidiaries and the parent company.

a) Ultimate parent

VDM Group Limited is the ultimate Australian parent entity.

b) Due from associates

At 30 June 2019, the amount due from associates is Nil (2018: Nil)

c) Transactions with key management personnel

Luk Hiuming
As at 30 June 2019, VDM owed $65,000 to Mr Luk which related to directors' fees that have not been paid on his instruction. No interest accrues and the outstanding amount is due when demanded by Mr Luk.

Kengkong
On 27 January 2016, VDM entered into a Framework Loan Agreement ("FLA") with its largest shareholder, Australia Kengkong Investments Co Pty Ltd ("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. VDM's Non-executive Chairman Mr Luk controls Kengkong, refer to note 18 for full detailed disclosure on outstanding balance. Related interests of $535,000 has been recognised for the current year (2018: $533,000)

H&H
As at 30 June 2019, VDM owed H&H Holdings Australia Pty Ltd ("H&H") $75,000 of underwriting commissions for the Group's December 2013 Rights Issue (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.

d) Transactions with related parties other than key management personnel

There were no transactions entered into with related parties other than key management personnel during the years ended 30 June 2019, and 30 June 2018, except for those noted above.

	2019 $	2018 $
e) Compensation for key management personnel		
Short term	393,719	485,384
Long term	2,875	2,875
Post employment	24,341	39,788
Share-based payments	34,660	-
Termination benefits	-	-
Total compensation	**455,595**	**528,047**

24. FINANCIAL ASSETS AND FINANCIAL LIABILITIES	**2019 $000**	**2018 $000**
a) Financial assets		
Cash and cash equivalents (note 10)	5,235	3,954
Security deposits (note 11)	38	38
Trade and other receivables (note 12)	35	53
Total Financial Assets	**5,308**	**4,045**
b) Financial liabilities		
Current interest-bearing loans and borrowings		
6% secured interest-bearing loan from Kengkong (note 18)	**9,461**	**9,800**
Total current interest-bearing loans and borrowings	**9,461**	**9,800**
c) Other financial liabilities		
Other financial liabilities, other than interest-bearing loans and borrowings		
Trade and other payables (note 17)	**5,289**	**5,457**
Total other financial liabilities	**5,289**	**5,457**

d) Financial instruments risk management objectives and policies

The Group's principal financial liabilities, comprise of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include trade and other receivables, and cash and security deposits that derive directly from its operations.

Credit, liquidity and market risk (including interest rate and foreign exchange risk) arise in the normal course of VDM's business. VDM manages its exposure to these key financial risks in accordance with VDM's financial risk management policy. The objective of the policy is to support the delivery of VDM's financial targets whilst protecting future financial security. VDM's principal financial instruments comprise receivables, payables, loans, hire purchase liabilities, cash and security deposits.

VDM uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Audit and Risk Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below.

Interest rate risk

Interest rate risk is the risk that the Group's financial position will be adversely affected by movements in interest rates that will increase the cost of floating rate debt or opportunity losses that may arise on fixed rate borrowings in a falling interest rate environment. Shareholder loans bear a fixed interest rate therefore they are not exposed to any interest rate risk.

24. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)	**2019 $000**	**2018 $000**
The financial instruments exposed to variable interest rate risk are as follows:		
Cash and cash equivalents (note 10)	5,235	3,954
Security deposits (note 11)	38	38
	5,273	**3,992**

The following table summarises the sensitivity on the interest rate exposures (excluding opportunity cost of fixed rate borrowings) in existence at the balance sheet date. The sensitivity is based on foreseeable changes over a financial year.

Post-tax gain / (loss)		
+ 1% (100 basis points)	53	40
- 1% (100 basis points)	(53)	(40)

The movement in profit is due to lower/higher interest income from variable rate cash balances. Other than retained earnings, there is no impact on equity in the consolidated entity.

Credit risk

Credit risk arises from the financial assets of VDM, which comprises cash and cash equivalents and trade and other receivables. VDM's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

VDM manages its credit risk by trading only with recognised, creditworthy third parties, and as such collateral is not requested nor is it VDM's policy to securitise its trade and other receivables. Customers are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Receivables balances are monitored on an ongoing basis. VDM has a concentration trade receivables credit risk with its major customer (refer to "major customers" in note). Financial instruments are held amongst reputable financial institutions thus minimising the risk of default of these counterparties.

The maximum exposure to credit risk at the reporting date was as follows:

	2019 $000	**2018 $000**
Cash and cash equivalents (note 10)	5,235	3,954
Security deposits (note 11)	38	38
Trade and other receivables (note 12)	35	53
	5,308	**4,045**

Foreign currency risk

Foreign currency risk arises from transactions, assets and liabilities that are denominated in a currency that is not the functional currency of the transacting entity. Measuring the exposure to foreign currency risk is achieved by regularly monitoring and performing sensitivity analysis on VDM's financial position. Currently there is no foreign exchange hedge programme in place.

24. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The financial instruments exposed to US dollar foreign exchange rate risk are as follows:

	2019 $000	2018 $000
Financial assets		
Cash and cash equivalents	140	132
Balance at the end of the year	**140**	**132**
Financial liabilities		
Interest bearing loans and other borrowings (note 18)	**4,714**	**4,704**

The following table summarises the sensitivity on US dollar foreign exchange rate exposures, in existence at the balance sheet date. The sensitivity is based on foreseeable changes over a financial year.

	2019 $000	2018 $000
Post-tax gain / (loss)		
+ 10% (100 basis points)	(457)	(457)
- 10% (100 basis points)	457	457

Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting its commitments concerning its financial liabilities. As a result, the liquidity position of VDM Group is managed to ensure sufficient liquid funds are available to meet our financial commitments in a timely and cost-effective manner.

VDM continually monitors its liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels. The objective of VDM is to have sufficient cash and finance facilities to meet short term commitments, and to fund capital and exploration expenditures through operating cash flow and equity capital raisings.

The table below reflects all contractually fixed payments for settlement, repayments and interest resulting from recognised financial assets and liabilities and does not recognise any cash for unresolved claims against projects which have not been recognised as income. The table also excludes contractual commitments classified as operating leases (refer to note 26). The obligations presented are the undiscounted cash flows for the respective upcoming fiscal years. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2019.

24. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

	2019 $000	2018 $000
Repayment obligations in respect of loans and trade and other payables are as follows:		
Not later than one year	14,750	15,257
Later than one year but not later than two years	-	-
Later than two years but not later than three years	-	-
Later than three years	-	-
	14,750	**15,257**

The following table reflects a maturity analysis of financial liabilities.

	Total $000	0-60 Days $000	61 Days - 1 Year $000	1- 5 Years $000	>5 Years $000
Year ended 30 June 2019					
Financial liabilities					
Trade and other payables (note 17)	5,289	611	4,679	-	-
Interest bearing loans and other borrowings (note 18)	9,461	9,461	-	-	-
Total financial liabilities	**14,750**	**10,071**	**4,679**	**-**	**-**
Year ended 30 June 2018					
Financial liabilities					
Trade and other payables (note 17)	5,457	768	4,689	-	-
Interest bearing loans and other borrowings (note 18)	9,098	9,800	-	-	-
Total financial liabilities	**15,257**	**10,568**	**4,689**	**-**	**-**

e) Fair value

At 30 June 2019 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.

24. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

f) Changes in liabilities arising from financial activities

	1 Jul 2017	Cash flows	Foreign exchange movement	Other	30 Jun 2018
	$000	$000	$000	$000	$000
Year ended 30 June 2019					
Current interest-bearing loans and borrowings	9,800	(1,102)	228	535	9,461
Total liabilities from financing activities	**9,800**	**(1,102)**	**228**	**535**	**9,461**

	1 Jul 2016	Cash flows	Foreign exchange movement	Other	30 Jun 2017
	$000	$000	$000	$000	$000
Year ended 30 June 2018					
Current interest-bearing loans and borrowings	9,098	-	169	533	9,800
Total liabilities from financing activities	**9,098**	**-**	**169**	**533**	**9,800**

25. PARENT ENTITY INFORMATION

	2019	2018
	$000	$000
Current assets	4,995	3,989
Total assets	17,370	16,045
Current liabilities	14,297	15,089
Total liabilities	14,317	15,123
Issued capital	296,710	292,710
Accumulated loss	(294,149)	(292,245)
Option reserve	492	457
Total shareholders' equity	**3,053**	**922**
Loss of parent entity	(1,904)	(2,881)
Total comprehensive loss of the parent entity	**(1,904)**	**(2,881)**

26. COMMITMENTS

	2019 $000	2018 $000
a) Operating leases		
Within one year	16	13
One year or later but no later than 5 years	-	-
After more than 5 years	-	-
Total minimum lease payments	**16**	**13**

b) Bank guarantees

As at 30 June 2019, VDM Group Limited had $18,000 of bank guarantees on issue as security for leased properties (2018: $18,000).

As at 30 June 2019, VDM Group Limited was exposed contingent liabilities of AOA 53,313,000 related to bank guarantees provided to the Angolan government for contractual obligations under the Cachoeiras do Binga Mining Investment Contract. AOA is the currency of the Republic of Angola and the 30 June 2019 contingent amount translates to AUD $115,850 (2018: AUD $291,000).

c) Guarantees in relation to debts of subsidiaries

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 VDM Group Limited and the Closed Group entered into a Deed of Cross Guarantee on 1 February 2010. The effect of the deed is that VDM Group Limited has guaranteed to pay any deficiency in the event of winding up of controlled entities or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

d) Property, plant and equipment commitments

VDM has no capital expenditure commitments at 30 June 2019 (2018: nil).

e) Legal claims

The following matters could lead to VDM incurring material losses if the claimants are successful with their claims:

Construction claim
VDM and a customer have offsetting claims relating to a construction project terminated during 2013 and neither party has taken legal action since to enforce their claims. The amount and expected timing of the claims is not disclosed as this could prejudice VDM in the dispute. No provision has been recognised at 30 June 2019.

Structural design service claim
VDM have a claim from an overseas customer relating to a structural design service contract for services provided in 2010. As a result VDM has provided an amount equal to its maximum exposure of $150,000 relating to this matter under its insurance policy less legal costs to date of $33,000.

Mechanical services consulting claim
VDM have a claim from a customer relating to consulting work on the installation of mechanical services for two commercial buildings located in Western Australia during 2008 and 2009. As a result VDM has provided an amount equal to its maximum exposure of $250,000 relating to this matter under its insurance policy less legal costs to date of $115,000.

27. EVENTS AFTER THE REPORTING PERIOD

On 13 August 2019, the Company announced the acquisition of a 55% interest in the Cage Bengo Gold Project which is considered prospective for gold, copper, manganese and iron mineralisation. On 20 August the Company issued 650,000,000 new shares to project vendor and joint venture partner Seabank Resources LDA of Angola.

Apart from the above, there have been no significant events occur after 30 June 2019 date and up to the date of this report.

28. AUDITOR'S REMUNERATION

	2019 $	2018 $
Amount received or receivable for:		
Auditing financial statements – Hall Chadwick	30,413	-
Auditing financial statements - EY	-	67,783
Non audit fees (tax compliance & other advisory)	-	-
Total auditor's remuneration	**30,413**	**67,783**

29. CLOSED GROUP CLASS ORDER DISCLOSURES

The consolidated financial statements include the financial statements of VDM Group Limited and the subsidiaries listed in the following table.

	Subsidiary Name	Country of Incorporation	% equity interest 2019	2018
*	VDM Trading Pty Ltd	Australia	**100%**	100%
*	VDM Mining Pty Ltd	Australia	**100%**	100%
*	VDM Equipment Pty Ltd	Australia	**100%**	100%
*	VDM Construction Pty Ltd	Australia	**100%**	100%
*	Keytown Constructions Pty Ltd	Australia	**100%**	100%
*	VDM Developments Pty Ltd	Australia	**100%**	100%
*	VDM Engineering (Eastern Operations) Pty Ltd	Australia	**100%**	100%
*	Burchill VDM Pty Ltd	Australia	**100%**	100%
*	VDM Group Limited International (Dubai Branch) Pty Ltd	Australia	**100%**	100%
*	BCA Consultants Pty Ltd	Australia	**100%**	100%
	VDM Africa Holidings Ltd	British Virgin Islands	**100%**	100%
	The EB Trust	Australia	**100%**	100%

a) Entities subject to class order relief

* The annotated companies and VDM Group Limited entered into a Deed of Cross Guarantee on 1 February 2010 (the "Closed Group"). The effect of the deed is that VDM Group Limited has guaranteed to pay any deficiency in the event of winding up of controlled entities or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that VDM Group Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

29. CLOSED GROUP CLASS ORDER DISCLOSURES (CONTINUED)

The consolidated statement of comprehensive income and statement of financial position of the entities that are members of the Closed Group are as follows:

b) Statement of comprehensive income

	Closed Group	
	2019	**2018**
	$000	**$000**
Loss from continuing operations before income tax	(1,650)	(2,532)
Income tax expense	-	-
Loss from continuing operations after income tax	**(1,650)**	**(2,532)**
Loss from discontinued operations after income tax	**-**	**-**
Loss for the year	**(1,650)**	**(2,532)**
Non-controlling interest	-	-
Dividends paid	-	-
Accumulated losses at the beginning of the year	(288,377)	(285,845)
Accumulated losses at the end of the year	**(290,027)**	**(288,377)**

29. CLOSED GROUP CLASS ORDER DISCLOSURES (CONTINUED)

c) Statement of financial position

	Closed Group	
	2019	2018
	$000	$000
ASSETS		
Current Assets		
Cash and cash equivalents	5,233	3,952
Security deposits	38	38
Trade and other receivables	5,155	5,174
Total Current Assets	**10,426**	**9,164**
Non-Current Assets		
Exploration and evaluation assets	11,757	11,174
Property, plant and equipment	23	28
Investment properties	595	854
Total Non-Current Assets	**12,375**	**12,056**
Total Assets	**22,801**	**21,220**
Liabilities		
Current Liabilities		
Trade and other payables	5,289	5,458
Interest-bearing loans and borrowings	9,461	9,800
Provisions	856	1,138
Total Current Liabilities	**15,606**	**16,396**
Non-Current Liabilities		
Provisions	20	34
Total Non-Current Liabilities	**20**	**34**
Total Liabilities	**15,626**	**16,430**
Net Assets	**7,175**	**4,790**
Equity		
Contributed equity	296,710	292,710
Share options reserve	35	-
Equity reserve	457	457
Accumulated losses	(290,027)	(288,377)
Total Equity	**7,175**	**4,790**

VDM GROUP LIMITED
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 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 group are in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b);

(c) subject to the satisfactory achievement of the matters described in note 2(d), there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable;

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2019; and

(e) subject to the satisfactory achievement of the matters described in note 2(d), as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 29 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

Dr Hua Dongyi
Executive Director of Mining
Perth, Western Australia
30 August 2019

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF VDM GROUP LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of VDM Group Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the Group (or "Group") comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the financial report of VDM Group Limited is in accordance with the Corporations Act 2001, including:

i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2(d) to the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Our opinion is not modified in respect of this matter.

Independence

We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Going Concern

Why significant	How our audit addressed the key audit matter
The Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the high level of judgement required by us in evaluating the Group's assessment of going concern and the events or conditions that may cast significant doubt on their ability to continue as a going concern. These are outlined in note 2(d) to the financial report. The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. Their assessment of going concern was based on cash flow projections. The preparation of these projections incorporated a number of assumptions and significant judgements. We critically assessed the levels of uncertainty, as it related to the Group's ability to continue as a going concern, within these assumptions and judgements, focusing on the following: • The Group's planned levels of operational and exploration expenditures, and the ability of the Group to manage cash outflows within available funding; • The Group's ability to raise additional funds from shareholders or other parties and the projected timing thereof. This included source of funds, availability of fund type, feasibility and status/progress of securing those funds; • The Group's largest shareholder, Australia Kengkong Investments Co Pty Ltd not demanding repayment of $9,461,000 within the next twelve months from the date of signing this report; • A Cachoeiras do Binga joint venture partner not demanding repayment of the outstanding creditor balance of $4,875,000 until the Group's next significant capital raising or when the Group's financial status has a significant improvement; and • The approval of the renewal of the Cachoeiras do Binga prospecting license.	Our work included, but was not limited to, the following procedures: • We analysed the cash flow projections by: - Evaluating the underlying data used to generate the projections. We specifically looked for their consistency with those used by the Directors, and tested by us, their consistency with the Group's intentions, as outlined in Director's minutes and ASX announcements; - Analysing the impact of reasonably possible changes in projected cash flows and their timing, to the projected periodic cash positions. Assessing the resultant impact of the ability of the Group to pay debts as and when they fall due and continue as a going concern; and - Assessing the planned levels of operating expenditures for consistency of relationships and trends to the Group's historical results and our understanding of the business, industry and economic conditions of the Group. • We obtained confirmations from Australia Kengkong Investments Co Pty Ltd and the joint venture partner, in regards to not demanding repayment within the next twelve months for the respective amounts owed by the Group; • We assessed for any potential indication that the Cachoeiras do Binga prospecting license might not be renewed; and • We evaluated the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements.

2. Carrying value of capitalised exploration and evaluation assets

Why significant

We identified the capitalised exploration and evaluation assets of $11,757,000 as at 30 June 2019 to be a key audit matter due to its significance and the level of judgement required by us in evaluating management's application of the requirements of AASB 6 Exploration for and Evaluation of Mineral Resources. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge. This includes specific requirements for expenditure to be capitalised as an asset and subsequent requirements which must be complied with for capitalised expenditure to continue to be carried as an asset.

In addition, the assessment of impairment of capitalised exploration and evaluation assets can be inherently difficult particularly in uncertain or depressed market conditions.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Assessing management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the Group holds an interest and the exploration programmes planned for the tenement.
- For the area of interest, we assessed the Group's rights to tenure by corroborating to government registries/correspondences and evaluating agreements in place with other parties; and
- We tested the additions to capitalised expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the requirements of the Group's accounting policy and the requirements of AASB 6.

3. Recoverability of inventories – development properties

Why significant

Land and properties held for development and resale is treated by the Group as inventories which are measured at the lower of cost and net realisable value. As at 30 June 2019, the inventories – development properties, amounted to $996,000.

This is considered a key audit matter as the determination of net realisable value is affected by subjective elements and is sensitive to changes in the underlying economic environment and market forces.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Evaluating external independent valuations, including assumptions, estimates and basis adopted;
- Examining the qualifications, objectivity and experience of management's valuation experts; and
- Assessing the disclosures relating to inventories in accordance with Australian Accounting Standards.

4. Provisions

Why significant

The Group entered into various construction contracts and projects in the past and continues to be accountable for various contractual obligations arising from the work and services performed then.

As at 30 June 2019, the Group carried provisions of $876,000 which primarily related to construction warranties, other construction contract obligations and other provisions. The level of judgement required to establish the amount of provisions, increases the risk that provisions and contingent liability may not be appropriately provided against or adequately disclosed. Accordingly, this matter is considered to be a key audit matter.

How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Understanding the background and status of various litigation matters and discussed each material case with management to determine the Group's assessment of the likelihood and magnitude of the related liabilities;
- Obtaining legal representations and settlement documents on material cases and concurring the understanding, status and potential related liabilities to each case; and
- Assessing the disclosures are in accordance with Australian Accounting Standards.

Other Information

Other information is financial and non-financial information in the annual report of the Group which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report. The Other Information we obtained prior to the date of this Auditor's Report was the Director's report. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report. In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(b), the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards. In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report. As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern. We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation. We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion. We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of VDM Group Limited for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Hall Chadwick

Hall Chadwick Audit (WA) Pty Ltd
ABN 42 163 529 682
Dated 30 August 2019

Nikki Shen
Director

Additional information required by ASX Listing Rules and not shown elsewhere in the report is set out below. The information is current as of 26 August 2019.

TWENTY LARGEST SHAREHOLDERS

Shareholder	Number of ordinary fully paid shares held	% held of shares
Australia Kengkong Investments Co Pty Ltd	2,070,000,000	29.88
H & H Holdings Australia Pty Ltd	1,085,110,976	15.66
Seabank Resources LDA	650,000,000	9.38
CF International Development Limited	600,000,000	8.66
Thriving Treasure Limited	520,000,000	7.51
Sino Plant Holding Limited	250,000,000	3.61
Briston Holdings Limited	200,000,000	2.89
Citicorp Nominees Pty Limited	186,878,886	2.70
Seawire Limited	130,000,000	1.88
Golden Bloom Investments Pty Ltd	125,000,000	1.80
J P Morgan Nominees Australia Limited	50,375,209	0.73
Miss Xiaoli Jia	40,892,000	0.59
Miss Shan He	33,502,126	0.48
Myoora Pty Ltd	25,000,000	0.36
Ms Chang Li	22,000,000	0.32
BNP Paribas Nominees Pty Ltd	21,902,354	0.32
Mr Yuejin Li & Mr David Shuo Li	20,000,000	0.29
Mr Brian Hon Leung Lee	19,000,000	0.27
Mr Van Tuan	17,938,358	0.26
Miss Fang Ning Du	17,020,353	0.25
Total	**6,084,620,262**	**87.84**

SHARES IN VOLUNTARY ESCROW

There are no shares in voluntary escrow

SUBSTANTIAL SHAREHOLDINGS

The following shareholders have declared a relevant interest in the number of voting shares at the date of giving notice under Part 6C.1 of the Corporations Act.

Shareholder	Number of ordinary fully paid shares held	% held of shares
Australia Kengkong Investments Co Pty Ltd	2,070,000,000	29.88
H & H Holdings Australia Pty Ltd	1,085,110,976	15.66
CF International Development Limited	600,000,000	8.66
Thriving Treasure Limited	520,000,000	7.51

DISTRIBUTION OF SHAREHOLDINGS

Range of holding	Number of shareholders	Number of ordinary shares	% of shares
1 - 1,000	173	18,023	-
1,001 - 5,000	106	334,094	-
5,001 - 10,000	82	651,704	0.01
10,001 - 100,000	529	29,644,123	0.43
100,001 - 9,999,999,999	737	6,897,013,008	99.56
Total	**1,627**	**6,927,660,952**	**100.00**

The number of shareholders with less than a marketable parcel is 1,122 holding in total 68,072,533 shares.

VOTING RIGHTS

All ordinary shares issued by VDM Group Limited carry one vote per share without restriction.