



## UPDATE ON LOAN

ANNOUNCEMENT

21 NOVEMBER 2011

Further to the announcement on 18 November 2011, Vmoto Limited ("VMT" or "the Company") provides the following clarification and update in relation to the letter of demand received from the third party lender ("Lender") seeking the immediate repayment of the RMB5 million unsecured loan to the Company, as announced on 29 July 2011 ("Loan").

The Lender had noted concerns following the outcome of the Company's Annual General Meeting on 15 November 2011 and the upcoming Extraordinary General Meeting to be held on 29 November 2011, and the potential consequences for the Loan should the entire existing Board be removed and the proposed new directors be appointed. Owing to the unsecured nature of the loan, the Lender is concerned that repayment of the Loan may be in jeopardy and has therefore demanded immediate repayment of the Loan.

The Directors are strongly of the view that the preservation of the Company's capital resources is vital in managing the business through a challenging period, as well being in a position to respond to customer orders. Under the terms of the Company's existing Bank facility (which still remains at approximately A\$2.2 million) funds are only available to be used for operating capital purposes. Further, the Directors do not believe using the Group's cash reserves to repay debt at this time to be the best use of shareholder funds.

After considering the available options, namely an immediate capital raising or negotiating an agreement with the Lender to convert the Loan to equity, and taking into account the current difficult capital raising conditions, the Company has reached agreement with the Lender to convert the Loan and outstanding interest of approximately RMB130,246 to equity at a deemed issue price of \$0.02 per share, meaning the Lender will be issued 40,383,559 ordinary shares in the Company (based on an exchange rate of A\$1: RMB6.3519 as at 18 November 2011). These shares will be issued under the Company's existing 15% capacity.

The Directors believe that converting the Loan into equity and reducing the Company's debt position is in the best interests of the Company and all shareholders.

### AUTHORISED BY:

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