ASX RELEASE

Shareholder Presentation

Perth, 8 August 2011: Please find following the Shareholder Presentation for VDM Group Ltd (ASX: VMG) which will be presented to a series of shareholder information sessions during this week in the lead up to the Company's general meeting to be held on Friday, 12 August 2011 (refer to the announcement dated 20 July 2011 for complete sessions details).

VDM Group Limited wishes to draw shareholders' attention to the sections titled "Company Restructuring Plan" and "Market Opportunity" which contain forward looking plans and opportunities for the Company.

Enquiries

Andrew Broad
Chief Executive Officer
VDM Group Limited
08 9241 1800

VDM GROUP

VDM GROUP LIMITED

SHAREHOLDER PRESENTATION

August 9 – Melbourne
August 10 – Sydney
August 12 - Perth

Important Information and Disclaimer

- This document has been prepared by VDM Group Limited (ABN 95 109 829 334) (VDM or the Company). No party other than VDM has authorised or caused the issue of this document, or takes responsibility for, or makes any statements, representations or undertakings in this document.
- Presentation of general background: This document contains general background information about VDM's activities current as at the date of this presentation. It is information in a summary form only, does not purport to be exhaustive and does not contain all the information necessary to fully evaluate any transaction or investment. It should be read in conjunction with VDM's other periodic and continuous disclosure announcements to the ASX available at www.asx.com.au. Recipients should conduct their own investigations and perform their own analysis in order to satisfy themselves as to the accuracy and completeness of the information, statements and opinions contained in this presentation.
- Not a prospectus: This document is not a prospectus or a product disclosure statement under the Corporations Act 2001 (Cth) and has not been lodged with the Australian Securities and Investment Commission (ASIC). Shares in VDM issued under the non-renounceable rights issue described in this presentation are issued pursuant to a prospectus dated 8 July 2011, which is available for viewing on the ASX website.
- Not investment advice: The information provided in this presentation is not intended to be relied upon as advice to investors or potential investors and has been prepared without taking into account the recipient's investment objectives, financial circumstances or particular needs. Any investment decision should be made based solely upon appropriate due diligence and, if applicable, upon receipt and careful review of relevant offering documents. Recipients of this presentation are advised to consult their own professional advisers. An investment in any listed company, including VDM, is subject to significant risks of loss of income and capital. Cooling-off rights do not apply to an investment in any new shares. The recipient cannot, in most circumstances, withdraw an application once it has been accepted.
- Financial data: All dollar values are in Australian dollars (A$) unless otherwise stated.
- Forward looking statement: This presentation may include forward-looking statements. Forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions which are outside the control of VDM. Actual values, results or events may be materially different to those expressed or implied in this presentation. Given these uncertainties, recipients are cautioned not to place reliance on forward-looking statements. Any forward-looking statements in this presentation speak only at the date of issue of this presentation. Subject to any continuing obligations under applicable law and the ASX Listing Rules, VDM does not undertake any obligation to update or revise any information or any of the forward looking statements in this presentation or any changes in events, conditions or circumstances on which any such forward-looking statement is based.
- Risks: An investment in VDM shares is subject to investment and other known and unknown risks, some of which are beyond the control of VDM and VDM's directors, employees, advisers or agents. VDM does not guarantee any particular rate of return or the performance of VDM nor does it guarantee the repayment of capital from VDM or any particular tax treatment. You should have regard to the 'Key Risks' section of this presentation that outlines some of these risks.
- Not an offer in other jurisdictions: This presentation is not an offer to sell or a solicitation of an offer to subscribe or purchase or a recommendation of any securities, and may not be distributed in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. No action has been taken or will be taken that would permit a public offering of the New Shares in any jurisdiction outside Australia and New Zealand. Recipients of this document should inform themselves of the restrictions that apply in their own jurisdiction.
- VDM, its officers, employees, agents and advisers make no representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of any information, statements, opinions, estimates, forecasts or other representations contained in this presentation and accept no responsibility for any errors or omissions from this presentation and to the fullest extent permitted by law disclaim all and any liability for any loss arising directly or indirectly, as a result of reliance by any person on this presentation.

Agenda

Overview of the Capital Raising
Factors affecting VDM's recent performance
Company Restructuring Plan
Market Opportunity
Summary

Overview of capital raising

VDM is raising between $32 million and $52.2 million by way of a non-renounceable rights issue

- Non-renounceable pro-rata entitlements offer to all shareholders on the basis of 5 new shares for every one share held at an issue price of 5 cents (**Entitlements Offer**)
- Shortfall facility allows shareholders to apply for shares in excess of their entitlement
- Minimum amount to be raised is $32 million and maximum amount is $52.2 million
- A prospectus in relation to the Entitlements Offer was lodged with ASIC on 8 July 2011 (**Prospectus**)

Priced at attractive discount to NTA

- The NTA per share post the Entitlements Offer will be 10.7 cents per share (based on minimum raising) and 8.8 cents per share (based on maximum raising)

Raising will significantly strengthen VDM's financial position preparing the company to participate in the expected upswing in business activity

- Post raising, net debt to equity ratio of <20% based on minimum raising

Purpose of the Capital Raising

Repayment of Senior Bank Debt

- VDM Group has $20 million overdraft facility, the Company will pay this down in full
- The Balance of the funds will provide working capital for the future of the business and to meet the costs of the issue

Other liquidity options are being pursued

- Sale of Selby Street Property - this has been listed and is being marketed. The proceeds from the sale applied firstly to the term debt property loan of $8.125 million.
- Disposal of surplus equipment that is not required for the restructured organisation going forward
- Divestment of some business streams is being considered

The realisation of funds from these areas will provide a solid platform to grow the business consistent with a more focussed business strategy

The Entitlements Offer gives the Company certainty in a short time frame

- A recapitalisation reduces our reliance on our principal banker, and allows us to restructure our funding arrangements
- Improved liquidity will give all stakeholders confidence in the ability of the Company to perform
- Liquidity generated from other means will go into growing the business

Total debt reduction post capital raising resulting in a low net debt to equity ratio of <20%

- $26 million of hire purchase commitments with a panel of lenders, secured against equipment working on longer term contracts
- Contingent bank guarantee and bonding facilities limits used as security for projects totalling $65 million post issue

Impact on Capital Structure

	Minimum Take-up	Maximum Take-up	Number of Unlisted Options(2)
Balance at the Date of this Prospectus	208,819,821	208,819,821	495,625
To be issued under the Entitlements Offer(1)	640,000,000	1,044,099,105	-
Balance after the Entitlement Offer	**848,819,821**	**1,252,918,926**	**495,625**
Amount Raised	$32,000,000	$52,204,955	-

(1) The number of New Shares to be issued under the Entitlements Offer assumes that no Options are exercised before the Record Date.
(2) Options are exercisable at $2.25 each

Pro-forma Balance Sheet – Post Capital Raising

Consolidated Balance Sheet	Unaudited May-11 $'000	Unaudited May-11 (Pro-Forma) (Maximum) $'000	Unaudited May-11 (Pro-Forma) (Minimum) $'000
Current Assets			
Cash	0	28,634	9,540
Trades and other receivables	49,079	49,079	49,079
Contracts in progress	21,434	21,434	21,434
Development properties	6,435	6,435	6,435
Inventories	5,073	5,073	5,073
Other	2,994	2,994	2,994
Non-current assets classified as held for sale	15,943	15,943	15,943
Total Current Assets	**100,958**	**129,591**	**110,498**
Non-Current Assets			
Property, plant and equipment	64,697	64,697	64,697
Deferred tax assets	10,298	11,370	11,036
Intangibles assets	45,984	45,984	45,984
Total Non-Current Assets	**120,979**	**122,050**	**121,717**
Total Assets	**221,936**	**251,641**	**232,214**
Current Liabilities			
Trade and other payables	52,983	52,983	52,983
Current tax liabilities	(8,623)	(8,623)	(8,623)
Interest bearing liabilities	26,978	6,978	6,978
Provisions	7,118	7,118	7,118
Total Current Liabilities	**78,456**	**58,456**	**58,456**
Non-Current Liabilities			
Interest bearing liabilities	23,809	23,809	23,809
Deferred tax liabilities	12,002	12,002	12,002
Provisions	552	552	552
Total Non-Current Liabilities	**36,363**	**36,363**	**36,363**
Total Liabilities	**114,819**	**94,819**	**94,819**
Net Assets	**107,117**	**156,823**	**137,395**

- Minimum take-up of 640,000,000 New Shares pursuant to this Prospectus to raise $32,000,000 before costs of the Entitlements Offer of $1,730,000.
- Maximum take-up of 1,044,099,105 New Shares pursuant to this Pursuant to this Prospectus to raise $52,204,955 before costs of the Entitlements Offer of $2,750,000.
- The pro-forma balance sheet illustrates the effects of both the minimum and maximum take-ups.
- $20,000,000 will be utilised to repay senior bank debt assuming the maximum take-up of 1,044,099,105 New Shares.
- $20,000,000 will be will be utilised to repay senior bank debt assuming the minimum take-up of 640,000,000 New Shares.
- $5,625,000 of the non current interest bearing loans and borrowings in respect of the property facility has been re-classified to current.
- Any balance of the proceeds after retiring senior bank debt will be used by the Company to augment working capital and pursue the Company's corporate objectives.

Financial Results for the year ending 30 June 2011

Disappointing Headline Result

- The Company's operating results will be within the guidance provided on the 24th June
- Subject to audit and further review by the Board, the results for the year ending 30 June 2011 will be:
  - EBITDA before significant items is expected to be in the range of $5 million to $10 million
  - Significant items of around $35 million
  - NPAT loss after significant items is expected to be in the range of $35 million to $40 million

Significant items of $35 million include:

- $21 million goodwill impairment of the Consulting Division at 31 December 2010
- An additional $14 million at 30 June 2011 relating to:
  - Once off restructuring costs incurred during the period
  - Write-downs associated with legacy contracts to a conservative, but realistic level
- There is potential for upside if legacy claims are resolved more favourably, the Company is vigorously pursuing this position

Agenda

Factors affecting VDM's recent performance

General slowdown in market conditions

- Industry wide slowdown in new construction activity as the award of tenders has been delayed, and the commencement of projects has been deferred
- ABARE reported that in the six months to April 2011, the total value of completed projects was at its lowest level since October 2005
- Macro issues outside the Company's control – MRRT, Carbon Tax, exchange rates, global economic uncertainty

VDM Revenues declined by over 50% (Period ending June 2010 to June 2011)

- Major projects completed during the first half but replacement work did not eventuate as expected as projects have been deferred
- Clients pressuring the business to retain capacity – expectations of awards that did not happen and clients required VDM to demonstrate personnel capacity or face future penalties
- There was a belief that a market recovery was imminent, therefore capacity was retained

Lower results meant that the banking covenants would be breached and uncertainty created in an environment whereby the restructure of debt facilities with our principal banker was impractical

A number of significant cash outflows experienced in the period

- Payment of a dividend in the first half of $4.2 million
- $5.9 million payment for prior period earnout
- Substantial variation dispute with major client still unresolved (carried at nominal amount)
- Upfront restructuring costs (redundancies, relocation costs)
- Subcontractor abandoned a key contract, causing time delays and additional costs of $3 million. VDM will pursue the recovery of costs.

Agenda

Overview of VDM's 'path to profitability'

RESTRUCTURING TARGETS

- A return to positive cash flow by the end of the first quarter FY12
- A return to profitability during the December 2011 half year
- Improved business controls and visibility of forecasting
- Simplified business structure and reduced inefficiencies

Operations	Board and Management	Financials
• Simplified business towards a focused "design and construct" model • Focus on resources and resources related infrastructure projects • Focus on regional divisions (rather than sector) through establishment of East Coast and West Coast divisions • Consolidation of Company locations and reduction in the number of offices	• Recommendations of external review of Management and Board structure have been implemented • Board strengthened with appointment of two new non-executive Directors • Permanent CEO Andrew Board appointed • Senior Management strengthened with appointment of Chief Operating Officer and Division Executive General Managers	• Capital raising to raise \$32 to \$52.2 million • Comprehensive financial restructuring to reduce operating costs and conduct sale of non core assets • Review of balance sheet has identified \$35 million in significant items that impacted FY11 results

Operations

Shift of focus away from maintaining capacity to resetting our cost base

- We are actively right-sizing our overhead structure to suit our current business, a fundamental shift away from six months ago where the Company's strategy was retaining capacity

Restructuring team including CEO, CFO, and COO has been established, Engagement of KPMG in an advisory role to advise and assist the board and senior management with restructuring initiatives.

Simplified 'design and construct' business model

- Previous model (3 pillar Consulting, Construction, and Contracting model) has not worked, has created a lack of collaboration between business units and duplication in costs and overheads
- The Industry is looking for different delivery methods, clients are concerned EPCM is no longer delivering value and is contributing to project cost blowouts
- Traditionally design component is outsourced by peers, VDM has that capability in house allowing us to apply design capability not only to meet clients design needs, but also to achieve better project delivery
- Management structure and appointments have already been made to achieve this

Focus on blue chip resources projects and clients

- VDM is a prequalified vendor for major resource companies where barriers to entry are high for potential new players
- Currently undergoing Queensland reconstruction work following the 2010 floods and will continue to participate in this area

Strengthened Board and Senior Management

A refreshed Board of Directors

- New non-executive director Tim Crossley appointed November 2010, and Michael Perrot appointed Chairman late November 2010
- Michael Fry and Richard Mickle appointed non-executive directors in May 2011
- New appointments followed a strategic review of the Board in February 2011

A new Senior Executive Team

- New CEO Andrew Broad appointed 30th May, previously COO of Construction and Contracting from August 2010 and Acting CEO from March 2011 following the retirement of Ken Perry
- New COO Rod Gonzales appointed May 2011, ex Commercial Director of Worley Parsons WA
- New Executive General Manager's (EGM's) appointed for East and West Regions
    - Bob Gregg – EGM East rejoined the Company in March, previously held the position of COO Consulting
    - Tom Fallon – EGM West joined the Company from Decmil, where he held the position of EGM Decmil Australia

Financials

Reduction in overheads and cost reduction initiatives

- Consolidation of premises – all plant based businesses now located in South Guildford and decision to relocate the WA Construction team from Northbridge to Selby Street in the first quarter of FY12
- Reduced revenue and rationalisation of some positions has resulted in a headcount reduction of 105 people since January 2011 (including operational) that has lowered labour costs by over $13 million PA, approximately $3 million of which is a direct reduction in overheads
- Savings expected to deliver benefit in FY12 and beyond

Sale of non core assets

- Surplus equipment being divested
- Property:
  - Hanwell Way property sold and settled,
  - Quartz Estate is being considered by interested parties, and
  - Knight Frank appointed to manage sale of Selby Street property

Capital raising

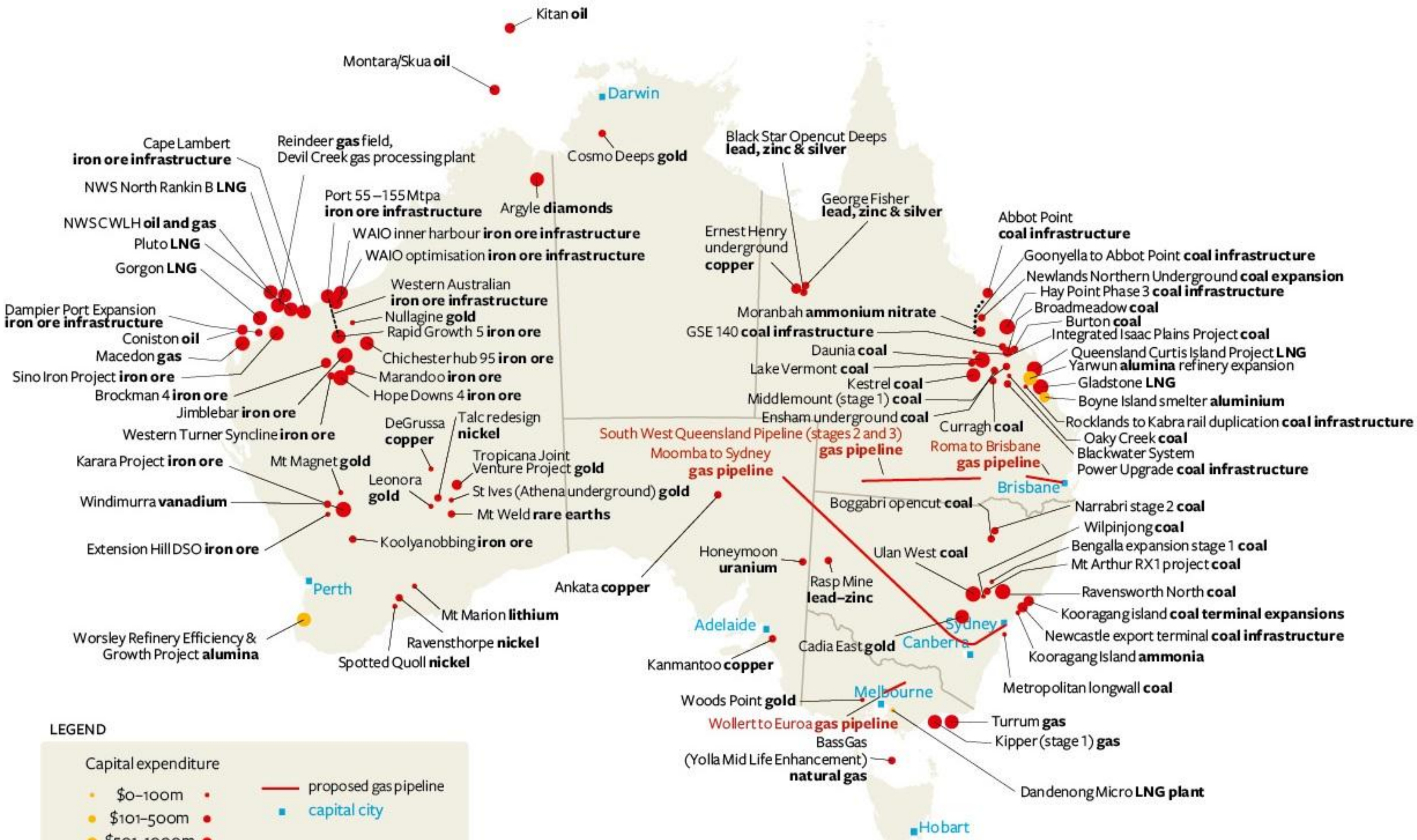
- VDM intends to raise between $32 million - $52.2 million by way of non-renounceable rights issue
- Pro rata issue of shares to all shareholders on the basis of 5 new shares for every one share held at an issue price of 5 cents
- Shortfall facility allows shareholders to apply for shares in excess of their entitlement

Review of balance sheet

- Review of balance sheet has identified $35 million in significant items that have impacted FY11 result

Agenda

$173 billion in Projects Committed or under Construction



91% of Development in Queensland and WA where VDM has a strong presence

Source: ABARE Minerals and Energy – Major development projects April 2011 Listing,

Strong Pipeline for the Company

ABARE has reported that there is another potential $256 billion of investment associated with less advanced projects

- Less advanced projects are those either undergoing feasibility, or have not yet been subject to a final investment decision
- 41 new projects added to the ABARE list since October 2010

Based on industry intentions surveyed in the December 2010 quarter, ABS data indicate capital expenditure in the mining sector in 2011/12 is expected to increase 33% on 2010/11 expenditure.

- We are starting to see signs that projects are being let
- Potential for a “perfect storm” of new projects coming on stream from multiple proponents, coupled with a tight labour market and supply constraints

Major expansions planned by most industry proponents

- In Iron Ore alone, Rio Tinto, BHPB Iron Ore, and FMG are all targeting aggressive growth plans that will take the industry from the current production profile of 450 mtpa within those companies, to over 1 Billion tpa of production capacity

Reflected in Tender Activity

Tender Activity remains high

- Works tendered that are pending and awaiting adjudication remain around $1 billion

Recent Tender Success

- $66.5 million of new projects recently announced and included:
  - Five year, $40 million ore handling, crushing, and sampling contract for BHP Billiton Nickel West
  - $6.7 million roads project for the Ipswich City Council
  - Consulting Fees of $2.7 million on projects valued at over $300 million

Targeting opportunities

- Initial focus is rebuilding the workbook in as short a time frame as practical
- Refining the tender book, targeting short term opportunities with higher potential of success
- Working on restoring confidence – the focus on our financial position has not been helpful
- In the longer term, VDM will be targeting opportunities in the market where we can deliver a quantifiable benefit with our D&C model

Agenda

Overview of the Capital Raising
Factors affecting VDM's recent performance
Company Restructuring Plan
Market Opportunity
Summary

Summary – 'path to profitability'

Operational

- Significant annual cost savings through reduction in overheads
- Change of structure to East and West divisions, increasing accountability and efficiencies
- Simplified Design and Construct business focus

Board and management

- New Board appointments
- Refreshed management team, including CEO, COO and Executive General Managers of East and West divisions

Financials

- Raise $32 million – $52 million to de-gear balance sheet and boost working capital
- Sale of non-core assets, including property, to provide further working capital

VDM well placed to capitalise on strong pipeline of projects

- $173 billion worth of projects committed or under construction – 91% are where VDM is positioned in Western Australia and Queensland
- Order book of over $200 million with recent tender success ($66.5 million of new projects announced July 2011)

Questions?

Appendices

Indicative Timetable

Lodgement of Prospectus with ASIC and the ASX	8 July 2011
Notice of Meeting Dispatched	12 July 2011
"Ex date"	13 July 2011
Record Date for determining Entitlements	19 July 2011
Prospectus and Entitlement and Acceptance Form dispatched to Eligible Shareholders	20 July 2011
General Meeting to approve Entitlements Offer	12 August 2011
Closing Date	16 August 2011
ASX notified of under subscriptions	18 August 2011
Anticipated date for allotment and issue of the New Shares	22 August 2011
Anticipated date for dispatch of Shareholder statements	23 August 2011
Suspension ends (trading recommences)	24 August 2011

Risk Factors

Risk Factors

The activities of the Company are subject to a number of risks and other factors that may impact both on its future performance and the value of the Company's Shares. Some of these risks can be mitigated by use of safeguards and appropriate controls. However, many are outside the control of the Company and cannot be mitigated. Therefore, investors who acquire Shares may be exposed to a number of risks. Broadly, these risks can be classified as risks general to investing in the share market and risks specific to an investment in the Shares and the Company's underlying business operations.

The Shares issued pursuant to the prospectus do not carry any guarantee of profitability, dividends, return of capital or the price at which they trade on the ASX. The major factors which investors should consider before making an investment decision are listed below. This list is not exhaustive and investors should read in its entirety before making an investment decision. Investors should also have regard to their own investment objectives and financial circumstances and should consider seeking appropriate professional advice before deciding whether to invest in the New Shares.

Specific current risks

(a) Restructure of bank's debt

The Company has previously received waivers to its breached banking covenants as at 31 March 2011 from its principal banker and has also received, in principle, acceptable terms to waivers of covenants applicable as at 30 June 2011. The majority of the Company's facilities with its principal banker are due for review on 30 November 2012. The Company is raising capital principally to retire senior bank debt. The Company's principal banker has agreed to provide further waivers to the breached covenants from 30 June 2011 through to 29 September 2011, on the terms and conditions set out in Section 5.3, subject to the execution of formal legal documentation. If legal documentation cannot be agreed or the conditions of the waivers are breached, or an extension of the waivers following 29 September 2011 cannot be agreed (if required), the Company will be in breach of its loan facilities and will have to seek to re-negotiate with its principal banker. Further, there is no guarantee that the Company will be able to raise the capital to retire senior bank debt.

(b) Sale of Property

One of the terms of the new bank waiver is that the term debt property loan of $8,125,000 be repaid by 31 October 2011. The property is currently listed for sale and has a market value of $15.5 million (based on the Company's most recent valuation of the Selby Street property prepared as at 27 May 2010 by an independent valuer).

If the Company cannot sell its Selby Street property at any price above $8,125,000, or alternatively does not raise in excess of the minimum take up, cannot refinance the property, sell other assets in a timely manner, raise additional capital, or obtain a further standstill on repayment of the term loan from its principal banker at this date, then the Company may have insufficient working capital.

If any of the scenarios in paragraph 3.1(a) or the paragraphs above eventuate, and the Company does not have sufficient working capital at that time to repay the facility, then the Company's lenders may enforce their security over the Company or its assets and the Company may become an externally-administrated body corporate. In such circumstances, existing Shareholders would be at risk of the loss of some or all of the value of their current investment in the Company.

(c) Minimum Amount not raised

The Offer is subject to the Minimum Amount being raised. If the Minimum Amount is not raised, the Entitlements Offer will be unsuccessful and the Company will be unable to satisfy the terms of its arrangements with its principal banker referred to in Section 3.1(a) above. While Shareholders will be refunded their Application Monies in full (without interest) in circumstances where the Minimum Amount is not raised, the Company may be in breach of the terms of the arrangements with its principal banker and its banking covenants. Furthermore, the Company may not have sufficient working capital to support its continued operations. Were that to occur, the potential consequences are likely to be similar to those which may eventuate if the scenarios is Section 3.1(a) and 3.1(b) eventuate.

(d) Shareholder approval

If Shareholder approval for the Entitlements Offer is not obtained at the General Meeting, the Entitlements Offer will not proceed and the Company will not raise any funds from the Entitlements Offer. In such circumstances, the Company will be unable to satisfy the terms of its arrangements with its principal banker. The potential consequences are likely to be similar to those which may eventuate if the Minimum Amount is not raised (as noted above in Section 3.1(c)).

(e) Negative cash operating position

As at the date of the Prospectus the Company is operating on a negative cash operating basis, that is, its operating expenses exceed its revenues. In order to improve its cash operating position the Company will need to be awarded new contracts and, in the event that such new contracts are awarded, perform and complete such contracts within established budgets and timeframes. If the Company is unable to enter into new contracts and meet the requisite deliverables under such contracts, it is possible that the Company's cash flow position will remain negative and may thus worsen. The Company intends to undertake measures to mitigate the risk of this occurring, however, there is a risk that such risk mitigating measures may not eventuate which may cause the Company's financial position to deteriorate and affect the Company's ability to operate as a going concern.

(f) Tendering risks

Although the Company has structured tendering procedures and costs calculation processes, the nature of tendering involves risks associated in estimating costs to perform each tendered project. Should costs exceed those allowed for in any tender and should such additional costs not be recoverable under the relevant contract, there is a risk that the tendered margin will not be achieved which could have a detrimental impact in the Company's financial performance.

(g) Delay in the award of new contracts

The Company routinely tenders for projects on a regular basis, and is reliant on the award of new projects to generate revenue, profit and positive cashflow. In some cases the adjudication and award of these projects can be deferred for a period of time or, in some cases, permanently for reasons beyond the Company's control. In general, tenders include a validity period limiting the Company's exposure to increased costs during the tender period. However, any delay or deferral in the award of projects will impact on the Company's ability to generate sales in the future.

(h) Contract management and execution risks

The Company's ability to retain its existing clients and competitively bid for and win new work is crucial to the ongoing success of the Company and its business. In addition, it is important that the Company executes its contracts on time and within budget, which can be affected by managerial issues, operation delays or breakdowns, project or operational modifications and project cancellations. If the Company's contract management processes were at any time inadequate or the Company did not have the personnel required to appropriately supervise and manage contracts, the Company may be unable to complete work on time and within budget. In such circumstances, this may have an adverse impact on the Company's financial position, ability to win future contracts and may reduce the Company's reputation in the marketplace.

Risk Factors

(i) Reliance on key contracts and ability to replace key contracts

Corporations in the construction and contracting industries are often reliant on a small number of key contracts which form the basis of a corporation's forecast financial figures. On this basis, a risk that construction and contracting corporations are often exposed to is the ability to replace individual key contracts in the event that the contract is completed or otherwise discontinued.

(j) Cyclical nature of the business

The Company's financial performance is sensitive to the level of activity within the industries in which it operates. The level of activity in its sectors is cyclical and sensitive to a number of factors outside of the Company's control. The Company's presence in multiple industry sectors partially offsets its exposure to cyclical factors affecting any individual sector. However, the Company is not able to predict the timing, extent and duration of the activity cycle in the markets in which it operates.

(k) Time delay risk

Approvals, slow decision-making by counterparties, complex specifications, changes to briefs, legal issues and other documentation changes may give rise to delays in completion, loss of revenue and cost over-runs of projects. Delays in completion may, in turn, result in liquidated damages and termination of contracts.

Other time delays that may arise in relation to projects include supply of appropriately skilled labour, scarcity of construction materials, lower than expected productivity levels, inclement weather conditions, land contamination, difficult site access or industrial relations issues. Objections raised by community interest groups, environmental groups and neighbours may also impact projects.

(l) Recent key personnel changes

The Company has recently appointed a new CEO and COO. In addition, original vendors of the businesses acquired by VDM since its public listing in 2006 have largely left the business and new management has been installed. The Board and executives of the Company believe that the changes have improved the quality and experience of the management and are more aligned to the business going forward. There are possible risks to the business including the general operations and management, execution of the restructure tasks and possible inefficiencies arising from the recent appointments of new management within the Company.

(m) Dilution risk

Given the ratio of 5 to 1 under the Entitlements Offer, the Entitlements Offer will result in significant dilution in existing Shareholders who do not participate in the Entitlements Offer.

Risks inherent within VDM's operating divisions

(a) Mining and oil & gas investment

Some of the Company's business units' revenues and earnings are dependent on the volume of mining and oil & gas investment in Australia. Any significant or extended downturn in this level of investment may adversely impact these business units' operating and financial performance.

(b) Contract disputes

The Company is engaged in the provision of engineering and construction services. The nature of these services is such that claims arise from time to time for and against the Company. There is a risk that the outcome of disputes or claims may differ materially from provisions raised in the Company's accounts which could expose the Company to incurring further losses.

(c) Reliance on subcontractors

Various risks may arise from the Company's practice of using subcontractors to complete significant parts of its projects. There is a risk that subcontractors may fail to perform the contract, may become insolvent in the course of a project or may have insufficient indemnity insurance to cover any potential claim that may arise against them.

(d) Variability in supply of materials

Projects are dependent on the supply of materials. If materials are in short supply or are of unacceptable standard or uncompetitively priced, the profit on projects could be impacted.

(e) Quality and workmanship risks

There is a risk that the Company may fail to fulfil its statutory and contractual obligations in relation to the quality of its materials and workmanship, including warranties and defect liability obligations.

General business risks

In addition to the risks summarised in the Sections 3.1 and 3.2, the Company's operating performance and profitability, and thus an investment in Shares, are affected by a number of specific factors. These factors include but are not limited to the following:

(a) Reliance on key employees

The Company depends on the talent and experience of its employees as its primary asset. Whilst every effort is made to retain key employees and contractors and to recruit new personnel as the need arises, loss of a number of key personnel may adversely affect the Company's earnings or growth prospects. In addition, demand for skilled personnel is presently high, particularly in Western Australia, and growth and profitability may be limited by the scarcity of professional personnel or by potential increases in compensation costs associated with attracting or retaining such personnel.

(b) Information systems

The Company uses information systems to capture, process and store electronically important information regarding finances, clients, projects, work in progress and other important data. While the Company makes every effort to ensure that the systems are maintained and improved to best meet the demands of the market, system failures or inadequacies may negatively impact on the Company's performance.

Risk Factors

(c) Professional negligence and insurances

As a provider of professional services, the Company is exposed to claims of professional negligence. Generally the Company seeks to limit or exclude liability in its contracts and to maintain professional insurance to cover liabilities in the event of a claim for negligence. However, the Company's insurance and contractual arrangements may not adequately protect it against liability for all losses. Also, the Company may not be able to maintain insurance at levels of risk coverage or with deductibles that it considers appropriate or guarantee that every contract contains and has properly incorporated adequate limitations on liability. Any losses falling outside the scope of insurance or contractual limits may adversely affect the Company's earnings and cash flows.

(d) Competition

The Company operates in a competitive industry sector. The Company competes with some companies that are larger and more financially strong as well as with some companies that benefit from local experience and relationships with customers. Increased competition could result in price reductions, under utilisation of personnel, reduced operating margin and loss of market share. Any of these occurrences in any region in which the Company operates could adversely affect its operating and financial performance.

(e) Accounting standards

Changes in accounting standards or the interpretation of those accounting standards that occur after the date of the Prospectus may adversely impact on the Company's reported financial performance and/or financial position.

(f) General investment risks

A number of factors outside the Company's control may significantly impact on the Company, its performance and the price of the Shares. These factors include:

- economic conditions in both Australia and internationally;
- relative changes in foreign exchange rates;
- investor sentiment and local and international share market conditions;
- changes to government policy, legislation or regulation;
- changes in fiscal, monetary and regulatory policies; and
- the nature of competition in the industries in which the Company operates.

Investors should recognise that the Company's revenues, expenses and cash flows could be negatively affected by any of the above factors which, in turn, may affect the price or value of the Shares.

In particular, the share prices for many companies have in recent times been subject to wide fluctuations which, in many cases, may reflect a diverse range of non-specific influences such as global hostilities, tensions and acts. No assurances can be made that the Company's performance will not be adversely affected by any such market fluctuations or factors. None of the Company, its Directors or any other person guarantees the performance of the Company or the market price at which the Shares trade.

The value of the Shares will be determined by the share market and will be subject to a range of factors beyond the control of the Company and its Directors including the demand and availability of Shares. There can be no guarantee that the market price of the Shares will not decline.

The payment of dividends by the Company is at the discretion of the Directors and will be a function of a number of factors, including the general business environment, the operating results and the financial condition of the Group, future funding requirements, capital management initiatives, potential strategic growth opportunities, taxation considerations, the level of retained earnings and available franking credits and any contractual, legal or regulatory restrictions on the payment of dividends by the Company.

The Company's continued ability to effectively implement its business plan over time may depend in part on its ability to raise additional funds. There can be no assurance that any such equity or debt funding will be available to the Company on favourable terms or at all. If adequate funds are not available on acceptable terms, the Company may not be able to take advantage of opportunities, develop new ideas or otherwise respond to competitive pressures.

The Company's working capital requirements going forward may be impacted by all of the above factors which may result in the amount of capital raised to be insufficient to meet future obligations.

(g) Investment is speculative

The above list of risk factors ought not to be taken as exhaustive of risks faced by the Company or by investors in the Company. The above factors and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under the Prospectus.

Potential investors should consider that an investment in the Company is speculative and should consult their professional adviser before deciding whether to apply for New Shares, pursuant to the Prospectus.

Contacts

Andrew Broad
Chief Executive Officer
08 9241 1800
Andrew.Broad@vdmgroup.com.au

Len Troncone
Chief Financial Officer
08 9241 1800
Len.Troncone@vdmgroup.com.au

VDM Group Limited
310 Selby Street North
Osborne Park, WA 6017
TEL 08 9241 1800
FAX 08 9241 1999