



**VDM GROUP LIMITED**

ACN 109 829 334

**PROSPECTUS**

FOR

A non-renounceable bonus issue of free Listed Options, exercisable at \$0.05 on or before 30 November 2013, on the basis of one Listed Option for every two Shares held at the Record Date.

**THIS PROSPECTUS IS BEING ISSUED UNDER SECTION 708A(11) OF THE CORPORATIONS ACT FOR THE PURPOSE OF FACILITATING SECONDARY TRADING OF THE LISTED OPTIONS**

**AND**

**THIS PROSPECTUS IS BEING ISSUED TO FACILITATE SECONDARY TRADING OF THE UNDERLYING SECURITIES TO BE ISSUED UPON EXERCISE OF THE LISTED OPTIONS, PURSUANT TO ASIC CLASS ORDER C04/671**

**THE LISTED OPTIONS OFFERED BY THIS PROSPECTUS ARE OF A SPECULATIVE NATURE.**

**IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY.**

## IMPORTANT INFORMATION

This Prospectus is dated 8 November 2011 and was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the contents of this Prospectus.

No Listed Options will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus, being the expiry date of this Prospectus.

A copy of this Prospectus is available for inspection at the registered office of the Company at 310 Selby Street North, Osborne Park, Western Australia, during normal business hours. The Company will provide a copy of this Prospectus to any person on request. The Company will also provide copies of other documents on request (see Section 4.5).

The Company has applied for Official Quotation by ASX of the Listed Options offered by this Prospectus.

The Prospectus will be made available in electronic form. Persons having received a copy of this Prospectus in its electronic form may obtain an additional paper copy of this Prospectus (free of charge) from the Company's principal place of business by contacting the Company. The Bonus Issue contemplated by this Prospectus is only available in electronic form to persons receiving an electronic version of this Prospectus within Australia.

The Listed Options offered by this Prospectus should be considered speculative. An investment in the Company involves risks. Please refer to Section 2 for details relating to investment risks.

Revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of goods and services tax, unless otherwise disclosed.

No person is authorised to give any information or to make any representation in connection with the Bonus Issue which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Bonus Issue.

No action has been taken to permit the offer of Listed Options under this Prospectus in any jurisdiction other than Australia and New Zealand.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Listed Options in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

# Corporate Directory

## Directors

Mr Michael Perrott AM	Non-Executive Chairman
Mr James van der Meer	Executive Director
Mr Tim Crossley	Non-Executive Director
Mr Barry Nazer	Non-Executive Director
Mr Michael Fry	Non-Executive Director
Mr Richard Mickle	Non-Executive Director

## Stock Exchange Listing

ASX Limited  
Home Branch – Perth  
Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

## Company Secretary

Ms Nevenka Jackson

## ASX Code

Shares – VMG

## Principal and Registered Office

310 Selby Street North  
OSBORNE PARKWA 6017

Tel: + 61 (0)8 9241 1800

Fax: + 61 (0)8 9241 1999

## Company Website

[www.vdmgroup.com.au](http://www.vdmgroup.com.au)

## Share Registry

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
APPLECROSS WA 6153  
Tel: + 61 (0)8 9315 2333

## Solicitors to the Company

GTP Legal  
Level 1  
28 Ord Street  
WEST PERTH WA 6005

## Proposed Bonus Issue Timetable

Lodgement of Prospectus with ASIC and the ASX	8 November 2011
"Ex date"	14 November 2011
Record Date for determining Entitlements	18 November 2011
Anticipated date for allotment and grant of Listed Options*	24 November 2011
Anticipated date for dispatch of holding statements and deferred settlement trading ends*	24 November 2011

\* Indicative date only

### Risk Factors

An investment in the Company is subject to risks and uncertainties and should be considered speculative. Some of the more significant risks which affect an investment in the Company are:

- (a) Contract management and execution risks (Section 2.1(a));
- (b) Tendering risks (Section 2.1(b))
- (c) Cash flow risk (Section 2.1(c));
- (d) Ongoing banking support (Section 2.1(d));
- (e) Reliance on key contracts and ability to replace key contracts (Section 2.1(e));
- (f) Reliance of key personnel (Section 2.1(f));
- (g) Time delay risk (Section 2.1(g));
- (h) Cyclical nature of the business (Section 2.1(h)); and
- (i) Investment is speculative (Section 2.3(g)).

Section 2 contains details of the risks of an investment in the Company.

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## **1. Details of the Bonus Issue**

### **1.1 The Bonus Issue**

The offer under this Prospectus consists of a non-renounceable entitlement offer to Eligible Shareholders of up to 466,768,867 free Listed Options, on the basis of one Listed Option for every two Shares held at 5.00 pm (WST) on the Record Date (**Bonus Issue**).

The Listed Options are being issued for no consideration, but have an exercise price of \$0.05 and an exercise period between 30 November 2011 and 30 November 2013.

The Company has as at the date of the Prospectus 933,537,735 Shares and 495,625 Unlisted Options on issue.

Where the determination of the entitlement of any Eligible Shareholder results in a fraction of a Listed Option, such fraction will be rounded down to the nearest whole Listed Option.

Refer to Section 4.1 for a summary of the terms and conditions of the Listed Options.

### **1.2 Purpose of the Bonus Issue**

The Bonus Issue pursuant to this Prospectus was previously referred to in the Company's announcement on 13 October 2011 and was detailed in the entitlements offer supplementary prospectus dated 16 September 2011.

The purpose of the Bonus Issue is to reward Shareholders for their loyalty to the Company and provide those Shareholders with an opportunity to participate in the continued growth of the Company.

### **1.3 Purpose of the Prospectus**

This Prospectus has been issued to facilitate secondary trading of the Listed Options. A prospectus is required under the Corporations Act to enable persons who are issued Listed Options to on-sell those options within 12 months of their grant. The Company will not grant the Listed Options with the purpose of the persons to whom they were granted selling or transferring their Options, or granting, issuing or transferring interests in those Options within 12 months of the grant, but this Prospectus provides them the ability to do so should they wish.

In addition, the Company has elected to lodge this Prospectus to facilitate secondary trading of the underlying securities to be issued upon exercise of the Listed Options. Granting the Listed Options under this Prospectus will enable persons who are granted the Listed Options to on-sell the Shares issued on exercise of the Listed Options pursuant to ASIC Class Order C04/671.

Accordingly, the purpose of this Prospectus is to:

- (a) ensure that the on-sale of the Listed Options does not breach section 707(3) of the Corporations Act by relying on the exemption to the secondary trading provisions in section 708A(11) of the Corporations Act;
- (b) ensure that the on-sale of the underlying securities to be issued upon exercise of the Listed Options is in accordance with ASIC Class Order C04/671.

#### **1.4 No Rights Trading**

The Entitlements to Listed Options under the Bonus Issue are non renounceable. Accordingly, there will be no trading of Entitlements on ASX.

#### **1.5 No action required by Eligible Shareholders**

Eligible Shareholders are not required to do anything to be granted Listed Options under the Bonus Issue.

#### **1.6 Grant and dispatch**

Listed Options under the Bonus Issue are expected to be granted, and security holder statements dispatched, on or before the date set out in the proposed timetable in this Prospectus.

It is the responsibility of Eligible Shareholders to determine their allocation prior to trading in the Listed Options. Eligible Shareholders who sell Listed Options before they receive their holding statements will do so at their own risk.

#### **1.7 Application Monies**

The Listed Options are not being granted for consideration and so no application monies are required to be paid to subscribe for Listed Options. Accordingly, no funds will be raised by the Bonus Issue.

#### **1.8 ASX Official Quotation**

Application has been made to ASX for the Official Quotation of the Listed Options offered by this Prospectus.

#### **1.9 CHESS**

The Company participates in the Clearing House Electronic Subregister System, known as CHESS. ASTC, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the ASTC Settlement Rules.

Under CHESS, Eligible Shareholders will not receive a certificate but will receive a statement of their holding of Listed Options.

If you are broker sponsored, ASTC will send you a CHESS statement.

The CHESS statement will set out the number of Listed Options granted under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the Listed Options, including a notice to exercise the Listed Options.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by Security Transfer Registrars Pty Ltd and will contain the number of Listed Options granted to you under this Prospectus and your security holder reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

## **1.10 Residents outside Australia and New Zealand**

The Bonus Issue is not being extended to any Shareholders whose registered address is outside Australia or New Zealand. The Company is of the view that it is unreasonable to make the Bonus Issue to Shareholders outside Australia and New Zealand, having regard to:

- (a) the number of those Shareholders;
- (b) the number and value of Listed Options to be offered to those persons; and
- (c) the cost of complying with overseas legal requirements.

Accordingly, the Company is not required to make offer the Bonus Issue under the Prospectus to Shareholders other than in Australia and New Zealand. The Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer other than for Shareholders in Australia and New Zealand. Where the Prospectus has been despatched to Shareholders domiciled outside Australia or New Zealand and where the country's securities code or legislation prohibits or restricts in any way the making of the offer contemplated by the Prospectus, the Prospectus is provided for information purposes only.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that the grant of Listed Options under the Bonus Issue does not breach regulations in the relevant overseas jurisdiction.

## **1.11 Risk factors**

An investment in Listed Options is subject to risks and uncertainties. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are in Section 2.

## **1.12 Taxation implications**

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for Listed Options under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders. As a result, Shareholders should consult their professional tax adviser in connection with subscribing for Listed Options under this Prospectus.

## **1.13 Major activities and financial information**

A summary of the major activities and financial information relating to the Company for the financial year ended 30 June 2011 is in the Annual Report which was announced on the ASX on 30 September 2011.

The Company's continuous disclosure notices (i.e. ASX announcements) since the date of lodgment of the Annual Report on the 30 September 2011 are listed in Section 4.5.

Copies of these documents are available free of charge from the Company. Directors strongly recommend that Shareholders and potential investors review these and all other announcements prior to deciding whether or not to subscribe for Listed Options under this Prospectus.



#### **1.14 Enquiries concerning Prospectus**

Enquiries relating to this Prospectus should be directed to the Company's Company Secretary, Nevenka Jackson, on +61 (8) 9241 1800.

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## 2. 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 and Options. 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. No consideration is payable by Eligible Shareholders for the Listed Options, however the Listed Options are each exercisable at \$0.05. Therefore, investors who acquire Listed Options 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 the Company's underlying business operations.

The Listed Options granted pursuant to this Prospectus do not carry any guarantee of profitability, dividends, return of capital or the price at which they will trade on the ASX. The major factors which investors should consider are listed below. This list is not exhaustive and investors should read this Prospectus in its entirety. 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 Listed Options.

### 2.1 Specific current risks

(a) 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.

(b) 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.

(c) Cash flow risk

As at the date of this Prospectus the Company has retired its working capital facilities and those facilities are no longer available to the Company. As such, the working capital available to the Company immediately is limited to the cash at bank. Should the Company experience negative cashflow caused by trading losses or through increased requirements for working capital, it is possible that the Company's cash flow position will deteriorate. The Company is undertaking measures to mitigate the risk of this occurring, however, there is a risk that such 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.

(d) Ongoing banking support

Following the recent successful entitlements issue, the Company has retired its senior debt facilities and has retained its contingent bank guarantee facilities. As a condition of previous waivers provided by the bank, the maximum contingent facilities available to the Company were reduced from \$30 million to \$22 million.

Contingent facilities in the form of bank guarantees are required so that the Company can provide financial guarantees in relation to the work it will perform. These guarantees are a routine and necessary requirement for the industry in which the Company operates. The Company also has insurance bonding facilities available to provide financial security, however not all clients will accept this form of security.

The Company will require the bank's ongoing support to maintain and/or increase its contingent bank facilities. If the Company is unable to secure those facilities, it will materially restrict the Company's ability to enter into new contracts until replacement or alternate facilities can be sourced.

The Company's banking facilities are subject to review prior to 30 November 2011.

(e) 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.

(f) Reliance on key personnel

The Company has recently appointed a new CEO, CFO and COO and as part of its restructuring measures has put in place a new management structure that includes new appointments in several key positions.

The Company's ongoing success depends largely on the core competencies of its Directors and management and their familiarization with, and ability to operate in, the engineering and construction industries in which the Company operates, and on the Company's ability to retain and source key executives.

(g) 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.

(h) 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.

## 2.2 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.

## 2.3 General business risks

In addition to the risks summarised in the Sections 2.1 and 2.2, 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.

(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 utilization 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 this 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:

- (i) economic conditions in both Australia and internationally;
- (ii) relative changes in foreign exchange rates;

- (iii) investor sentiment and local and international share market conditions;
- (iv) changes to government policy, legislation or regulation;
- (v) changes in fiscal, monetary and regulatory policies; and
- (vi) 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 Listed Options offered under this Prospectus.

Potential investors should consider that an investment in the Company is speculative.

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### 3. Effect of Bonus Issue

#### 3.1 Capital Structure on completion of the Bonus Issue

	Number of Shares	Number of Listed Options	Number of Unlisted Options <sup>(2)</sup>
Balance at the date of this Prospectus	933,537,735	-	495,625
To be issued under the Bonus Issue <sup>(1)</sup>	-	466,768,867	-
<b>Balance after the Bonus Issue</b>	<b>933,537,735</b>	<b>466,768,867</b>	<b>495,625</b>

(1) The number of Listed Options to be issued under the Bonus Issue assumes that no Unlisted Options are exercised before the Record Date.

(2) Unlisted Options are exercisable at \$2.25 each.

#### 3.2 Pro Forma Statement of Financial Position

Shareholders should refer to Schedule 1 for a pro forma statement of financial position of the Company based on the Company's audited statement of financial position as at 30 June 2011 that has then been adjusted to reflect the material transactions detailed in Schedule 1.

The pro forma statement of financial position has been prepared in accordance with the draft ASIC Guide to Disclosing Pro Forma Financial Information (issued July 2005).

#### 3.3 Effect of the Bonus Issue on Financial Position

The Bonus Issue will reduce the cash on hand held by the Company by approximately \$51,362 being the estimated costs of the Bonus Issue.

Except for payment of the estimated costs of the Bonus Issue, the Bonus Issue will not have any other impact on the financial position of the Company.

The Company will receive \$0.05 for each Listed Option exercised. Assuming all Listed Options are exercised then the amount that would be raised by the Company would be \$23,384,443. The likelihood of the Company raising additional capital through exercise of the Listed Options will depend on the price of Shares from time to time up to the expiry date of the Listed Options.

#### 3.4 Market Price of Shares

The Shares were suspended from trading on ASX from 16 June 2011 until 27 October 2011 when the Company was reinstated to trading following completion of an entitlement issue pursuant to the prospectus dated 8 July 2011 and the supplementary prospectus dated 16 September 2011.

The highest and lowest market sale prices of the Company's Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$0.056 per Share on 28 October 2011

Lowest: \$0.050 per Share on 27 October 2011

The last available market sale price of Shares on ASX prior to the date of this prospectus was \$0.054 per Share on 7 November 2011.

### **3.5 Dividend policy**

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.



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## 4. Additional Information

### 4.1 Terms and Conditions of Listed Options

(a) Entitlement

The Listed Options entitle the holder to subscribe for one unissued Share upon the exercise of each Listed Option.

(b) Exercise Price

The exercise price of each Listed Option is \$0.05.

(c) Expiry Date

Each Listed Option expires 30 November 2013.

(d) Exercise Period

The Listed Options are exercisable at any time on or prior to the Expiry Date.

(e) Notice of Exercise

The Listed Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each Listed Option being exercised. Any notice of exercise of a Listed Option received by the Company will be deemed to be a notice of the exercise of that Listed Option as at the date of receipt.

(f) Shares issued on exercise

Shares issued on exercise of the Listed Options rank equally with the Shares of the Company.

(g) Quotation of Shares on exercise

Application will be made by the Company to ASX for official quotation of Shares issued upon the exercise of the Listed Options.

(h) Timing of issue of Shares

After a Listed Option is validly exercised, the Company must as soon as possible:

(i) issue the Share; and

(ii) do all such acts matters and things to obtain:

(A) the grant of quotation for the Share on ASX no later than 30 days from the date of exercise of the Listed Option; and

(B) receipt of cleared funds equal to the sum payable on the exercise of the Listed Options.

(i) Participation in new issues

There are no participation rights or entitlements inherent in the Listed Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Listed Options.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give Optionholders the opportunity to exercise their Listed Options prior to the date for determining entitlements to participate in any such issue.

(j) Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (i) the number of Shares which must be issued on the exercise of a Listed Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Listed Option before the record date for the bonus issue; and
- (ii) no change will be made to the Exercise Price.

(k) Adjustment for rights issue

There will be no adjustment to the Exercise Price of a Listed Option or the number of Shares over which the Listed Options are exercisable if the Company makes an issue of Shares pro-rata to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment).

(l) Adjustments for reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the Optionholder may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

(m) Quotation of Listed Options

Application for quotation of the Listed Options will be made by the Company.

(n) Listed Options transferable

The Listed Options are transferable.

(o) Payment of Exercise Price

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Listed Options with the appropriate remittance should be lodged at the Company's share registry.

## 4.2 Rights attaching to Shares to be issued upon exercise of the Listed Options

The rights attaching to Shares are set out in the Constitution, and, in certain circumstances, are regulated by the Corporations Act, the Listing Rules and general law. The Constitution may be

inspected free of charge during normal business hours at the principal place of business of the Company at 310 Selby Street North, Osborne Park, WA.

The following is a summary of the principal rights of the holders of Shares. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's members.

(a) Voting rights

Subject to any special rights or restrictions attached to any class or classes of shares in the Company, at a general meeting, every holder of Shares present in person or by proxy, body corporate representative or attorney has one vote on a show of hands and one vote for each Share held on a poll.

Votes are cast by a show of hands unless a poll is demanded. The chairman or at least five Shareholders entitled to vote on the resolution or Shareholders with at least 5% of the votes that may be cast on the resolution may demand a poll.

(b) General meetings

Each holder of Shares is entitled to receive written notice of, and attend and vote at, general meetings of the Company.

(c) Dividends

The directors may determine that a dividend is payable and fix the amount, the time of payment and the method of payment. Dividends shall be payable only out of the profits. The directors may set aside out of the profits of the Company such sums as they think proper as reserves, to be applied at their discretion for any purpose for which the profits of the Company may be properly applied.

(d) Transfers of Shares

Generally, all Shares are freely transferable subject to the procedural requirements of the Constitution and to the provisions of the Corporations Act, Listing Rules and ASTC Settlement Rules. If the Company refuses to register a paper-based transfer it must tell the lodging party in writing of the refusal and the reason for it.

(e) Rights on winding up

Subject to the rights of holders of any securities who have priority on a winding up, if the Company is wound up, any surplus will be divided amongst holders of Shares in proportion to the number of Shares held by them. If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company and may, for that purpose, set a value as the liquidator considers fair upon the property to be so divided and may determine how the division is to be carried out between the Shareholders.

(f) Issue of new Shares

The directors may issue Shares and grant options over unissued Shares on such terms and conditions as the directors in their absolute discretion shall determine. Subject to the Corporations Act, the Company with the approval of Shareholders may convert

its Shares into a larger or smaller number of Shares, and may reduce its share capital and may buy back its Shares.

(g) Variation of rights

The Company may only vary or cancel the rights attaching to any class of shares by a special resolution of the Company and either a special resolution passed at a meeting of holders of that class of shares or the written consent of Shareholders with at least 75% of the votes in that class.

(h) Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least 75% of Shareholders present and voting at a general meeting.

### 4.3 Directors' interests in Company securities

The Directors or their nominees currently each hold Shares as set out in the table below. The Directors' and their nominee's current Shareholdings and their Entitlements are as follows

Directors	Number of Shares	Entitlement to Listed Options
M Perrott	6,200,000	3,100,000
J van der Meer	6,097,909	3,048,954
T Crossley	1,200,000	600,000
B Nazer	1,228,568	614,284
R Mickle	-	-
M Fry	500,000	250,000

### 4.4 Company is a disclosing entity

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules.

Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (see Section 4.5 below).

### 4.5 Copies of documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC. The Company will provide free of charge to any person who requests it during the period of the Bonus Issue, a copy of:

- (a) the Annual Report of the Company for the year ended 30 June 2011, being the last financial year for which an annual financial report has been lodged with the ASIC in relation to the Company before the issue of this Prospectus;
- (b) the continuous disclosure notices given by the Company to notify ASX of information relating to the Company during the period from the date of lodgement of the Annual Report on 25 October 2011 and before the date of issue of this Prospectus, being:

<b>Date Lodged</b>	<b>Subject of Announcement</b>
27 October 2011	Reinstatement to Official Quotation
27 October 2011	Trading in VDM shares recommences
27 October 2011	Appendix 3B
27 October 2011	Allotment of Entitlement Issue / Top 20
28 October 2011	Becoming a substantial holder from MQG
1 November 2011	Change in substantial holding from HHL
1 November 2011	Change of Director's Interest Notice – M Perrott
1 November 2011	Change of Director's Interest Notice – M Fry
1 November 2011	Change of Director's Interest Notice – B Nazer
1 November 2011	Change of Director's Interest Notice – T Crossley
1 November 2011	Change of Director's Interest Notice – J van der Meer
2 November 2011	VDM Group appoints interim CFO

#### **4.6 Information excluded from continuous disclosure notices**

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules, and which is required to be set out in this Prospectus.

#### **4.7 Determination by the ASIC**

The ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the Listed Options under this Prospectus.

#### **4.8 Directors' interests**

Except as disclosed in this Prospectus, no Director or proposed director, and no firm in which a Director or proposed director is a partner:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Bonus Issue or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Bonus Issue; or
- (b) has been paid or given or will be paid or given any amount or benefit to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Bonus Issue.

## 4.9 Directors remuneration

Shareholders have approved an aggregate amount of up to \$600,000 to be paid as Non-Executive Directors' fees.

Directors received the following remuneration for the period ended 30 June 2011:

	Base Salary & Fees	Cash Bonus	Non- Monetary Benefits	Super Contributions	Total
	\$	\$	\$	\$	\$
<b>Current non-executive directors</b>					
M Perrott <sup>1</sup>	113,807	-	-	-	113,807
B Nazer	71,205	-	-	6,409	77,614
T Crossley <sup>2</sup>	44,105	-	-	715	44,820
M Fry <sup>3</sup>	2,884	-	-	260	3,144
R Mickle <sup>3</sup>	-	-	-	-	-
<b>Current executive directors</b>					
J van der Meer	272,627	-	30,380	57,864	360,871
<b>Past non-executive directors</b>					
J Saleeba <sup>4</sup>	63,726	-	-	5,735	69,461
R Kestel <sup>5</sup>	61,254	-	-	4,238	65,492
	629,608	-	30,380	75,221	735,209

Notes:

1. M Perrott was appointed Chairman on 26 November 2010.
2. T Crossley was appointed a Director on 15 November 2010.
3. M Fry and R Mickle were appointed a Director on 3 June 2011.
4. J Saleeba resigned as a Director on 26 November 2010.
5. R Kestel resigned as a Director on 28 March 2011.

## 4.10 Interest of other persons

Except as disclosed in this Prospectus, no expert, promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity:

- (a) has any interest, nor has had any interest in the last two years prior to the date of this Prospectus, in the formation or promotion of the Company, the Bonus Issue or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Bonus Issue; or
- (b) has been paid or given or will be paid or given any amount or benefit in connection with the formation or promotion of the Company or the Bonus Issue.

GTP Legal will be paid approximately \$10,000 in fees for legal services in connection with the Bonus Issue. In the last two years the Company has paid GTP Legal \$13,046 in fees for legal services.

Security Transfer Registrars Pty Ltd has been appointed to conduct the Company's share registry functions and to provide administrative services in respect to grant of Listed Options pursuant to the Bonus Issue, and will be paid for these services on standard industry terms and conditions.

#### 4.11 Expenses of Bonus Issue

The estimated expenses of the Bonus Issue (exclusive of GST) are as follows:

	\$
ASIC Lodgement fee	2,137
ASX quotation fee	24,285
Legal and preparation expenses	10,000
Printing, mailing and other expenses	14,940
<b>Total</b>	<b>51,362</b>

#### 4.12 Consents

The following consents have been given in accordance with the Corporations Act and have not been withdrawn as at the date of lodgement of this Prospectus with the ASIC:

- (a) GTP Legal has given, and has not withdrawn, its written consent to being named in this Prospectus as solicitors to the Company. GTP Legal has not authorised or caused the issue of this Prospectus or the making of the Bonus Issue. GTP Legal makes no representation regarding, and to the extent permitted by law excludes any responsibility for, any statements in or omissions from any part of this Prospectus.
- (b) Security Transfer Registrars Pty Ltd has given and, as at the date hereof, has not withdrawn, its written consent to be named as Share Registry in the form and context in which it is named. Security Transfer Registrars Pty Ltd has had no involvement in the preparation of any part of this Prospectus other than being named as share registrar of the Company. Security Transfer Registrars Pty Ltd has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

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## 5. Authorisation

This Prospectus is authorised by each of the Directors of the Company.

This Prospectus is signed for and on behalf of the Company by:

A handwritten signature in black ink, appearing to read 'Michael Perrott', written in a cursive style.

Michael Perrott AM

Chairman

Dated: 8 November 2011



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## 6. Glossary of Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

**\$** means Australian dollars.

**Annual Report** means the financial report lodged by the Company with ASIC in respect to the year ended 30 June 2011 and includes the corporate directory, chairman's report, review of activities, Shareholder information, financial report of the Company and its controlled entities for the year ended 30 June 2011, together with a Directors' report in relation to that financial year and the auditor's report for the period to 30 June 2011.

**ASIC** means the Australian Securities and Investments Commission.

**ASTC** means ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532.

**ASX** means ASX Limited ABN 98 008 624 691 and where the context permits, the Australian Securities Exchange operated by ASX Limited.

**Board** means the Directors meeting as a board.

**Bonus Issue** means the offer in Section 1.1.

**Business Day** means Monday to Friday inclusive, other than a day that ASX declares is not a business day.

**CHESS** means ASX Clearing House Electronic Subregistry System.

**Company** or **VDM** means VDM Group Limited ACN 109 829 334.

**Constitution** means the constitution of the Company as at the date of this Prospectus.

**Corporations Act** means Corporations Act (Cth) 2001.

**Directors** mean the directors of the Company as at the date of this Prospectus.

**Eligible Shareholder** means a person registered as the holder of Shares on the Record Date whose registered address is in Australia and New Zealand.

**Entitlement** means the entitlement to Listed Options under the Bonus Issue as set out in Section 1.1.

**Issuer Sponsored** means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

**Listed Option** means an Option on the terms and conditions in Section 4.1.

**Listing Rules** means the listing rules of ASX.

**Official List** means the official list of ASX.

**Official Quotation** means quotation of Listed Options on the Official List.

**Option** means the right to acquire one Share in the capital of the Company.

**Optionholder** means a holder of Listed Options.

**Prospectus** means this prospectus dated in Section 5.

**Record Date** means 5:00pm (WST) on the date identified in the proposed timetable.

**Section** means a section of this Prospectus.

**Shareholder** means a holder of Shares.

**Share** means an ordinary fully paid share in the capital of the Company.

**WST** means Western Standard Time, being the time in Perth, Western Australia.

## Schedule 1 – Pro Forma Statement of Financial Position

	Audited 30 June 2011	Audited 30 June 2011 (Pro-Forma)
	\$'000	\$'000
<b>Current Assets</b>		
Cash	-	28,834
Trades and other receivables	46,852	46,852
Contracts in progress	25,822	25,822
Development properties	6,517	6,517
Inventories	4,851	4,851
Other	7,522	7,522
Non-current assets classified as held for sale	13,011	1,193
<b>Total Current Assets</b>	<b>104,575</b>	<b>121,591</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	62,918	62,918
Deferred tax assets	16,077	17,095
Intangibles assets	45,917	45,917
<b>Total Non-Current Assets</b>	<b>124,912</b>	<b>125,930</b>
<b>Total Assets</b>	<b>229,487</b>	<b>247,521</b>
<b>Current Liabilities</b>		
Trade and other payables	63,366	63,366
Current tax liabilities	-	-
Interest bearing liabilities	25,590	9,763
Provisions	7,075	7,075
<b>Total Current Liabilities</b>	<b>96,031</b>	<b>80,204</b>
<b>Non-Current Liabilities</b>		
Interest bearing liabilities	16,883	16,883
Deferred tax liabilities	8,273	8,273
Provisions	540	540
<b>Total Non-Current Liabilities</b>	<b>25,696</b>	<b>25,696</b>
<b>Total Liabilities</b>	<b>121,727</b>	<b>105,900</b>
<b>Net Assets</b>	<b>107,760</b>	<b>141,621</b>
<b>Equity</b>		
Contributed equity	214,112	248,594
Reserves	1,266	1,266
Retained earnings	(72,010)	(72,010)
Current year earnings	(35,608)	(36,229)
<b>Total Equity</b>	<b>107,760</b>	<b>141,621</b>

## **Basis of Preparation**

The pro forma statement of financial position has been prepared in accordance with the draft ASIC Guide to Disclosing Pro Forma Financial Information (issued July 2005). The pro forma statement of financial position is based on the audited statement of financial position as at 30 June 2011 that has then been adjusted to reflect the following material transactions:

### **Effect of the Bonus Issue and other pro forma adjustments**

- (a) The Bonus Issue will reduce the cash on hand held by the Company by approximately \$51,362, being the estimated costs of the Bonus Issue.
- (b) On 6 September 2011 the Company accepted an unconditional offer of \$11,818,000 net of costs for the sale of freehold land and buildings classified as non-current asset held for sale. This transaction was settled on 22 September 2011.
- (c) \$33,782,000 net of costs was raised and 724,717,914 new shares were allotted on 25 October 2011 pursuant to an entitlements offer (refer prospectus dated 8 July 2011 and supplementary prospectus dated 16 September) with the funds being used to extinguish the overdraft facility (and thereby retiring senior bank debt) and to augment working capital.