



ASX RELEASE

VDM progresses capital raising

Perth, 24 June 2011: VDM Group Ltd (ASX:VMG) continues to work with its advisers and other stakeholders in relation to its capital management strategies.

Update

The Company is proposing to make a pro-rata issue of shares to all shareholders on the basis of 5 new shares for every share held at an issue price of 5 cents per share to raise a minimum of \$28 million and a maximum of up to \$52 million. Shareholders will be afforded the opportunity to apply for shares in excess of their entitlement.

The proposed capital raising is subject to receipt of ASX waivers and finalisation of documentation from VDM's bank debt providers which are expected to be finalised next week. The Company intends to remain in suspension until the capital raising process is completed.

VDM has in excess of \$1 billion in tenders pending adjudication which is a record amount for the Company and also has a solid order book of over \$200 million.

The industry wide delays in the award of tenders has led to the decision by the Board that it is prudent to increase working capital and pay down or eliminate senior bank debt. This will allow the Company to retain sufficient operational capacity in the business to service anticipated new contracts. This coupled with the prevailing market volatility meant that the equity issue needed to be done at an appropriate discount.

The offer has been structured to ensure that shareholders supporting the company's endeavours will be best placed to access the opportunity associated with a renewal of contract activity.

Outlook

The delay in contract awards has resulted in second half FY11 revenue guidance of \$140 million. As a consequence full year FY11 EBITDA is expected to be in the order of \$5 - \$10 million before significant items. Significant items include an additional \$14 million in write-downs associated with legacy contracts in addition to the \$21 million goodwill impairment recorded in the first half. Total significant items are therefore expected to be around \$35 million. As a result, the Company expects to report a Net Loss After Tax incorporating significant items of between \$35 - \$40 million. The final result remains subject to audit and further review by the Board.

The Company's new management team has been frustrated by the delay in contract awards but has significant confidence in both the Company's capacity to deliver on services to its clients and in the proposition that the resources and oil & gas sectors' activities and the associated construction and maintenance work will continue.

In a sign of return in confidence of VDM's customer base, VDM is pleased to announce it has been awarded a number of small contracts totalling \$39 million since 1 January 2011 which includes a number of projects across the construction and contracting divisions.

In addition to the capital management initiatives outlined above, VDM Group is progressing the sale of its non-core property assets which are expected to raise an additional \$20 million.

The prospect of a resumption to more normal level of contract awards, coupled with a de-risked balance sheet, encourages the Board to believe that its normal target return on equity of 15 - 20% remains a valid and appropriate benchmark against which to measure the Company's performance.

The Board looks forward to providing further details of these arrangements.

Continuing Suspension

The Company's shares will remain suspended from trading until completion of the entitlement issue.

If the entitlement offer is not successful by raising the minimum and the Company is unable to source sufficient funds elsewhere, there is a real risk that the Company may default on its debt obligations. In those circumstances, the Company's lenders may wish to enforce their security over the Company's assets and sell those assets. Until the minimum subscription is received the financial viability of the Company remains uncertain and the Company is reliant on the continued support of its principal banker.

The directors are of the opinion that if the Company's shares do not remain in suspension throughout this period, the entitlement offer may not be successful and the Company's ability to remain financially viable will be uncertain.

Timetable

An indicative timetable for the entitlement issue is attached to this announcement as Annexure A (**Timetable**). The Company reserves the right to amend the Timetable without prior written notice. The timetable includes the date when it is expected that trading in the Company's shares will be reinstated.

–ENDS–

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About VDM Group

VDM Group is a design and construction company that services the mining, oil & gas, infrastructure, civil and transport sectors. VDM's highly skilled engineers that develop innovative technical solutions for clients and deliver projects that are cost effective, reliable and sustainable.

VDM's Construction projects include mine accommodation, mine upgrades, non-process infrastructure (workshops, support buildings, etc) and lifting the world's largest autogenously grinding mills. Contracting projects include land and marine earthworks, breakwaters, seawalls, mining services such as rock crushing, screening and ore handling, tailings dam construction. The Consulting Division offers structural, civil, environmental, master planning and specialised engineering services.

Annexure A – Timetable

Lodgement of Prospectus with ASIC and the ASX	27 June 2011
Notice of Meeting Dispatched	29 June 2011
"Ex date"	30 June 2011
Record Date for determining Entitlements	6 July 2011
Prospectus and Entitlement and Acceptance Form dispatched to Eligible Shareholders	7 July 2011
General Meeting to approve Entitlements Offer	29 July 2011
Closing Date*	2 August 2011
ASX notified of under subscriptions	4 August 2011
Anticipated date for allotment and issue of the New Shares**	5 August 2011
Anticipated date for dispatch of Shareholder statements**	5 August 2011
Suspension ends (trading recommences)	8 August 2011

* Subject to the Listing Rules, the Directors reserve the right to extend the Closing Date of the Entitlements Offer. Any extension of the Closing Date will have a consequential effect on the anticipated date for allotment and issue of the New Shares.

** Indicative date only