



OPERATIONS REVIEW: QUARTER ENDED 30 SEPTEMBER 2010

ANNOUNCEMENT

29 OCTOBER 2010

HIGHLIGHTS

- Revenue increased by approximately 95% from previous quarter.
- Continued restructure from OEM agency revenue to Nanjing factory production.
- Relocation and amalgamation of EMax Scooters completed.
- First shipments made to Spanish Postal Service, Spanish Postal Service Correos.
- First shipments made to Korea under OEM brand Italjet.
- Order book continues to grow.

CASH FLOW

Revenue for the September quarter increased by approximately 95% from the previous quarter, helped by sales from Vmoto Limited's ("Vmoto" or "the Company") wholly owned manufacturing facility in Nanjing, China ("Nanjing Facility"). Approximately 45% of the revenue still came from the small margin agency business, however this is expected to reduce dramatically going forward, as most of the existing agency contracts have now been concluded.

Approximately 55% of the revenue achieved in the quarter related to product manufactured at the Company's Nanjing Facility. With the exclusion of the agency business, gross margin on the product produced at Nanjing averaged 16% and is increasing as mass production gathers pace.

A number of high volume shipments manufactured late in the quarter were not invoiced until October 2010, and as such will be reported in the December quarter.

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The Company's cash flow began to improve during the quarter after significant reduction in running costs due to the final integration of the EMax electric scooter business into existing Vmoto operations and the streamlining of the production process with the commencement of mass production. Overall operating expenditure was reduced by nearly A\$450,000, a reduction of approximately 25% in comparison to the previous quarter, despite a one off charge of nearly A\$120,000 associated with the recent showing of the Company's products at a number of European motorcycle shows.

OPERATIONAL SUMMARY

Australia and New Zealand

The September quarter covers the winter period for the Australian and New Zealand markets, however sales continued steadily in both countries. The new distributor for Australia, StuRay, which is run by Ray Rooney, has had an immediate impact, with 11 new dealers appointed during the period. This is anticipated to help boost sales significantly in the summer months.

During the quarter, the new Vmoto Electric demonstration scooters arrived in Australia and New Zealand and enabled the distributors to achieve pre-sales of over 50% of the first cargos of scooters, due to arrive in Perth and Auckland in October and November 2010.

Despite only having demonstration vehicles available, orders have also been taken for 108 Scarfts for delivery into the Australian and New Zealand markets before 31 December 2010.

Europe

Vmoto's European operations also had an extremely busy quarter preparing for a number of motorcycle shows scheduled to take place throughout Europe between September and December 2010. In October, Vmoto will have the largest electric scooter display at the Intermot Motorcycle Show in Cologne Germany, the world's premier motorcycle show. Expressions of interest received prior to the show from many worldwide potential distributors are currently being dealt with and it is expected that distribution agreements will be signed at and after the show in October.

During the period, Correos, the Spanish Postal Service, took delivery of the first 110 postal delivery scooters manufactured by Vmoto at the Nanjing Facility. This contract was facilitated by Vmoto Europe and the team, led by Director of European Operations Carlos Sotelo. On the back of the Vmoto Electric scooters excellent performance in the field, Correos have ordered another 100 units for delivery in November 2010.

The European team has also spent the last 3 months travelling to former EMax dealers in Germany, Spain and other European countries to explain what changes have taken place

as a result of the acquisition of EMax by Vmoto and re-establishing many of these dealerships with Vmoto. Over 70 new dealers came on board during the period.

China

Operations at Vmoto China and the Nanjing Facility continued at a frantic pace in anticipation of a growing order book after the European motorcycle shows. Only 744 units were manufactured and shipped from Nanjing within the period, however many more were being prepared for assembly, with shipment planned for the December quarter.

It is expected that sales will increase by nearly 300% percent, to nearly 3000 units, in the December quarter, based on contracted orders now in place. This sudden surge in sales has meant a huge amount of planning and cash control management, however the Company is pleased to confirm it has now put everything in place to meet this demand.

The increase in ordered quantities is very pleasing for Vmoto management and comes on the back of very good reviews of the Company's Vietnamese scooter at the customer level in Vietnam, together with the abovementioned increased interest in the Scartt and Vmoto Electric scooters.

During the September quarter, Vmoto also made a shipment of 75 petrol scooters utilizing its patented 125cc water cooled fuel injected engines to Italjet in Korea. The Korean scooter market is estimated at nearly 2 million units per annum and this was a small, but significant shipment, made under a licensing agreement with Italjet as the scooter brand. Italjet are a highly reputable Italian motorcycle brand and have an 80 year history in the industry. They are synonymous with quality and performance and it is a huge credit to Vmoto's manufacturing operations that we now manufacture for Italjet, Korea.

Manufacture of the Vectrix VX2 electric scooters also commenced during the quarter and has progressed well. The first VX2 scooters are ready for shipping to the United States, with the first shipment of 75 scooters due to depart in the first week of November.

Construction of Stage 2 of the Nanjing Facility is also on schedule and on budget and is expected to be at lock up stage in late November 2010. This new section of the Nanjing Facility has been earmarked for the exclusive manufacture of electric scooters and is expected to be partly operational in December 2010, and fully operational by the end of January 2011.

Stages 1 and 2 will enable Vmoto to meet an ever increasing demand for its products into 2011 and beyond. Negotiations are also currently continuing on Stage 3 land acquisition, which will provide even more capacity for growth.

Other

The Vmoto marketing team has been busy during the quarter dealing with customers in other countries such as Brazil, South Africa and Malaysia. Samples have been evaluated and contracts with various parties in these countries are in the advanced stages of negotiation.

CORPORATE

Post the end of the quarter, as announced on 15 October 2010, Vmoto received firm commitment to raise \$1,000,000 (before costs) via a placement of 8,333,334 fully paid ordinary shares ("Shares") in two tranches, at an issue price of \$0.12 each ("Placement"). Tranche 1, comprising 4,166,668 of the Placement Shares, was issued immediately, pursuant to the Company's existing 15% placement capacity. Tranche 2, comprising the remaining 4,166,666 of the Placement Shares is expected to be issued in mid November 2010.

At the same time, the Company secured a debt facility of \$5,000,000 for working capital purposes, on the terms and conditions announced on 15 October 2010.

SUMMARY

The September quarter was another extremely busy one for Vmoto, with the Company's executive team concentrating on marketing, sales and manufacture, rather than restructure and acquisitions which have demanded attention in previous quarters. This is in fact the first quarter in the last four where an acquisition has not been undertaken by the Company and, with none planned in the immediate future, management is now heavily focused on marketing, sales and manufacture.

The immediate results of management's change in focus include:

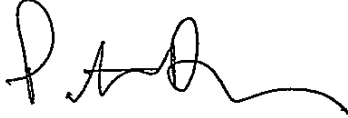
1. Increase in revenue following sales book increases after concentrated marketing;
2. Increase in margins as reliance on agency business decreases and mass production begins;
3. Reduction in costs as legal, travel, premises, and general administration costs reduce following the conclusion of strategic acquisitions.

The above mentioned are seen to be the key issues impacting on profitability of the Company moving forward.

This has once again been a pivotal quarter in Vmoto's march toward profitability. The Company is now strategically placed to increase sales consistently and is confident that the December quarter will provide a maiden profit for the Vmoto Group.

We thank shareholders for their continued confidence and support.

Yours faithfully



Patrick Davin

Managing Director

About Vmoto

Perth based Vmoto Limited is a global scooter manufacturing and distribution group listed on the Australian Stock Exchange. The Company specialises in the manufacture of patent protected small cc petrol scooters and engines, electric scooters and 4WD all terrain vehicles. Vmoto has offices in Perth and Barcelona and a wholly owned manufacturing facility in Nanjing China. It distributes to over 100 countries world wide.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

VMOTO LIMITED

ABN

36 098 455 460

Quarter ended ("current quarter")

30 September 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from customers	2,552	2,552
1.2 Payments for		
(a) staff costs	(520)	(520)
(b) advertising and marketing	(118)	(118)
(c) research and development	(9)	(9)
(d) leased assets	(4)	(4)
(e) other working capital (including inventories)	(3,857)	(3,857)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	2
1.5 Interest and other costs of finance paid	(40)	(40)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	5	5
Net operating cash flows	(1,989)	(1,989)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,989)	(1,989)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	(3)	(3)
(d) physical non-current assets	(642)	(642)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (net cash acquired on acquisition of subsidiary)	-	-
Net investing cash flows	(645)	(645)
1.14 Total operating and investing cash flows	(2,634)	(2,634)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	811	811
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
Net financing cash flows	811	811
Net increase (decrease) in cash held	(1,823)	(1,823)
1.21 Cash at beginning of quarter/year to date	2,590	2,590
1.22 Exchange rate adjustments to item 1.21	(205)	(205)
1.23 Cash at end of quarter	562	562

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	165
	Aggregate amount of payments to the parties included in item 1.18	-
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	<div style="display: flex; justify-content: space-between;"> <div> Payments include: Executive Directors' remuneration Non-Executive Director's remuneration </div> <div style="text-align: right;"> \$A'000 151 14 <hr/> 165 </div> </div>	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

- a) On 21 July 2010, 22,400,000 shares were issued to minority shareholders of E-Max at deemed issue price of 20 cents each as consideration to acquire the remaining 40% interest in the new company formed to acquire assets and intellectual property from E-Max.

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	2,304	2,304
3.2 Credit standby arrangements*	-	-

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	512	2,390
4.2 Deposits at call	50	200
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	562	2,590

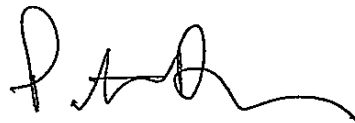
Acquisitions and disposals of business entities

	Acquisitions (Items 1.13 and 2.1)	Disposals (Item 1.10(a))
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: **29 October 2010**
(Managing Director)

Print name: **Patrick Davin**

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.