VICTORY MINES LIMITED

ABN 39 151 900 855

And Controlled Entity

Annual Report

For the period 4 July 2011 to 30 June 2012

Victory Mines Limited
ABN 39 151 900 855

CONTENTS

DIRECTORS' REPORT

Your directors present the following report on Victory Mines Limited ("the Company") and its wholly owned subsidiary Victory Exploration Pty Ltd (together referred to hereafter as "the Group") for the financial period 4 July 2011 to 30 June 2012.

DIRECTORS

The names of directors in office at any time during or since the end of the period are:

James Ellingford	Non-Executive Chairman (appointed 8 November 2011)
Danny Costick	Managing Director (appointed 23 January 2012)
Peter Peebles	Executive Director (appointed 22 September 2011)
Ashley Hood	Non-Executive Director (appointed 22 September 2011)
Adam Blumenthal	Non-Executive Director (appointed 21 September 2011, resigned 21 December 2011)
Andrew Mortimer	Non-Executive Director (appointed 4 July 2011, resigned 21 September 2011)

Unless noted above, all directors have been in office since the start of the financial period to the date of this report.

COMPANY SECRETARY

The following persons held the position of company secretary during the financial period:

- Elizabeth Hunt (Appointed 7 October 2011)
- Gillian Darby (Appointed 4 July 2011, Resigned 23 November 2011)

Details of Ms Hunt's experience are set out below under 'Information on Directors'

PRINCIPAL ACTIVITIES

The Company was incorporated on 4 July 2011 for the purpose of acquiring exploration assets and with a view to achieving ASX quotation once suitable assets were identified.

On 4 July 2012 the Company lodged an Initial Public Offering Prospectus to raise $4 million by the issue of 20 million shares at $0.20 per share, with oversubscriptions of up to an additional $2 million at $0.20 per share offered.

OPERATING RESULTS

The loss of the Group after providing for income tax amounted to $596,884.

FINANCIAL POSITION

As at 30 June 2012 the Group had a cash balance of $196,065 and a net asset position of $497,012.

DIVIDENDS PAID OR RECOMMENDED

No dividends have been paid, and the directors do not recommend the payment of a dividend for the financial period ended 30 June 2012.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 8 December 2011 the Company converted to a public company.

On 27 February 2012 the Company incorporated a wholly owned subsidiary Victory Exploration Pty Ltd.

During the financial period, the following shares and options were issued.

SHARES	**2012 No.**
Incorporation shares	1
Promoter shares	23,500,000
Vendor shares	5,750,000
Seed shares	17,166,000
OPTIONS	
20c options expiring 3 years from ASX listing	41,500,000
40c options expiring 3 years from ASX listing	4,658,000

In the opinion of the directors, there were no other significant changes in the state of affairs of the Company that occurred during the period under review not otherwise disclosed in this report or in the financial report.

REVIEW OF OPERATIONS

Victory Mines Limited (proposed ASX code: VIC) ("Victory" or "the Company") has lodged a prospectus with ASX to enable active exploration to be undertaken in Western Australia. The Company has conditional rights to exciting prospective rare earth and copper projects and will systematically test the mineral endowment of each. Other commodities to be tested for include base metals, gold, platinum group elements (PGE's) and uranium.

The **Jungle Well Rare Earth Project** (upon listing Victory to hold 70%) is located some 40km south west of Leonora in Western Australia and approximately 150km west of the rare earth mine owned and operated by Lynas Corporation. During the year, sampling of existing trenches was conducted and the presence of rare earth elements confirmed by Victory. Total rare earth element (TREE) sample grades within the trenches from previous exploration ranged up to 12.8% total rare earth oxides (TREO) from 8 trenches with average of 5% TREO. In the coming year, Victory plans to conduct geophysical testwork including airborne magnetic and radiometric sampling to gain an understanding of the prospectivity of the entire property followed by on-ground exploration.

The **Clara Hills Copper Project** (upon listing Victory to hold the right to earn up to approximately 63.75%) is located some 100km north east of Derby in the Kimberley province of Western Australia. During the year, a ground based geochemical program was conducted including further rock chip sampling and a maiden soil sampling program. Results confirmed four valid targets including gossans returning copper grades from 0.002% to 6.61% copper and nickel grades from below the level of detection to 0.61% nickel. Gold ranged from below the level of detection to 0.31g/t, PGEs ranged from below the level of detection to 0.77g/t and silver ranged from below the level of detection to 10.8g/t with extended anomalous zones of copper mineralisation identified through the soil sampling. In the coming year, Victory plans to continue reconnaissance testwork and conduct drill testing of valid targets.

The **Yerrida Basin Copper Project** (upon listing, Victory to hold 70%) consists of the Great Doolgunna and Station Bore. Both tenements are located north west of Wiluna, Western Australia, located in an emerging copper belt and is considered favourable for copper mineralisation. During the year, airborne geophysical surveys were undertaken to test the magnetic and radiometric signatures. At year end the survey had not been evaluated. In the coming year, Victory plans to evaluate the testwork and follow up with on-ground reconnaissance.

The **Laverton Project** (upon listing, Victory to hold 70%) is located some 20km north of Laverton in the north eastern goldfields of Western Australia. The planned exploration focus is rare earth elements. During the year, a brief site visit and review of previous data supported the ongoing exploration effort. Ongoing exploration to test the potential of the project is planned for the coming year.

The **Lake Barlee Project** (upon listing, Victory to hold 100%) is located some 230km north west of Kalgoorlie–Boulder in Western Australia. No field work was conducted in the year.

Should the Company successfully list on ASX, there are programs in place to undertake exploration activities as set out in the Prospectus dated 4 July 2012.

COMPETENT PERSON'S STATEMENT

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Peter Peebles, who is a Member of the Australian Institute of Mining and Metallurgy. Mr Peebles is the technical director of Victory and provided consultancy services to the company. Mr Peebles has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity for which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Peebles consents to the inclusion in the reports of the matters based on his information in the form and context in which it appears.

EVENTS AFTER THE REPORTING PERIOD

On 4 July 2012 the Company lodged an Initial Public Offering Prospectus to raise $4 million by the issue of 20 million shares at $0.20 per share, with oversubscriptions of up to an additional $2 million at $0.20 per share offered.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

INFORMATION ON DIRECTORS

Dr James Ellingford	***Non-Executive Chairman***
D.Mgt, MBA, Post Grad Corp Man, AICD Non-Executive Chairman	Dr Ellingford's professional life culminated in being President of an international publicly listed billion dollar business with its headquarters in Geneva, Switzerland and New York, USA. He has vast experience in the international arena and has successfully developed close ties with both financial institutions as well as governments throughout the world. Dr Ellingford holds a Post Graduate in Corporate Management, a Masters in Business Administration as well as a Doctorate in Management. Dr Ellingford also lecturers MBA students in Corporate Governance at a leading Sydney University and has a keen interest in ethics and governance.
Interest in Shares and Options	500,000 fully paid ordinary shares 1,250,000 options exercisable at $0.20 2 years from the date of ASX listing
Directorships held in other listed entities	None
Mr Danny Costick	***Managing Director***
B Eng MSc Managing Director	Mr Costick has over 25 years' experience including over 5 years in corporate roles with ASX listed companies Hemisphere Resources Limited and Aruma Resources Limited. Operational roles include mineral exploration, mine production, mine and operations management within Australia and internationally. Mr Costick holds a Bachelor of

	Engineering in Mining Engineering, a Master of Science in Mineral Economics and a Western Australian First Class Mine Manager's Certificate of Competency.
Interest in Shares and Options	1,000,000 options exercisable at $0.20 2 years from the date of ASX listing
Directorships held in other listed entities	– Hemisphere Resources Limited (6 October 2006 to 27 March 2012) – Aruma Resources Limited (5 January 2010 to 27 March 2012)
Mr Peter Peebles	***Executive Director (Technical)***
BA (Esc), MAusIMM, AIG Executive Director	Mr Peebles is a geologist, with 25 years' experience in gold, manganese, lateritic nickel, uranium, iron ore and base metals. He has worked extensively within the Yilgarn and Pilbara regions of Western Australia as well as in the Kimberley. He has also worked in the Philippines and New Zealand. He has been Exploration Manager, Project Manager and Mine Manager for both large and small public companies as well as being a consultant geologist. Mr Peebles is Victory Mines' Technical Director and is currently the Exploration Manager for two public companies. He is a Member of the Australasian Institute of Mining and Metallurgy and a member of the Australian Institute of Geoscientists.
Interest in Shares and Options	450,000 fully paid ordinary shares 250,000 options exercisable at $0.20 2 years from the date of ASX listing
Directorships held in other listed entities	None
Mr Ashley Hood	***Non-Executive Director***
	Mr Hood has over twelve years' experience in the mining industry working in exploration and operations for junior and large miners including Anglo Gold Ashanti. Mr Hood has broad senior management experience, delivering exploration outcomes through all aspects of project management. Mr Hood's skills in people management, project planning and contractual negotiations are supported by experience in exploration and mining activities from JORC resource definitions, mining licence applications, various mining & finance studies to geophysical / geochemistry programs on some of Australia's major exploration and JORC projects. Mr Hood is a Director of XTL Energy International Limited, an international energy developer with international technology licencing agreements also Mr Hood is on the board of other ASX and TSX listed companies and COO for two ASX companies. Mr Hood is currently completing his Masters of Business Degree at the University of Technology, Sydney
Interest in Shares and Options	350,000 fully paid ordinary shares 250,000 options exercisable at $0.20 2 years from the date of ASX listing

Directorships held in other listed entities	– Global Metals Exploration NL (since 20 January 2011). – Metal Bank Limited (resigned May 2011).

Mrs Elizabeth Hunt BSc, MAcc, CSA(Cert), AAICD	***Company Secretary*** Mrs Hunt has been employed by Mining Corporate for six years and has eight years corporate and accounting experience. Mrs Hunt has been involved in the IPO management, corporate advisory and company secretarial services, financial accounting and reporting and ASX and ASIC compliance management. Mrs Hunt has completed a Masters of Accounting at Curtin University and the Chartered Secretaries of Australia Certificate in Governance and Risk Management. Mrs Hunt is currently also Company Secretary of Stratum Metals Limited.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director of Victory Mines Ltd and for the executives receiving the highest remuneration.

1. Employment Agreements

Mr Danny Costick currently works for the Company in an executive capacity as Managing Director. Mr Costick's contract is for a term of 3 years from the commencement date with the option to extend for a further 3 years. Under the terms of the agreement, Mr Costick's annual salary is $300,000 plus superannuation. The Company may terminate Mr Costick's contract by giving Mr Costick a minimum of 3 months written notice or by paying Mr Costick 3 months' salary in lieu of notice. Mr Costick may terminate the contract by giving 3 months written notice to the Company.

Mr Peter Peebles currently works for the Company in an executive capacity as an Executive Technical Director. Mr Peebles' contract is for a term of 3 years from the commencement date with the option to extend for a further 3 years. Under the terms of the agreement, Mr Peebles' annual salary is $15,000 including superannuation. Annually the Company will issue Mr Peebles 100,000 shares and 100,000 options (these shares and options cannot have a monetary value of more than $100,000 combined). The Company may terminate Mr Peebles' contract by giving Mr Peebles a minimum of 3 months written notice or by paying Mr Peebles 3 months' salary in lieu of notice. Mr Peebles may terminate the contract by giving 3 months written notice to the Company.

Appointments of non-executive directors James Ellingford and Ashley Hood are formalised in the form of service agreements between themselves and the Company. Their engagements have no fixed term but cease on their resignation or removal as a director in accordance with the Corporations Act. Mr Hood is entitled to receive directors' fees of $40,000 per annum including statutory superannuation. Dr Ellingford is entitled to receive directors' fees of $130,000 per annum including statutory superannuation. Annually the Company will issue Mr Hood 100,000 shares and 100,000 options (these shares and options cannot have a monetary value of more than $100,000 combined) and Dr Ellingford 250,000 shares and 500,000 options, subject to shareholder approval. The service agreements state that this would occur from the date of listing with the ASX.

2. Remuneration policy

The Company's remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. Currently those long-term incentives include shares and options acquired by the executives prior to the Australian Securities Exchange listing of the Company. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and are entitled to the issue of share options. The Board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Company's shareholders' value. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the Board's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive director receives a superannuation guarantee contribution required by the government, which is currently 9%, and does not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed, or capitalised to exploration expenditure if appropriate. Options, if given to directors and executives in lieu of remuneration, are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee share option plan.

3. Options issued as part of remuneration for the period ended 30 June 2012

2,750,000 unlisted options were issued to Directors as part of their remuneration during the period. The options were not issued based on performance criteria, but are issued to Directors of Victory Mines Limited to increase goal congruence between Directors and shareholders.

The Company has established an employee share option plan. During the period no options were issued to employees as part of their remuneration under the employee share option plan.

4. Details of remuneration for the period ended 30 June 2012

The remuneration for each key management personnel of the Company during the period was as follows:

Key Management Person	Short-term Benefits	Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Value of Options Remuneration	Performance Related
	Cash, salary & commissions	Super-annuation	Other	Equity	Options			
	$	$	$	$	$	$	%	%
Directors								
Danny Costick	125,000	11,250	-	-	-	136,250	-	-
James Ellingford	81,248	-	-	-	-	81,248	-	-
Peter Peebles	-	-	-	55,151	-	55,151	-	-
Ashley Hood	-	-	-	60,096	-	60,096	-	-
Adam Blumenthal	-	-	-	-	-	-	-	-
	206,248	**11,250**	**-**	**115,247**	**-**	**332,745**	**-**	**-**

Mining Corporate Pty Ltd, a company of which the Company Secretary, Mrs Elizabeth Hunt is an employee, was paid or due to be paid $50,000 for IPO Management services.

Peter Peebles and Ashley Hood were issued equivalent $45,000 and $35,000 respectively as share based payments as per their contract agreements with Victory Mines. During the year Darlington Geological Services were paid $18,700 for Geological services performed by Peter Peebles.

During the year, Belloc Pty Ltd a company of which Adam Blumenthal is a director received $100,000 for consulting services.

4. Details of remuneration for the period ended 30 June 2012

Remuneration information for the 2011 financial year is not applicable as this is the Company's first reporting period since incorporation.

5. Options and Rights Over Equity Instruments Granted as Compensation

Details of options over ordinary shares in the Company that were granted as compensation to each key management person during the period and details of options that were vested during the period are as follows:

Director/Key Management Personnel	Number Options Granted During Period	Grant Date	Fair Value per Option at Grant Date	Exercise Price per Option	Expiry Date	Number Options Vested During Period
James Ellingford	1,250,000	21 October 2011	-	$0.20	3 years from the date of ASX listing	1,250,000
Danny Costick	1,000,000	21 October 2011	-	$0.20	3 years from the date of ASX listing	1,000,000
Peter Peebles	250,000	1 March 2012	-	$0.20	3 years from the date of ASX listing	250,000
Ashley Hood	250,000	1 March 2012	-	$0.20	3 years from the date of ASX listing	250,000

The Company was not listed as at 30 June 2012. Currently there is no active market rate for the options. As such, the fair value of options is nil. No options have been exercised or lapsed during the period.

End of Remuneration Report

MEETINGS OF DIRECTORS

During the financial period, 3 meetings of directors were held. Attendances by each director during the period were as follows:

	Due Dilligence Committee Meetings	
	Number eligible to attend	Number attended
Peter Peebles	3	3
Ashley Hood	3	3
James Ellingford	3	3
Danny Costick	2	2
Adam Blumenthal	2	2
Andrew Mortimer	1	1

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Further information, other than as disclosed this report, about likely developments in the operations of the Company and the expected results of those operations in future periods has not been included in this report as disclosure of this information would be likely to result in unreasonable prejudice to the Company.

ENVIRONMENTAL ISSUES

The Company's operations are subject to significant environmental regulation under the law of the Commonwealth and State in relation to discharge of hazardous waste and materials arising from any mining activities and development conducted by the Company on any of its tenements. To date the Company has only carried out exploration activities and there have been no known breaches of any environmental obligations.

The directors have considered the National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the Company for the current, nor subsequent financial period. The directors will reassess this position as and when the need arises.

INDEMNIFYING AND INSURANCE OF OFFICERS

The Company has entered into deeds of indemnity with each director whereby, to the extent permitted by the Corporations Act 2001, the Company agreed to indemnify each director against all loss and liability incurred as an officer of the Company, including all liability in defending any relevant proceedings.

The Company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The disclosure of the amount of the premium is prohibited by the insurance policy.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the period.

OPTIONS

At the date of this report, the unissued ordinary shares of Victory Mines Limited under option are as follows:

Issue Date	Date of Expiry	Exercise Price	Number under Option
$0.20 options	3 years from listing	$0.20	41,500,000
$0.40 options	3 years from listing	$0.40	4,658,000

During the period ended 30 June 2012, no ordinary shares of Victory Mines Limited were issued on the exercise of options. No further shares have been issued as a result of the exercise of options since year end.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

NON-AUDIT SERVICES

The following fees were paid or payable to the external auditors for non audit services provided during the period ended 30 June 2012.

- investigating accountants report	$7,000

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended 30 June 2012 has been received and can be found on page 12 of the directors' report.

Signed in accordance with a resolution of the Board of Directors.

Danny Costick

Managing Director
Dated this 7th day of September 2012

Bentleys
THINKING AHEAD

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the audit of the financial statements of Victory Mines Limited and Controlled Entities for the financial period ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 7th day of September 2012

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Accountants
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Independent Auditor's Report

To the Members of Victory Mines Limited

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We have audited the accompanying financial report of Victory Mines Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled at the period's end or from time to time during the financial period.

Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

a. The financial report of Victory Mines Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2012 and of its performance for the period ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

b. The financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1a in the financial report which indicates that the company incurred a net loss of $596,884 during the period ended 30 June 2012. This condition, along with other matters as set forth in Note 1a, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the company to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in directors' report of the period ended 30 June 2012. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Victory Mines Limited for the period ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 7th day of September 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 4 JULY 2011 TO 30 JUNE 2012

	Note	4 July 2011 to 30 June 2012 $
Revenue		-
Administration expenses		(222,476)
Directors fees		(143,748)
Exploration expenditure written off	7	(14,398)
Travel and accommodation		(101,015)
Share based payments	11	(115,247)
Loss before income tax expense		(596,884)
Income tax expense	2	-
Loss for the period		(596,884)
Other comprehensive income		-
Other Comprehensive Income for the period, net of tax		-
Total comprehensive income attributable to members of the parent entity		(596,884)
Loss Per Share		
Basic and diluted loss per share (cents per share)	3	(2.11)

The accompanying notes form part of these financial statements.

Victory Mines Limited

ABN 39 151 900 855

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	2012 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	4	196,065
Trade and other receivables	5	19,258
Other assets	6	33,641
Deferred capital raising costs	6 (a)	298,324
TOTAL CURRENT ASSETS		**547,288**
NON-CURRENT ASSETS		
Exploration and evaluation expenditure	7	110,200
TOTAL NON-CURRENT ASSETS		**110,200**
TOTAL ASSETS		**657,488**
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	8	160,476
TOTAL CURRENT LIABILITIES		**160,476**
TOTAL LIABILITIES		**160,476**
NET ASSETS		**497,012**
EQUITY		
Issued capital	9	1,093,726
Reserves		170
Accumulated losses		(596,884)
TOTAL EQUITY		**497,012**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 4 JULY 2011 TO 30 JUNE 2012

	Issued Capital	Reserves	Accumulated losses	Total
	$	$	$	$
Balance at 4 July 2011				
Loss for the period	-	-	(596,884)	(596,884)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(596,884)	(596,884)
Transactions with owner directly recorded in equity				
Shares issued during the period	1,093,726	-	-	1,093,726
Options issued during the period	-	170	-	170
Balance at 30 June 2012	**1,093,726**	**170**	**(596,884)**	**497,012**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 4 JULY 2011 TO 30 JUNE 2012

	Note	4 July 2011 to 30 June 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees		(416,032)
Exploration and evaluation expenditure		(63,949)
Net cash (used in) operating activities	13	**(479,981)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation assets		(105,000)
Net cash (used in) provided by investing activities		**(105,000)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares		1,012,696
Payment of transaction costs associated with capital raising		(231,650)
Net cash provided by financing activities		781,046
Net increase/ (decrease) in cash held		196,065
Cash at beginning of financial period		-
Cash at end of financial period	4	**196,065**

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements and notes represent those of Victory Mines Limited and Controlled Entities (the "Company"). Victory Mines is a public Company, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 7th September 2012 by the directors of the Company.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report is presented in Australian dollars.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected financial assets for which the fair value basis of accounting has been applied.

Comparatives

Victory Mines Limited was incorporated on 4 July 2011 and this is the Company's first financial report since incorporation. As a result there are no comparatives to include in the 30 June 2012 financial report.

Accounting Policies

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

a) **Going Concern**

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Company incurred a loss for the period of $596,884 and net cash outflows from operating and investing activities of $584,981.

The ability of the Company to continue as a going concern is principally dependent upon the ability of the Company successfully raising capital via an initial public offering on the Australian Securities Exchange (ASX) and managing cashflow in line with available funds. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern. In the event the above matters are not achieved, the Company will be required to raise funds for working capital from equity sources.

The directors have prepared a cash flow forecast, which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Company's history of raising capital to date, the directors are confident of the Company's ability to raise additional funds as and when they are required.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Should the Company be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

b) Income Tax

The income tax expense (revenue) for the period comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Plant and Equipment

Items of plant and equipment are measured on the cost basis.
The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Office equipment	40.0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss. When re-valued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

d) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the period in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one period of abandoning the site.

e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

f) Financial Instruments

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as ‘at fair value through profit or loss’, in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

a) the amount at which the financial asset or financial liability is measured at initial recognition;

b) less principal repayments;

c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

d) less any reduction for impairment.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Company does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

- Financial assets at fair value through profit and loss

Financial assets are classified 'at fair value through profit or loss' when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance valuation where a Company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in the carrying value being included in profit or loss.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets).

g) **Financial Instruments**

- Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets).

If during the period the Company sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

- Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets).

- Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

h) **Impairment of Assets**

At the end of each reporting date, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

i) **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within a 12 month period have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity-settled compensation

The Company operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black –Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

j) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 3 months or less.

l) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

m) Borrowing Costs

All borrowing costs are recognised as expense in the period in which they are incurred.

n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

o) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Exploration and Evaluation Expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at balance date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in note 1(d).

Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 16.

For equity transactions with consultants and other employees, the fair value reflects the value attributable to services where applicable. Where there is no quantifiable value of services the value of options is calculated using the Black and Scholes option pricing model.

Principles of Consolidation

A controlled entity is an entity over which Victory Mines Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

On 27 February 2012, the Company incorporated wholly owned subsidiary ($1) being, Victory Exploration Pty Ltd.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have be included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) **New accounting standards for application in future periods**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to early adopt any of the new and amended pronouncements. The Company's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

– AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Company has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) New accounting standards for application in future periods

– AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments are not expected to significantly impact the Company.

– AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Company has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Company.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) **New accounting standards for application in future periods**

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Company.

– AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009–11, 2010–7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are not expected to significantly impact the Company.

– AASB 2011–9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to company items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is therefore not expected to significantly impact the Company.

– AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011–8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Company does not have any defined benefit plans and so is not impacted by the amendment.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

(i) for an offer that may be withdrawn – when the employee accepts;
(ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and
(iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The Company has not yet been able to reasonably estimate the impact of these changes to AASB 119.

NOTE 2: INCOME TAX EXPENSE

	2012 $
a. Recognised in the income statement:	
Current tax	-
Deferred tax	-
Income tax as reported in the statement of comprehensive income	-
b. Reconciliation of income tax expense to prima facie tax payable:	
Loss from ordinary activities before income tax expense	(596,784)
Prima facie tax benefit on loss from ordinary activities before income tax at 30%	(179,035)
Increase in income tax due to:	
- Non-deductible expenses	35,820
- Current period tax losses not recognised	161,115
Decrease in income tax expense due to:	
- Deductible equity raising costs	(17,900)
Income tax attributable to operating loss	-
c. Recognised deferred tax assets	
Tax losses	24,621
Accruals	6,375
Plant & Equipment	-
Previously Expensed Blackhole Costs	2,064
Total	(33,060)
Less: Set off of deferred tax liabilities	-
Net deferred tax asset	-
d. Recognised deferred tax liabilities	
Exploration expenditure	33,060
Prepayments	-
Total	33,060
Less: Set off of deferred tax assets	33,060
Net deferred tax liabilities	-

NOTE 2: INCOME TAX EXPENSE

	2012 $
e. Unused tax losses and temporary differences for which no deferred tax asset has been recognised at 30%:	
Deferred tax assets have not been recognised in respect of the following (30%):	
Deductible temporary differences	71,598
Tax revenue losses	161,115
Other	-
Total Unrecognised deferred tax assets (30%)	232,713

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2012 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
- no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the loss and exploration expenditure.

NOTE 3: EARNINGS PER SHARE

	Cents per share
Basic and diluted loss per share	(2.11)

The loss and weighted average number of ordinary shares used in this calculation of basic and diluted loss per share are as follows:

	$
Loss	(596,884)

	Number
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	28,316,979

As the Company is in a loss position the options outstanding at 30 June 2012 have no dilutive effects on the earnings per share calculation.

	2012 $
NOTE 4: CASH AND CASH EQUIVALENTS	
Cash at bank	**196,065**
NOTE 5: TRADE AND OTHER RECEIVABLES	
Current	
GST receivable	19,009
Other	249
	19,258
NOTE 6: OTHER ASSETS	
Current	
Prepayments	13,641
Security Bond	20,000
	33,641
NOTE 6 (a): DEFERRED CAPITAL RAISING COSTS	
Capital Raising Costs	237,928
Prospectus Preparation	60,396
	298,324
NOTE 7: EXPLORATION AND EVALUATION EXPENDITURE	
Exploration expenditure capitalised	
- Exploration and evaluation phase	110,200
A reconciliation of the carrying amount of exploration and evaluation expenditure is set out below:	
- Carrying amount at the beginning of the period	-
- Costs capitalised during the period	124,598
- Costs written off during the period	(14,398)
Carrying amount at the end of the period	110,200

Note 7: EXPLORATION AND EVALUATION EXPENDITURE

The value of the Company's interest in exploration expenditure is dependent upon:

- the continuance of the Company's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Company's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

NOTE 8: TRADE AND OTHER PAYABLES

	2012
	$
Current	
Sundry payables and accrued expenses	160,476

Trade creditors are expected to be paid on 30 day terms.

NOTE 9: ISSUED CAPITAL

	2012 No.	2012 $
Fully paid ordinary shares with no par value	-	-
Movement in ordinary shares		
Balance at beginning of period	**-**	**-**
Incorporation shares issued on 4 July 2011	1	1
Promoter shares issued on 10 October 2011	3,500,000	350
Promoter shares issued on 21 October 2011	18,150,000	1,815
Promoter shares issued on 28 October 2011	1,850,000	185
Vendor shares issued on 10 October 2011	2,000,000	200
Vendor shares issued on 21 October 2011	3,750,000	375
Seed shares issued on 1 November 2011	1,400,000	70,000
Seed shares issued on 14 November 2011	3,516,000	175,800
Seed shares issued on 16 November 2011	2,300,000	115,000
Seed shares issued on 25 November 2011	1,100,000	55,000
Seed shares issued on 20 December 2011	1,000,000	50,000
Seed shares issued on 2 February 2012	700,000	70,000
Seed shares issued on 10 February 2012	700,000	70,000
Seed shares issued on 22 February 2012	2,200,000	220,000
Seed shares issued on 1 March 2012	900,000	90,000
Seed shares issued on 9 March 2012	1,750,000	175,000
Less:Transaction costs arising from issue of shares		-
Balance at reporting date	**44,816,001**	**1,093,726**

Terms and conditions of issued capital

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Note 9: ISSUED CAPITAL

Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders.

The Company's capital includes ordinary share capital and financial liabilities, supported by financial assets.

Due to the nature of the Company's activities, being mineral exploration, it does not have ready access to credit facilities, with the primary source of funding being equity raisings. Accordingly, the objective of the Company's capital risk management is to balance the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

	2012
	$
Cash and cash equivalents	196,065
Trade and other receivables	19,258
Other assets	33,641
Trade and other payables	(160,476)
Working capital position	88,488

NOTE 10: OPTIONS

A summary of the movements of all company options issued is as follows:

	Number	**Weighted Average Exercise Price ($)**
Options outstanding as at 4 July 2011		
Issued	46,158,000	0.22
Forfeited	-	-
Exercised	-	-
Expired	-	-
Options outstanding as at 30 June 2012	46,158,000	0.22
Options exercisable as at 30 June 2012	46,158,000	0.22

The 5,450,000 unlisted options issued to directors and consultants are subject to an escrow period of 24 months from date of ASX listing.

The 40,708,000 unlisted options issued to vendors are subject to an escrow period of 12 months from date of issue, being November 2011.

NOTE 11: INTERESTS OF KEY MANAGEMENT PERSONNEL (KMP)

Remuneration of Key Management Personnel

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Company's key management personnel for the period ended 30 June 2012.

The totals of remuneration paid to the KMP of the Company during the period are as follows:

	2012 $
Short-term employee benefits	214,371
Post-employment benefits	11,250
Other long-term benefits	-
Termination benefits	-
Share-based payments	115,247
	340,868

$62,500 in relation to Short-term employee benefits have been capitalised as deferred capital raising cost as Danny Costick was actively involved in the capital raising activity.

Options Holdings

Number of Options $0.20 Expiring 3 years from the date of ASX listing Held by Key Management Personnel

	Balance 4.07.2011 No.	Granted as Compen-sation No.	Options Exercised No.	Net Change Other No.	Balance 30.6.2012 No.	Total Vested 30.6.2012 No.
Directors						
James Ellingford	-	-	-	1,250,000	1,250,000	-
Danny Costick	-	-	-	-	-	-
Peter Peebles	-	-	-	-	-	-
Ashley Hood	-	-	-	-	-	-
Adam Blumenthal	-	-	-	-	-	-
Total	**-**	**-**	**-**	**1,250,000**	**1,250,000**	**-**

All the above options are vested as at reporting date, but are held in escrow until 24 months from the date of listing.

Number of Shares held by Key Management Personnel

	Balance 4.07.2011 No.	Received as Compen-sation No.	Options Exercised No.	Net Change Other No.	Balance 30.6.2012 No.	Total held in escrow 30.6.2012 No.
Directors						
Peter Peebles	-	-	-	450,000	450,000	450,000
Ashley Hood	-	-	-	350,000	350,000	350,000
James Ellingford	-	-	-	500,000	500,000	500,000
Danny Costick	-	-	-	-	-	-
Adam Blumenthal	-	-	-	-	-	-
Total	**-**	**-**	**-**	**1,300,000**	**1,300,000**	**1,300,000**

Other KMP Transactions:

There were no other transactions with key management personnel during the period.

NOTE 12: AUDITORS' REMUNERATION	**2012 $**
Remuneration of the auditor of the parent entity for:	
— Investigating accountants report	7,000
— auditing or reviewing the financial report	5,500
	12,500

NOTE 13: CASHFLOW INFORMATION

	2012 $
a. Reconciliation of Cash Flow from Operations with Loss after Income Tax	
Loss after income tax	(596,884)
Non-cash flows in loss	
Share Based Payments	115,247
	(481,637)
Changes in assets and liabilities;	
(Increase)/decrease in trade and other receivables	(19,258)
(Increase)/decrease in prepayments	(33,641)
(Increase)/decrease in exploration expenditure	(4,000)
Increase/(decrease) in trade payables and accruals	58,555
Increase/(decrease) in financial liabilities	-
Cashflow from operations	(479,981)

b. **Non-cash Financing and Investing Activities**

- 800,000 Shares issued on 1 March 2012 as per employment agreement between Victory Mines Limited and Ashley Hood and Peter Peebles
- Peter Peebles is to be issued shares in Victory Mines Limited to the value of $10,151 in lieu of cash directors fees for the period between 27 October 2011 and 30 June 2012
- Ashley Hood is to be issued shares in Victory Mines Limited to the value of $25,096 in lieu of cash directors fees for the period between 27 October 2011 and 30 June 2012
- $66,674 had been accrued in relation to deferred capital raising costs.
- $105,000 was paid as part consideration for exploration assets acquired from vendors.

NOTE 14: TRANSACTIONS WITH RELATED ENTITIES

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

Remuneration (excluding the reimbursement of costs) received or receivable by the directors of the Company and aggregate amounts paid to superannuation plans in connection with the retirement of directors are disclosed in Note 11 to the accounts.

During the year an aggregate of $50,000 and $18,700 was paid or due to be paid to Mining Corporate Pty Ltd for IPO Management services performed by Elizabeth Hunt and Darlington Geological Services for Geological services performed by Peter Peebles respectively.

During the year, Belloc Pty Ltd a company of which Adam Blumenthal is a director received $100,000 for consulting services

These transactions were made on commercial terms and conditions and at market rates.

Note 15: EVENTS AFTER REPORTING PERIOD

On 4 July 2012 the Company lodged an Initial Public Offering Prospectus to raise $4,000,000 with oversubscriptions of up to an additional $2,000,000 available.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

NOTE 16: SHARE BASED PAYMENTS

Grant Date/entitlement	Number of Instruments	Vesting Conditions	Contractual life of securities
Shares issued for the services of geologist and other professionals as subcontracted from Proto on 10 October 2011	2,000,000	Nil	-
Attaching options to 2,000,000 shares issued for the services of geologist and other professionals as subcontracted from Proto on 10 October 2011	2,000,000	Nil	5
Shares issued for the acquisition of tenements in satisfaction of the purchase price on 21 October 2012	3,750,000	Nil	-

NOTE 16: SHARE BASED PAYMENTS

Grant Date/entitlement	Number of Instruments	Vesting Conditions	Contractual life of securities
Shares issued on 1 March 2012 as per employment agreement between Victory Mines Limited and Peter Peebles	450,000	Nil	-
Peter Peebles is also to be issued shares in Victory Mines Limited to the value of $10,151 in lieu of cash directors fees for the period between 27 October 2011 and 30 June 2012	50,753	Nil	-
Shares issued on 1 March 2012 as per employment agreement between Victory Mines Limited and Ashley Hood	350,000	Nil	-
Ashley Hood is also to be issued shares in Victory Mines Limited to the value of $25,096 in lieu of cash directors fees for the period between 14 November 2011 and 30 June 2012	125,479	Nil	-

All options issued are exercisable into ordinary shares in Victory Mines Limited, which confer a right of one share for every option held.

The number and weighted average exercise prices of share options are as follows:

Securities	Weighted average exercise price	Number of options
Issued	0.22	2,000,000
Forfeited	-	-
Exercised	-	-
Expired	-	
Options outstanding as at 30 June 2012	**0.22**	**2,000,000**

At grant date the Company was not listed and as such there was no active market for the options and as such the fair value of the options is nil.

NOTE 17: COMMITMENTS

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the relevant authorities. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report. The actual expenditures to date on tenements have exceeded the minimum expenditure requirements specified by the relevant authorities during the current tenement grant periods.

	2012 $
Not Longer than 12 months	218,812
Between 12 months and 5 years	452,652
Longer than 5 years	-
	671,464

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the Statement of Financial Position may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations. The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

There are no other commitments at 30 June 2012.

NOTE 18: CONTINGENT LIABILITIES

The Company has purchased Lake Barlee tenement from Darlington Geological Services Pty Ltd and Derek Foster & Associates Pty Ltd (“Darlington & Derek Foster”) for cash consideration of $5,000 and issuance of 50,000 ordinary shares at a deemed issue price of 20 cents upon the successful listing on the ASX in accordance with the purchase agreement.

The Company will also pay and issue shares to Proto Resources & Investments Limited (“Proto”) for the acquisition of Great Doolgunna and Station Bore tenements:

- Payment of $100,000 for the use of exploration equipment and the running cost of Proto’s Exploration office and Corporate office.

- Issuance of 2,000,000 shares at 20 cents and 2,000,000 options at 20 cents within 5 years for the services of geologist and other professionals as subcontracted from Proto; and

- Issuance of 1,000,000 shares at 20 cents upon ASX listing for the acquisition of tenements; and

NOTE 18: CONTINGENT LIABILITIES

- Issuance of 1,000,000 shares to be issued at 0.01 cents to Proto for remaining consideration for the acquisition of Clara Hills tenements and an additional payment of $100,000 for actual on ground expenditure on the tenements.

The Company has entered into a joint venture agreement with Florella Holdings ("Florella) to acquire 80% interest from NorthEast in Quantum Rare Earth tenements. The company issued 3,750,000 shares to Quantum Rare Earth for the acquisition of tenements, in satisfaction of the purchase price. The parties agreed that NorthEast would transfer 80% interest in the tenements once Florella or Victory paid NorthEast $100,000.

In the opinion of the directors there were no other contingent liabilities as at 30 June 2012.

NOTE 19: OPERATING SEGMENTS

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. During the period, the Company is managed primarily on the basis of one geographical segment being Australia, and two business segments being mineral exploration and treasury.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Company.

Inter-segment transactions

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

NOTE 19: OPERATING SEGMENTS

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Company as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Head office and other administrative expenditure

(a) Segment performance

Period Ended 30 June 2012	**Exploration**	**Treasury**	**Total Operations**
	$	**$**	**$**
Revenue	-	-	-
Interest revenue			
Total segment revenue	**-**	**-**	**-**
Expenses			
- Exploration Expenditure written off	(76,898)		(76,898)
Unallocated items:			
- Other			(519,986)
Net loss before tax			**(596,884)**

(b) Segment assets

As at 30 June 2012	**Exploration**	**Treasury**	**Total Operations**
	$	**$**	**$**
Segment assets			
- Cash and cash equivalents	-	196,065	196,065
- Exploration expenditure	110,200	-	110,200
- Deferred Capital Raising Costs	-	298,324	298,324

Reconciliation of segment assets to total assets

Trade and other receivables	19,258
Other assets	33,641
Total Company assets	**657,488**

NOTE 19: OPERATING SEGMENTS

(c) Segment liabilities

As at 30 June 2012	**Exploration**	**Treasury**	**Total Operations**
	$	**$**	**$**
Segment liabilities			
Reconciliation of segment liabilities to total liabilities			
Trade and other payables	(9,400)	(151,076)	(160,476)
Total liabilities from continuing operations			**(160,476)**

NOTE 20: FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and accounts payable.

The Board of Directors has overall responsibility for the oversight and management of the Company's exposure to a variety of financial risks (including market risk, credit risk and liquidity risk).

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions is spread amongst approved counterparties.

Credit risk related to balances with banks and other financial institutions is managed by the board. The board's policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-. All of the Company's surplus funds are invested with AA Rated financial institutions.

NOTE 20: FINANCIAL RISK MANAGEMENT

The Company does not have any material credit risk exposure to any single receivable or Company of receivables under financial instruments entered into by the Company.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The responsibility with liquidity risk management rests with the Board of Directors. The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate working capital is maintained. The Company's policy is to ensure that it has sufficient cash reserves to carry out its planned exploration activities over the next 12 months.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Interest rate risk

The Company manages interest rate risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

Interest rate sensitivity analysis

The following table illustrates sensitivities to the Company's exposures to changes in interest rates. The tables indicates the impact of how profit and equity values reports at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

At 30 June 2012, the effect on loss and equity as a result of changes in the interest rate, with all other variable remaining constant would be as follows:

NOTE 20: FINANCIAL RISK MANAGEMENT

CHANGE IN LOSS	Change $
Increase in interest rate by 200 basis points	3,921
Decrease in interest rate by 200 basis points	(3,921)

CHANGE IN EQUITY	Change $
Increase in interest rate by 200 basis points	3,921
Decrease in interest rate by 200 basis points	(3,921)

Fair value of financial instruments

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair value. All financial assets and liabilities mature within 3 months.

NOTE 21: PARENT INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

	2012 $
ASSETS	
Current Assets	547,288
Non-Current Assets	110,200
TOTAL ASSETS	**657,488**
LIABILITIES	
Current Liabilities	160,476
Non-Current Liabilities	-
TOTAL LIABILITIES	**160,476**
NET ASSETS	**497,112**
EQUITY	
Issued Capital	1,093,726
Reserve	170
Accumulated losses	(596,784)
TOTAL EQUITY	**497,112**

STATEMENT OF FINANCIAL PERFORMANCE

	2012 $
Loss for the year	(596,784)
Other comprehensive income	-
Total comprehensive income	**(596,784)**

There were no guarantees, contingent liabilities or commitments for the acquisition of property, plant and equipment entered into by the parent entity.

Victory Mines Limited
ABN 39 151 900 855

CORPORATE DIRECTORY

PRINCIPAL REGISTERED OFFICE AND PLACE OF BUSINESS

Victory Mines Limited
Level 45, 108 St Georges Terrace
Perth, WA 6000
Tel: 08 9480 0111   Fax: 08 9480 0166
Email: info@victorymines.com.au
Web: www.victorymines.com.au

DIRECTORS

Dr James Ellingford – Non-Executive Director
Mr Danny Costick – Managing Director
Mr Peter Peebles – Technical Executive Director
Mr Ashley Hood – Non-Executive Director

COMPANY SECRETARY

Mrs Elizabeth Hunt

SHARE REGISTRAR

Advanced Share Registry Services Pty Ltd
150 Stirling Hwy, Nedlands WA 6009
Tel: 08 9389 8033   Fax: 08 9389 7871
Web: www.advancedshare.com.au

AUDITORS

Bentleys Audit & Corporate (WA) Pty Ltd
Level 1, 12 Kings Park Road, West Perth WA 6005

LAWYERS

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street, Perth WA 6000

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes are in accordance with the *Corporations Act 2001* and:

   a) comply with Accounting Standards and the Corporations Regulations 2001; and

   b) give a true and fair view of the Company's financial position as at 30 June 2012 and its performance for the period ended on that date; and

   c) are in accordance with International Financial Reporting Standards, as stated in note 1 to the financial statements; and

2. the Chief Executive Officer and Chief Financial Officer have each declared that:

   a) the financial records of the Consolidated entity for the financial period have been properly maintained in accordance with section 295A of the *Corporations Act 2001*;

   b) the financial statements and notes for the financial period comply with the Accounting Standards; and

   c) the financial statements and notes for the financial period give a true and fair view;

3. in the directors' opinion there are reasonable grounds to believe that the Consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

D Costick.

Danny Costick,
Managing Director

Dated this 7th day of September 2012

Victory Mines Limited

ABN 39 151 900 855

SCHEDULE OF EXPLORATION TENEMENTS

AS AT 7 SEPTEMBER 2012

Project	***Tenement***	***Interest held by Victory Mines Limited (subject to ASX Admission)***
Jungle Well	E29/679	70%
Laverton	E38/2374	70%
Clara Hills	E04/1533	The right to earn up to approximately 63.75%
Clara Hills	E04/2026	The right to earn up to approximately 63.75%
Clara Hills	E04/2142	The right to earn up to approximately 63.75%
Clara Hills	E04/2060	The right to earn up to approximately 63.75%
Great Doolgunna	E51/1455	70%
Station Bore	E69/2872	70%
Lake Barlee	E29/829	100%

P Prospecting Licence

E Exploration Licence

M Mining Licence