

For personal use only



# VICTORY MINES LTD.

**VICTORY MINES LIMITED**  
And its Controlled Entities

**ABN 39 151 900 855**

---

**ANNUAL REPORT**  
For the year ended 30 June 2019

---

**Victory Mines Limited**  
**ABN 39 151 900 855**

**CONTENT**

---

|   |    |
|---|----|
| Corporate Directory   | 1  |
| Directors' Report   | 2  |
| Auditor's Independence Declaration                                      | 21 |
| Independent Auditor's Report  | 22 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 27 |
| Consolidated Statement of Financial Position                            | 28 |
| Consolidated Statement of Changes in Equity                             | 29 |
| Consolidated Statement of Cash Flows                                    | 30 |
| Notes to the Financial Statements                                       | 31 |
| Directors' Declaration  | 63 |
| Shareholder Information   | 64 |
| Schedule of Exploration Tenements                                       | 67 |

For personal use only

## Victory Mines Limited

ABN 39 151 900 855

### CORPORATE DIRECTORY

---

#### DIRECTORS

Mr David Sanders – Non-Executive Director

Mr Alec Pismiris – Non-Executive Director

Mr Rohan Dalziell – Non-Executive Director

#### COMPANY SECRETARY

Dr Dane Etheridge

#### REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Ground Floor, 16 Ord Street

West Perth WA 6005

PO Box 902

West Perth WA 6005

Tel: 08 9482 0500

Web: [www.victorymines.com.au](http://www.victorymines.com.au)

#### SHARE REGISTRAR

Automic Registry Services

Level 2, 267 St Georges Terrace

Perth WA 6000

Tel: 1300 288 664

Fax: 08 9324 2099

Web: [www.automic.com.au](http://www.automic.com.au)

#### AUDITORS

Bentleys Audit & Corporate (WA) Pty Ltd

Level 3, 216 St George's Terrace

Perth WA 6000

#### SOLICITORS

Bennett and Co

BGC Centre

28 The Esplanade

Perth WA 6000

#### STOCK EXCHANGE LISTING

Australian Securities Exchange

Code: VIC, VICOA

For personal use only

**Victory Mines Limited**  
**ABN 39 151 900 855**

**DIRECTORS' REPORT**

---

Your directors present the following report on Victory Mines Limited (“the Company”) and its wholly owned subsidiary Cobalt Prospecting Pty Ltd (together referred to hereafter as “the Group”) for the financial year ended to 30 June 2019.

**DIRECTORS**

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

|                     |  |
|---------------------|--|
| Mr David Sanders    | Non-Executive Director (Appointed 31 January 2019) |
| Mr Alec Pismiris    | Non-Executive Director (Appointed 31 January 2019) |
| Mr Rohan Dalziell   | Non-Executive Director (Appointed 31 January 2019) |
| Mr James Ellingford | Non-Executive Chairman (Resigned 31 January 2019)  |
| Mr Terence Clee     | Executive Director (Resigned 31 January 2019)      |
| Mr Mathew Perrot    | Non-Executive Director (Resigned 31 January 2019)  |

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

**COMPANY SECRETARY**

Dr Dane Etheridge was appointed Company Secretary on 28 January 2019, replacing Ms Aida Tabakovic. Dr Etheridge has almost 15 years’ experience providing corporate finance, governance, and strategic advice to listed, private, and government entities across a broad range of sectors. He has played central roles in IPO and M&A transactions and has steered companies through significant governance challenges during his time as an advisor, director, and company secretary. He has recently served as Company Secretary of Focus Minerals Ltd and CFO of Coolgardie Minerals Ltd. Dr Etheridge has Masters and PhD degrees in Finance, is a chartered Company Secretary, Certified Practising Accountant, and a Chartered Financial Analyst charterholder.

Ms Elizabeth Hunt also held the position of company secretary during the year; resigning on 27 August 2018 to Ms Aida Tabakovic.

**CORPORATE GOVERNANCE**

A copy of the Company’s corporate governance statement is available on the Company’s website ([www.victorymines.com](http://www.victorymines.com)).

**PRINCIPAL ACTIVITIES**

The principal activities of the Company during the financial year were new project acquisition and exploration activities. Consequently, there were no significant changes in the nature of the Company’s principal activities during the financial year.

**OPERATING RESULTS**

The loss of the Group after providing for income tax amounted to \$13,090,902 (2018: \$3,002,429).

## **DIRECTORS' REPORT**

---

### **FINANCIAL POSITION**

As at 30 June 2019, the Group had a cash balance of \$128,982 (2018: \$818,553) and a net asset position of \$127,475 (2018: \$12,760,170).

### **DIVIDENDS**

No dividends have been paid, and the directors do not recommend the payment of a dividend for year ended 30 June 2019 (2018: nil).

### **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

In the opinion of the directors, there were no 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.

### **SIGNIFICANT CHANGES AFTER THE REPORTING PERIOD**

Following the closure of the Rights Issue on 13 May 2019, shareholders had three months to apply for shortfall shares. No further shortfall shares were issued and the Company deciding to conduct another capital raising and conduct an Entitlements Issue. The Company has signed a mandate with DJ Carmichael Pty Ltd to raise up to approximately \$1.6 million through the placement of shares and options. The \$1.6 million capital raise comprise of:

- (a) A Share placement of 116,000,000 fully paid ordinary shares at \$0.001 per Share to sophisticated investors under s708A of the Corporations Act and Chapter 6D, to raise \$116,000 before costs. This was completed on 30 August 2019;
- (b) Options placement of 175,000,000 options exercisable at \$0.002 expiring five years from issue at \$0.0001 per Option to raise approximately \$17,500, subject to shareholder approval; and
- (c) A fully underwritten non-renounceable entitlement issue on a 1:1 basis at \$0.001 per Share to raise \$1,479,000.

In order to save cost and enable greater focus on the Company's most prospective tenements, the Company decided to relinquish tenement E80/4964 and partially surrender E80/4901.

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.

### **REVIEW OF OPERATIONS**

#### **Corporate**

On 7 September 2018, the Company entered into a trading halt and was ultimately suspended from official quotation on the ASX and was re-admitted to official quotation on the 27 February 2019.

On 25 January 2019, Ms Aida Tabakovic resigned as Company Secretary and Dr Dane Etheridge was appointed as the new Company Secretary.

**DIRECTORS' REPORT**

---

**REVIEW OF OPERATIONS (CONTINUED)**

**Corporate**

On 31 January 2019, Mr James Ellingford, Mr Terence Clee, and Mr Mathew Perrot each resigned as Directors and were replaced by Mr Rohan Dalziell, Mr Alec Pismiris, and Mr David Sanders.

On 15 March 2019, the Company secured a short-term loan funding of \$200,000 in a way of 66,666,668 convertible securities to be converted at \$0.003 per share. In lieu of interest, one free attaching unlisted option per share was issued, with an exercise price of \$0.003 and an expiry date of 3 years from issue. On 31 May 2019, the convertible securities were converted and 66,666,668 fully paid ordinary shares and 66,666,668 unlisted options were issued.

On 9 April 2019, the Company conducted a rights issue to raise approximately \$1,226,000 (before costs) at an issue price of \$0.003 per share. Rights issue offer closed on 13 May 2019, where applications for 70,649,260 shares were received, totalling \$211,949 (before costs), and were issued on 31 May 2019. This included 18,666,667 shares that were issued to underwriters at \$0.003 per share. 66,666,668 shares were issued out of the shortfall to convert the aforementioned \$200,000 in short-term loan funding.

**Exploration**

**Husky & Malamute, NSW**

The Company conducted community engagement and landholder liaison sessions in order to progress the inaugural drilling campaign on key properties in the project areas. A drilling contractor was short-listed as the preferred party to the inaugural drilling campaign at the Malamute exploration areas. Site visits were made to liaise directly with the landholders, resulting in 16 land access agreements being negotiated to ensure the drilling program will progress smoothly with the full cooperation of the respective property owners.

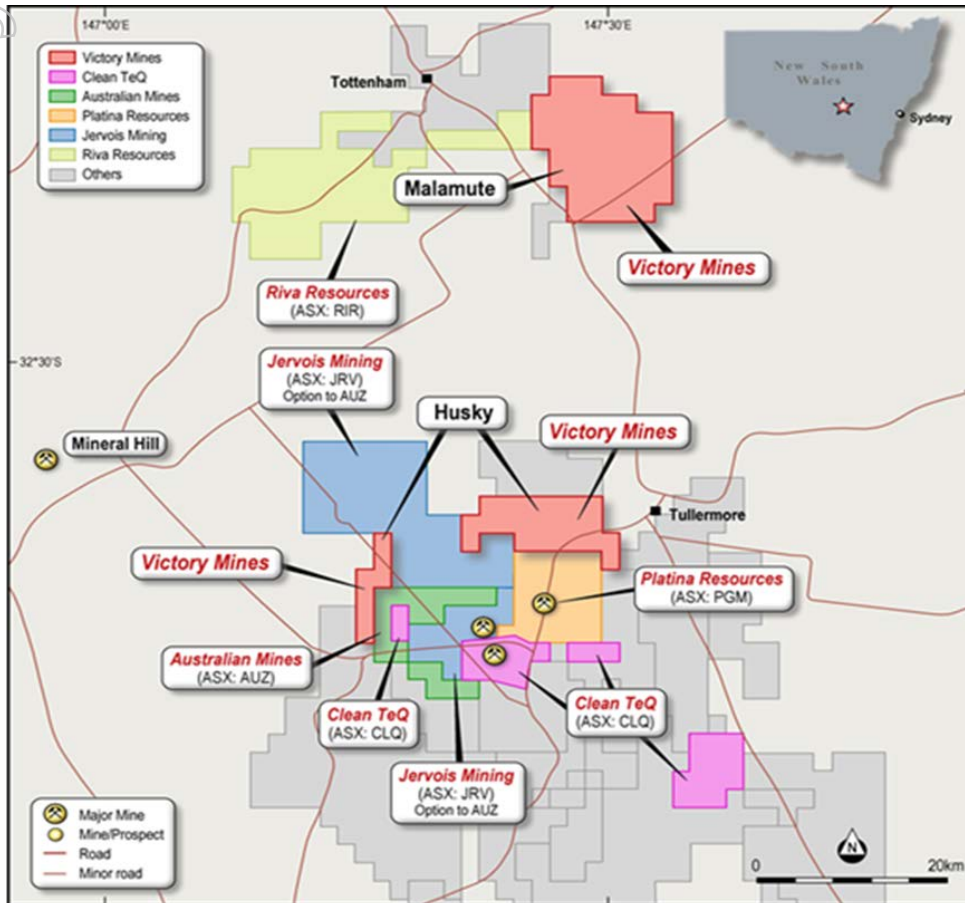
Due to cobalt & scandium demand being relatively weak globally the Board subsequently decided to scale back plans and now intends to conduct a drilling campaign comprising 40 holes (2,000m) which is designed to deliver higher impact results at a relatively low overall cost (see Figure 1 for the location of Husky and Malamute).

The Board anticipates this drilling program can be conducted in October 2019.

DIRECTORS' REPORT

REVIEW OF OPERATIONS (CONTINUED)

FIGURE 1: HUSKY & MALAMUTE PROJECTS VS PEERS IN CENTRAL NSW



Source: VIC geology team

**Galah Well & Peperill Hill, Goldfields WA**

The Galah Well & Peperill Hill projects are located in a region which is highly prospective for nickel-copper mineralisation (Figure 2). Notably, St George Mining (ASX: SQG) has been successfully developing its Mt Alexander nickel-copper project<sup>1</sup> and achieving respectable drilling results, while Talisman's (ASX: TLM) Sinclair Mine produced 38,000t of nickel<sup>2</sup> between 2008-13.

During the Year, the Company has reviewed previous desktop studies<sup>3</sup>, which analysed aero-magnetic imagery, highlighted that Peperill Hill and Galah Well are close to where two (and possibly three) differing mineralised systems intersect. Consequently, this largely explains why the projects are highly prospective for nickel-copper hosted within sulphide and laterite mineralisation.

<sup>1</sup> SQG ASX Release – 20 November 2018

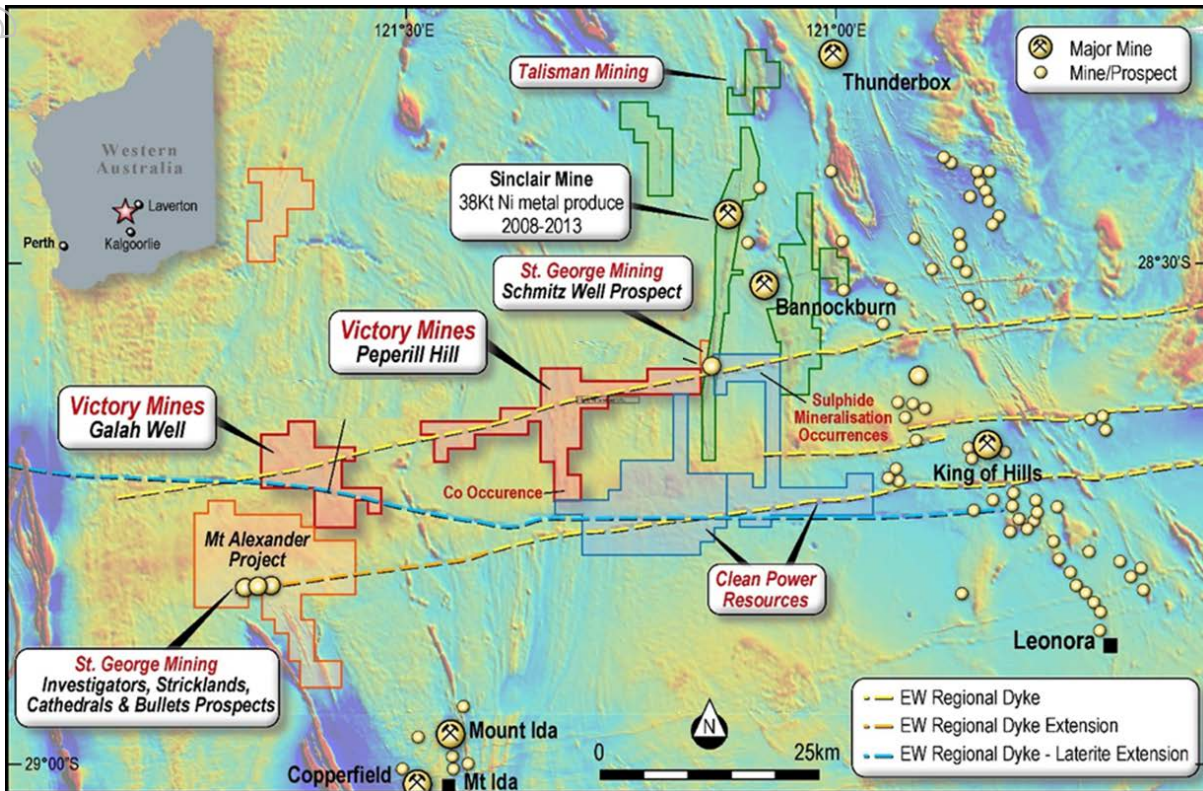
<sup>2</sup> TLM Annual Report 2015 – 30 September 2015

<sup>3</sup> VIC ASX Release 27 July 2018

DIRECTORS' REPORT

REVIEW OF OPERATIONS (CONTINUED)

FIGURE 2: GALAH WELL & PEPPERILL HILL PROJECTS VS PEERS IN WA GOLDFIELDS



Source: VIC geology team

The Board believes both projects have potential exploration upside for nickel-copper mineralisation and have engaged a geological consultant to make an inaugural site visit to commence mapping & sampling known-priority target areas. This visit is timely given growing global demand for nickel primarily from the expanding electric vehicle sector.

**Bonaparte, Kimberley region, WA**

During the year, the Company undertook thorough desktop reviews of the Bonaparte project which included an analysis of the historical exploration and known geology. The outcome of this review was the decision to relinquish tenement E80/4964 and partially surrender E80/4901, the formulation of an exploration-drilling program for the remaining ground and the initiation of a search for a strategic investor to form a joint-venture to develop the Bonaparte project.

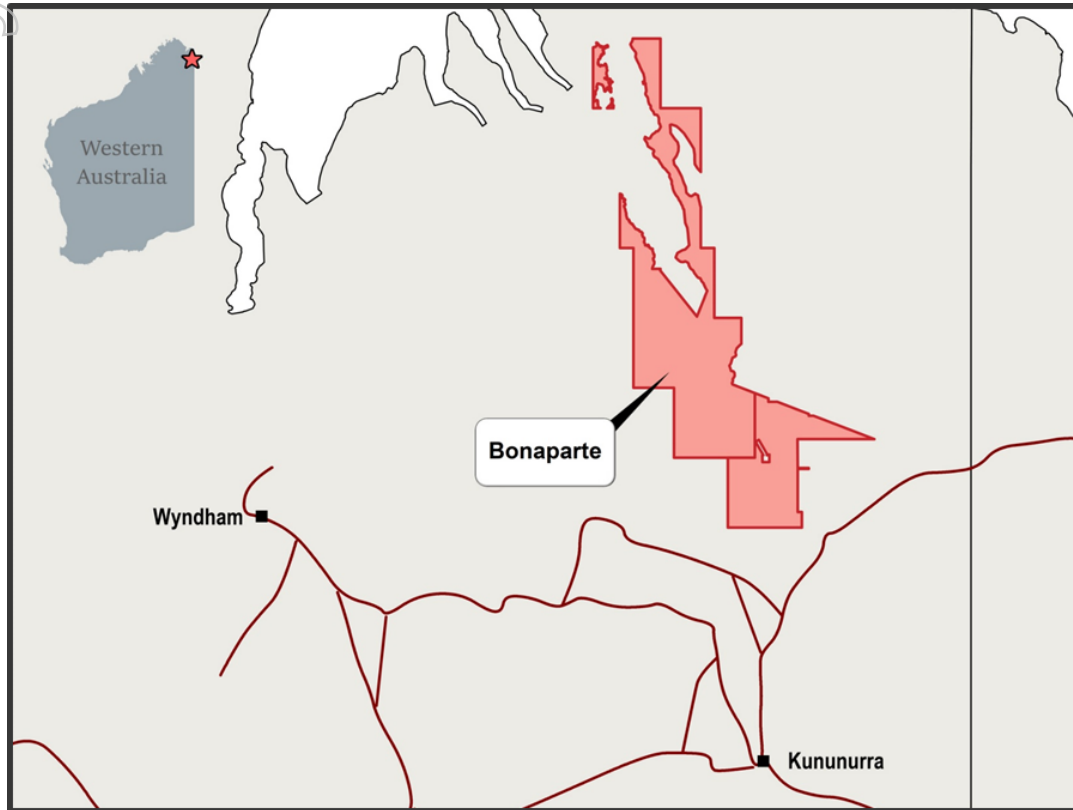
Previous gravity survey work undertaken at the Bonaparte project (Figure 3) has verified there are 14 specific targets for copper anomalism that reconcile with historic rock-chip samples.



DIRECTORS' REPORT

REVIEW OF OPERATIONS (CONTINUED)

FIGURE 3: BONAPARTE PROJECT



Source: VIC geology team

**Non-core Assets**

There are two non-core assets:

- **Bolivian Tin:** The Company reviewed the Bolivian Tin project, developed an investor presentation, and established a data room. The Company's Bolivian tin project has no value ascribed to it in the Company's financial statements, in circumstances where the Company does not hold any tenements or equivalent mineral rights in Bolivia in relation to the project. Whilst the Company has significant exploration data in relation to the Bolivian tin project which the Company believes will be of value to any party who wishes to develop the project, there is no guarantee that the Company will be able to find a third party who is interested in either purchasing the Company's data or entering into some other form of commercial arrangement to enable the Company to receive any economic return in relation to the project.
- **Laverton tenure:** The Company conducted a review of the geophysical data acquired and commenced research into determining a combination of drilling targets and areas for further work, including newer geophysical techniques that may be able to directly image zinc mineralisation. The Company has since decided to seek to divest the Laverton asset outright to maximise shareholder value.

**Victory Mines Limited**  
**ABN 39 151 900 855**

**DIRECTORS' REPORT**

---

**INFORMATION ON DIRECTORS**

**Mr David Sanders**

BComm, BJuris, LLB (Hons),  
GradDipAppFin

***Non-Executive Director***

Mr Sanders has more than 20 years' experience in corporate law. He has advised numerous entities including ASX listed and private companies on capital raisings, mergers and acquisitions, commercial transactions, and ASX and Corporations Act compliance. In addition to his legal qualifications, he has a Bachelor of Commerce and a Graduate Diploma of Applied Corporate Finance.

Interest in Shares and  
Options

8,666,667 fully paid ordinary shares

Directorships held in other  
listed entities in last 3 years

Caeneus Minerals Ltd (current)  
Pura Vida Energy NL (current)  
Force Commodities Limited (till 4 February 2019)  
Marenica Energy Ltd (till 23 November 2017)  
World Titanium Resources Limited (delisted 30 January 2017)

Date of appointment

31 January 2019

**Mr Rohan Dalziell**

BEcon, CPA,  
ProfDipStockbroking

***Non-Executive Director***

Mr Dalziell has over 25 years' experience in global capital markets during which time he worked on a number of initial public offerings and capital raisings. Mr Dalziell is a Wealth Advisor and Representative of Patersons Securities Perth. Prior to joining Patersons in 2017, Mr Dalziell spent 24 years in Hong Kong working for global investment banks as an investment analyst, Head of Research and in various senior management positions. Mr Dalziell completed a Bachelor of Economics, is an Australian Certified Practising Accountant and has a Professional Diploma in Stockbroking.

Interest in Shares and  
Options

2,100,000 performance shares

Directorships held in other  
listed entities in last 3 years

Nil

Date of appointment

31 January 2019

## Victory Mines Limited

ABN 39 151 900 855

### DIRECTORS' REPORT

---

#### INFORMATION ON DIRECTORS (CONTINUED)

**Mr Alec Pismiris**

BComm, MAICD, FGIA, FCIS

***Non-Executive Director***

Mr Pismiris has over 30 years' experience in the securities, finance and mining industries and has participated in numerous processes by which boards have assessed the acquisition and financing of a diverse range of assets. He has a sound knowledge of ASX corporate governance guidelines, board processes and the regulatory environment in which public companies operate. Mr Pismiris completed a Bachelor of Commerce degree, is a member of the Australian Institute of Directors, and a fellow of the Governance Institute of Australia.

Interest in Shares and Options

10,000,000 fully paid ordinary shares

Directorships held in other listed entities in last 3 years

Agrimin Limited (current)  
Frontier Resources Limited (current)  
HotCopper Holdings Limited (current)  
Pacton Gold Inc (TSX listed) (current)  
Pelican Resources Limited (current)  
Aguia Resources Limited (till 14 June 2019)  
Impression Healthcare Limited (till 3 April 2017)

Date of appointment

31 January 2019

**Dr James Ellingford**

D.Mgt, MBA, Post Grad Corp Man, AICD

***Non-Executive Chairman (Resigned 31 January 2019)***

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 lectures MBA students in Corporate Governance at a leading Sydney University and has a keen interest in ethics and governance.

Interest in Shares and Options

519,146 fully paid ordinary shares  
500,000 options exercisable at \$0.05 on 25 November 2019  
500,000 options exercisable at \$0.05 on 27 November 2020

Directorships held in other listed entities in last 3 years

Creso Pharma Limited (since 20 November 2015)  
Elysium Resources Limited (since 3 March 2017)  
Manalto Limited (since 15 September 2017)  
MinRex Limited (since 3 November 2017)  
Burrabulla Corporation Limited (18 May 2016 until 14 August 2017)

Date of appointment

8 November 2011

**Victory Mines Limited**  
**ABN 39 151 900 855**

**DIRECTORS' REPORT**

---

**INFORMATION ON DIRECTORS (CONTINUED)**

**Mr Terence Clee**

BComm, LLB

***Executive Director (Resigned 31 January 2019)***

Mr Clee started his professional career at KPMG Sydney, working in Corporate Audit and Tax. He then became a partner in a multidisciplinary legal practice alongside colleagues formerly of Allens Arthur Robinson and Ashurst. Mr Clee's client base comprised of large corporates in the mining and technology space. Mr Clee also has experience in the start-up and small cap space. He has advised technology companies and miners of all sizes on commercialisation, mergers and acquisitions, cross-border transactions and R&D. Mr Clee holds a Bachelor of Commerce (Accounting) and a Bachelor of Laws from the University of NSW. Mr Clee is a solicitor admitted to the Supreme Court of NSW. He currently serves as a director of numerous ASX listed and unlisted companies.

Interest in Shares and

250,000 fully paid ordinary shares

Options

500,000 options exercisable at \$0.05 on 27 November 2020

Directorships held in other listed entities in last 3 years

Elysium Resources Limited (since 18 May 2016)

Manalto Limited (since 15 September 2017)

JV Global Limited (since 9 February 2018)

Date of appointment

12 August 2015

**Mr Mathew Perrot**

BSc, MBA

***Non-Executive Director (Resigned 31 January 2019)***

Mathew Perrot is highly qualified and holds a Bachelor of Applied Science focused on economic geology, soil science, with a minor specialization in remote sensing as well as, a Masters of Business Administration. Mathew Perrot is also a Registered Practising Geologist and is a member of the Australian Institute of Geoscientists (since 1997). As such, Mr Perrot is considered a Competent Person under JORC and NI43-101. Mr Perrot's multi commodity background includes a variety of commodities and mineralisation styles, including Gold (Orogenic, Epithermal, Skarn), Nickel (high and low MgO systems), Base Metals (Porphyry systems, VMS) Iron Ore (Magnetite and Hematite), and Geothermal energy and he has been associated with the discovery of the Majestic (Au), Imperial (Au), Collurabie (Ni), Accumulator (Au), Batavia (Au), Taunovo (Au-Cu-Mo) and Shimba (Graphite) deposits and was associated with the development of Salt Creek (Au), Maxwell's (Au), Iron Duke (Fe – Haem), Ntaka Hill (Ni-Cu), Lionja (Ni-Cu), Wainivesi (Zn, Cu, Pb, Ag, Au), Balmoral (Fe – Mag) and Savu (Geothermal).

Interest in Shares and

9,800,000 fully paid ordinary shares

Options

Directorships held in other listed entities in last 3 years

None

Date of appointment

23 April 2018

For personal use only

## **DIRECTORS' REPORT**

---

### **REMUNERATION REPORT (AUDITED)**

This report details the nature and amount of remuneration for each director of The Company and for the executives receiving the highest remuneration.

#### **Employment Agreements**

Under the terms of agreement, Mr Clee was entitled to a \$84,000 per annum base remuneration (normal business hours) exclusive of statutory superannuation. Under Board supervision; additional hours, travel, site visits, special assignments, after hours and weekends are billed at hourly rates. The executive's remuneration is reviewed annually by the non-executive directors. There was no fixed term to Mr Clee's appointment, however the appointment is subject to the provisions of the Company's Constitution relating to the retirement by rotation and re-election of directors and will cease at the end of any meeting at which Mr Clee is not re-elected as a director by shareholders of the Company. Resignation is by written notice, or otherwise in accordance with the Company's Constitution. Mr Clee resigned as Executive Director on 31 January 2019.

Appointment of non-executive director Dr Ellingford was formalised in the form of service agreements between himself and the Company. This engagement has no fixed term but ceases on his resignation or removal as director in accordance with the Corporations Act. Dr Ellingford is entitled to a base director's fee of \$84,000 per annum exclusive of statutory superannuation, effective 1 March 2018. Under Board supervision, additional hours, travel, site visits, special assignments, after hours and weekends are billed at hourly rates. Annually the Company will issue Dr Ellingford 250,000 shares and 500,000 options, subject to shareholder approval. Dr Ellingford resigned as Chairman on 31 January 2019.

#### **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 incentive 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 and future shares and options as set out above. 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 deployed by the board; and
- All executives receive a base salary (which is based on factors such as length of services and experience), superannuation and are entitled to the issue of shares and options. The Board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors.

## DIRECTORS' REPORT

---

### REMUNERATION REPORT (AUDITED) (CONTINUED)

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 rewards 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 as at the date of this report is 9.5% 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 as 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.

### Options Issued as Part of Remuneration

During the year ended 30 June 2019, no options were issued to Directors as part of remuneration. A total of 46,668 unquoted options, previously granted to Directors, exercisable at \$0.45 expired on 30 November 2018 unexercised.

Details of options over ordinary shares in the Company that were granted during the year ended 30 June 2018 are as follows. Options are valued using the Black & Scholes valuation method.

| Director         | Number Options<br>Granted | Grant Date  | Fair Value<br>per Option | Exercise<br>Price | Expiry Date | Options Vested<br>During Period |
|------------------|---------------------------|-------------|--------------------------|-------------------|-------------|---------------------------------|
| James Ellingford | 500,000                   | 29 Nov 2017 | \$0.0042                 | \$0.05            | 27 Nov 2020 | 500,000                         |
| Terence Clee     | 500,000                   | 29 Nov 2017 | \$0.0042                 | \$0.05            | 27 Nov 2020 | 500,000                         |
| Peter Peebles    | 100,000                   | 29 Nov 2017 | \$0.0042                 | \$0.05            | 27 Nov 2020 | 100,000                         |

**Victory Mines Limited**  
ABN 39 151 900 855

**DIRECTORS' REPORT**

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

**Details of Remuneration**

The remuneration for each key management personnel of the Company was paid or due to be paid as follows:

|                       | 2019                   |                          | Other Long-term Benefits | Share based Payment |         | Termination Benefits | Total          | Value of Options Remuneration % | Performance Related % |
|-----------------------|------------------------|--------------------------|--------------------------|---------------------|---------|----------------------|----------------|---------------------------------|-----------------------|
|                       | Short-term Benefits    | Post-employment Benefits |                          | Equity              | Options |                      |                |                                 |                       |
|                       | Cash, salary & bonuses | Super-annuation          | Other                    | Equity              | Options | Termination Benefits | Total          | Value of Options Remuneration % | Performance Related % |
|                       | \$                     | \$                       | \$                       | \$                  | \$      | \$                   | \$             | %                               | %                     |
| <b>Directors</b>      |                        |                          |                          |                     |         |                      |                |                                 |                       |
| David Sanders (i)     | 15,000                 | 1,425                    | -                        | -                   | -       | -                    | 16,425         | -                               | -                     |
| Alec Pismiris (i)     | 15,000                 | -                        | -                        | -                   | -       | -                    | 15,000         | -                               | -                     |
| Rohan Dalziell (i)    | 15,000                 | -                        | -                        | -                   | -       | -                    | 15,000         | -                               | -                     |
| James Ellingford (ii) | 63,000                 | 5,985                    | -                        | -                   | -       | -                    | 68,985         | -                               | -                     |
| Terence Clee (ii)     | 49,000                 | -                        | -                        | -                   | -       | -                    | 49,000         | -                               | -                     |
| Mathew Perrot (ii)    | 24,500                 | -                        | -                        | -                   | -       | -                    | 24,500         | -                               | -                     |
|                       | <b>181,500</b>         | <b>7,410</b>             | -                        | -                   | -       | -                    | <b>188,910</b> |                                 |                       |

(i) Appointed on 31 January 2019

(ii) Resigned on 31 January 2019

|                      | 2018                   |                          | Other Long-term Benefits | Share based Payment |              | Termination Benefits | Total          | Value of Options Remuneration % | Performance Related % |
|----------------------|------------------------|--------------------------|--------------------------|---------------------|--------------|----------------------|----------------|---------------------------------|-----------------------|
|                      | Short-term Benefits    | Post-employment Benefits |                          | Equity              | Options      |                      |                |                                 |                       |
|                      | Cash, salary & bonuses | Super-annuation          | Other                    | Equity              | Options      | Termination Benefits | Total          | Value of Options Remuneration % | Performance Related % |
|                      | \$                     | \$                       | \$                       | \$                  | \$           | \$                   | \$             | %                               | %                     |
| <b>Directors</b>     |                        |                          |                          |                     |              |                      |                |                                 |                       |
| James Ellingford (i) | 147,467                | 14,009                   | -                        | 458                 | 1,547        | -                    | 163,481        | 0.95                            | -                     |
| Terence Clee         | 133,000                | -                        | -                        | 458                 | 1,547        | -                    | 135,005        | 1.15                            | -                     |
| Elizabeth Hunt (ii)  | 25,000                 | -                        | -                        | -                   | -            | -                    | 25,000         | -                               | -                     |
| Mathew Perrot (iii)  | 7,933                  | -                        | -                        | -                   | -            | -                    | 7,933          | -                               | -                     |
| Peter Peebles (iv)   | 32,000                 | 3,040                    | -                        | 184                 | 619          | -                    | 35,843         | 1.73                            | -                     |
|                      | <b>345,400</b>         | <b>17,049</b>            | -                        | <b>1,100</b>        | <b>3,713</b> | -                    | <b>367,262</b> |                                 |                       |

(i) Effective 1 March 2018, Dr Ellingford's fee decreased to \$84,000 per annum (exclusive of superannuation).

(ii) Ms Elizabeth Hunt was appointed as Non-Executive Director on 30 January 2018 and resigned 13 June 2018.

(iii) Mr Mathew Perrot was appointed as Non-Executive Director on 23 April 2018.

(iv) Mr Peter Peebles resigned as Non-Executive Director on 30 January 2018.

**DIRECTORS' REPORT**

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

**Shareholdings**

Number of Shares held by Key Management Personnel during the year ended 30 June 2019 was as follows:

| Director         | Balance at<br>1 Jul 2018 <sup>1</sup> | Granted as<br>Compensation | Acquired          | Other Changes | Balance at<br>30 Jun 2019 <sup>2</sup> |
|------------------|---------------------------------------|----------------------------|-------------------|---------------|--|
| David Sanders    | -                                     | -                          | 8,666,667         | -             | 8,666,667                              |
| Alec Pismiris    | -                                     | -                          | 10,000,000        | -             | 10,000,000                             |
| Rohan Dalziell   | -                                     | -                          | -                 | -             | -                                      |
| James Ellingford | 519,146                               | -                          | -                 | -             | 519,146                                |
| Terence Clee     | 250,000                               | -                          | -                 | -             | 250,000                                |
| Mathew Perrot    | 9,800,000                             | -                          | -                 | -             | 9,800,000                              |
| <b>Total</b>     | <b>10,569,146</b>                     | <b>-</b>                   | <b>18,666,667</b> | <b>-</b>      | <b>29,235,813</b>                      |

<sup>1</sup> Or at date of appointment

<sup>2</sup> Or at date of resignation

As at 30 June 2019, director related entity of Mr Rohan Dalziell, Highwest Capital Pty Ltd, held 2,100,000 Performance Shares from the sale of Cobalt Prospecting Pty Ltd to Victory Mines Ltd, that are convertible into one ordinary share each if certain exploration milestones are met. Refer to terms of Performance Shares included in the Directors' Report.

**Options Holdings**

Number of Options held by Key Management Personnel during the year ended 30 June 2019 was as follows:

| Director         | Balance at<br>1 Jul 2018 <sup>1</sup> | Granted as<br>Compensation | Options<br>Exercised | Options<br>Expired | Balance at<br>30 Jun 2019 <sup>2</sup> | Vested<br>during<br>Period |
|------------------|---------------------------------------|----------------------------|----------------------|--------------------|--|----------------------------|
| David Sanders    | -                                     | -                          | -                    | -                  | -                                      | -                          |
| Alec Pismiris    | -                                     | -                          | -                    | -                  | -                                      | -                          |
| Rohan Dalziell   | 1,050,000                             | -                          | -                    | -                  | 1,050,000                              | -                          |
| James Ellingford | 1,033,333                             | -                          | -                    | (33,333)           | 1,000,000                              | -                          |
| Terence Clee     | 500,000                               | -                          | -                    | -                  | 500,000                                | -                          |
| Mathew Perrot    | -                                     | -                          | -                    | -                  | -                                      | -                          |
| <b>Total</b>     | <b>2,583,333</b>                      | <b>-</b>                   | <b>-</b>             | <b>(33,333)</b>    | <b>2,550,000</b>                       | <b>-</b>                   |

<sup>1</sup> Or at date of appointment

<sup>2</sup> Or at date of resignation

**Voting and Comments Made at the Company's 2018 Annual General Meeting ('AGM')**

The Company received 89.8% of "yes" votes (on a show of hands) on its remuneration report for the year ended 30 June 2018. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration packages.



**DIRECTORS' REPORT**

---

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

**Other Transactions with Key Management Personnel**

*2019*

- Dr James Ellingford, director during the financial year, was paid \$63,674 for consulting services provided to the Company outside his engagement as director. He was also paid \$5,058 in reimbursements made to him.
- Terence Clee, director during the financial year, was paid \$61,000 for consulting services provided to the Company outside his engagement as director. These included consultations on the Malamute and Husky projects, new project scoping, Bolivia project closure, and various other duties.
- Mathew Perrot Consultant Geologist, a company of which the Non-Executive Director, Mathew Perrot was a director during the financial year, was paid \$770 for geological services rendered.
- EverBlu Capital Pty Ltd ('EverBlu') charged the Company \$116,950 for advisory and lead manager services during the financial year. In December 2018, ASX advised the Company that in its opinion EverBlu was a party whose relationship was such that the Company could not issue securities to EverBlu without shareholder approval. EverBlu's mandate was terminated on 18 January 2019 and has no further ongoing relationship with the Company.
- Bennett & Co Pty Ltd, a company that David Sanders is an employee of, charged the Company \$42,999 for legal fees relating to the rights issue during the financial year.
- A.C.P. Investments Pty Ltd, a company of which the Non-Executive Director, Alec Pismiris was a director during the financial year, is entitled to \$1,800 for underwriting the rights issue.
- David Sanders is entitled to \$1,560 for underwriting the rights issue.

*2018*

- Dr James Ellingford, director during the financial year, was paid \$32,800 for consulting services provided to the Company outside his engagement as director.
- Terence Clee, director during the financial year, was paid \$49,000 for consulting services provided to the Company outside his engagement as director.
- Mathew Perrot Consultant Geologist, a company of which the Non-Executive Director, Mathew Perrot was a director during the financial year, was due to be paid an aggregate amount of \$2,530 for geological services rendered.
- EverBlu charged the Company \$255,598 for advisory and lead manager services, \$85,800 for capital raising fees, \$138,600 for research reporting writing, and other reimbursement costs of \$11,948.
- Darlington Geological Services, a company of which the Technical Director, Peter Peebles was a director during the financial year, was due to be paid an aggregate amount of \$19,500 for geological services rendered.
- Mining Corporate Pty Ltd, a company of which the Company Secretary, Mrs Elizabeth Hunt was a director of during part of financial year, was paid or due to be paid \$124,663 for company secretarial, compliance for acquisition of subsidiary, accounting and bookkeeping services.

**DIRECTORS' REPORT**

---

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

**Additional Information**

The earnings of the Group for the five years to 30 June 2019 are summarised below:

|                                       | <b>2019</b>  | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> |
|---------------------------------------|--------------|-------------|-------------|-------------|-------------|
| Revenue                               | 1,618        | 28,334      | 32,615      | 896,669     | 17,448      |
| EBITDA                                | (12,989,536) | (2,997,821) | (3,447,786) | (3,069,506) | (4,073,376) |
| EBIT                                  | (12,992,814) | (3,000,325) | (3,447,786) | (3,069,506) | (4,078,487) |
| Loss after tax                        | (13,090,902) | (3,002,429) | (3,524,111) | (3,143,525) | (4,172,264) |
| Share price at 30 June (\$ per share) | 0.002        | 0.008       | 0.012       | 0.004       | 0.003       |
| Loss per share (cents per share)      | (0.97)       | (0.38)      | (1.80)      | (0.72)      | (11.97)     |

***End of Remuneration Report***

**MEETINGS OF DIRECTORS**

Attendances by each director during the period were as follows:

|                  | <b>Board meetings - eligible to attend</b> | <b>Board meetings - attended</b> |
|------------------|--|----------------------------------|
| David Sanders    | 2  | 2                                |
| Alec Pismiris    | 2  | 2                                |
| Rohan Dalziell   | 2  | 2                                |
| James Ellingford | 7  | 7                                |
| Terence Clee     | 7  | 7                                |
| Mathew Perrot    | 7  | 7                                |

**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.

**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.

## **DIRECTORS' REPORT**

---

### **INDEMNIFYING AND INSURANCE OF OFFICERS (CONTINUED)**

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**

During the period, no ordinary shares were issued on the exercise of options. No further shares have been issued as a result of the exercise of options since year end. At the date of this report, the unissued ordinary shares under option are as follows:

| <b>Grant Date</b> | <b>Date of Expiry</b> | <b>Exercise Price</b> | <b>Number of Option</b> |
|-------------------|-----------------------|-----------------------|-------------------------|
| 23 November 2016  | 25 November 2019      | \$0.05                | 600,000                 |
| 15 December 2017  | 27 November 2020      | \$0.05                | 1,100,000               |
| 19 March 2018     | 28 December 2020      | \$0.02                | 603,752,013             |
| 31 May 2019       | 31 May 2022           | \$0.003               | 66,666,668              |
|                   |                       |                       | <hr/>                   |
|                   |                       |                       | 672,118,681             |
|                   |                       |                       | <hr/>                   |

### **PERFORMANCE SHARES**

As at the date of this report, the Company has 142,857,143 Performance Shares on issue.

Under the terms of the binding agreement to acquire 100% of the issued capital of Cobalt Prospecting Pty Ltd, the Company issued 142,857,143 performance shares that each will convert into one ordinary Share upon the announcement confirming that one 4m intersection with an average grade of 300ppm scandium (Sc) or 600ppm cobalt has been achieved from a drilling program on the tenements within three (3) years of Settlement (Milestone).

Under the terms for the acquisition of the Bonaparte tenements acquired in 2018, the Company will issue Bonus Shares to the vendors on the achievement of the following performance milestones:

- 5,000,000 ordinary shares upon confirmation of a JORC probable reserve of 10m pounds at 10% copper or zinc or lead equivalent (Milestone 1); and
- 5,000,000 ordinary shares upon confirmation of a JORC probable reserve of 20m pounds at 10% copper or zinc or lead equivalent (Milestone 2).

**DIRECTORS' REPORT**

---

**PERFORMANCE SHARES (CONTINUED)**

No Performance Shares were converted or redeemed during the financial year. No Performance Share milestones were met during the financial year.

*Summary of terms and conditions of the Performance Shares*

- (a) (Performance Shares): Each Performance Share is a share in the capital of Victory.
- (b) (General Meetings): Performance Shares shall confer on the holder (Holder) the right to receive notices of general meetings and financial reports and accounts of Victory that are circulated to Victory shareholders. Holders have the right to attend general meetings of Victory's shareholders.
- (c) (No Voting Rights): Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of Victory's shareholders, subject to any voting rights under the Corporations Act 2001 (Cth) (Corporations Act) or the ASX Listing Rules where such rights cannot be excluded by these terms.
- (d) (No Dividend Rights): Performance Shares do not entitle the Holder to any dividends.
- (e) (No Return of Capital Rights): Performance Shares do not entitle the Holder to any right to a return of capital, whether on a winding up, upon a capital reduction or otherwise.
- (f) (No Rights on Winding Up): Upon winding up of Victory, Performance Shares may not participate in the surplus profits or assets of Victory.
- (g) (Transfer of Performance Shares): Performance Shares are not transferable.
- (h) (Reorganisation of Capital): In the event that the issued capital of Victory is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the ASX Listing Rules at the time of reorganisation provided that, subject to compliance with the ASX Listing Rules, following such reorganisation the economic and other rights of the Holder are not diminished or terminated.
- (i) (Application to ASX): Performance Shares will not be quoted on ASX. Upon conversion of Performance Shares into Victory Shares and VICOA Options in accordance with these terms, Victory must within seven (7) days after the conversion, apply for and use its best endeavours to obtain the official quotation on ASX of Victory Shares and VICOA Options arising from the conversion.
- (j) (Participation in Entitlements and Bonus Issues): Subject always to the rights under item (h) (Reorganisation of Capital), Holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of Victory Shares such as bonus issues and entitlement issues.
- (k) (Amendments required by ASX): The terms of Performance Shares may be amended as necessary by the board of directors of Victory in order to comply with the ASX Listing Rules, or any directions of ASX regarding the terms provided that, subject to compliance with the ASX Listing Rules, following such amendment, the economic and other rights of the Holder are not diminished or terminated.
- (l) (No Other Rights): Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

*Conversion of Performance Shares*

- (a) (Milestones and Conversion): Each Performance Shares will automatically convert into one Share (with one VICOA Option being issued for every two Shares issued) upon the announcement to ASX by Victory that one 4m intersection with an average grade of 300ppm scandium (Sc) or 600ppm cobalt has been achieved from a drilling program on the Tenements within three years of their issue date (Milestone).

**DIRECTORS' REPORT**

---

**PERFORMANCE SHARES (CONTINUED)**

(b) (Change in Control): Upon:

- (i) a takeover bid under Chapter 6 of the Corporations Act having been made in respect of Victory and:
  - (A) having received acceptances for not less than 50.1% of Victory's shares on issue; and
  - (B) having been declared unconditional by the bidder; or
- (ii) a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of Victory or its amalgamation with any other company or companies, then, to the extent the Performance Shares have not converted into Victory Shares due to satisfaction of a Milestone, the Performance Shares automatically convert to that number of Victory Shares which when issued together with all Victory Shares issued under any other class of performance shares then on issue in Victory, is equal to the lesser of one Victory Share per Performance Share and 10% of the total Victory Shares on issue at that time. Performance Shares that are not converted into Victory Shares will continue to be held by the holder on the same terms and conditions.

(c) (Deferral of conversion if resulting in a prohibited acquisition of Shares) If the conversion of a Performance Share under paragraph (b) or (c) would result in any person being in contravention of section 606(1) of the Corporations Act 2001 (Cth) (General Prohibition) then the conversion of that Performance Share shall be deferred until such later time or times that the conversion would not result in a contravention of the General Prohibition. In assessing whether a conversion of a Performance Share would result in a contravention of the General Prohibition:

- (i) Holders may give written notification to Victory if they consider that the conversion of a Performance Share may result in the contravention of the General Prohibition. The absence of such written notification from the Holder will entitle Victory to assume the conversion of a Performance Share will not result in any person being in contravention of the General Prohibition.
- (ii) Victory may (but is not obliged to) by written notice to a Holder request a Holder to provide the written notice referred to in paragraph (c)(i) within seven days if Victory considers that the conversion of a Performance Share may result in a contravention of the General Prohibition. The absence of such written notification from the Holder will entitle Victory to assume the conversion of a Performance Share will not result in any person being in contravention of the General Prohibition.

(d) (Redemption if Milestone not achieved) If the relevant Milestone is not achieved by the required date, then each Performance Share in that class will be automatically redeemed by the Company for the sum of \$0.00001 within 10 Business Days of non- satisfaction of the Milestone.

(e) (After Conversion): Victory Shares and VICOA Options issued on conversion of the Performance Shares will, upon and from their issue, rank equally with and confer rights identical with all other Victory Shares and VICOA Options (respectively) then on issue and application will be made by Victory to ASX for official quotation of Victory Shares and VICOA Options issued upon conversion (subject to complying with any restriction periods required by the ASX).

(f) (Conversion Procedure): Victory will issue the Holder with a new holding statement for Victory Shares and VICOA Options as soon as practicable following the conversion of the Performance Shares into Victory Shares.

**DIRECTORS' REPORT**

---

**NON-AUDIT SERVICES**

There were no fees paid or payable to the external auditors for non-audit services provided during the year ended 30 June 2019 (2018: Nil).

**AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration for the period ended 30 June 2019 has been received and can be found on page 21.

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



Alec Pismiris

Non-Executive Director

Dated this 25th day of September 2019

For personal use only

AUDITOR'S INDEPENDENCE DECLARATION



Bentleys Audit & Corporate  
(WA) Pty Ltd  
London House  
Level 3,  
218 St Georges Terrace  
Perth WA 6000  
  
PO Box 7775  
Cloisters Square WA 6850  
  
ABN 33 121 222 802  
  
T +61 8 9226 4500  
F +61 8 9226 4300  
  
bentleys.com.au

To The Board of Directors

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

As lead audit Partner for the audit of the financial statements of Victory Mines Limited for the financial year ended 30 June 2019, 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

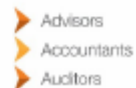
**BENTLEYS**  
Chartered Accountants

**MARK DELAURENTIS CA**  
Partner

Dated at Perth this 25<sup>th</sup> day of September 2019



A member of Bentleys, a network of independent accounting firms located throughout Australia, New Zealand and China that trade as Bentleys. All members of the Bentleys Network are affiliated only and are separate legal entities and not in Partnership. Liability limited by a scheme approved under Professional Standards Legislation.



For personal use only

INDEPENDENT AUDITOR'S REPORT



Bentleys Audit & Corporate  
(WA) Pty Ltd  
London House  
Level 3,  
216 St Georges Terrace  
Perth WA 6000  
  
PO Box 7775  
Cloisters Square WA 6850  
  
ABN 33 121 222 802  
  
T +61 8 9226 4500  
F +61 8 9226 4300  
  
bentleys.com.au

**Independent Auditor's Report**

**To the Members of Victory Mines Limited**

**Report on the Audit of the Financial Report**

**Opinion**

We have audited the financial report of Victory Mines Limited ("the Company") and its subsidiaries ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the Consolidated Entity financial report of the Consolidated Entity 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 2019 and of its financial performance for the year then ended; 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.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

For personal use only



A member of Bentleys, a network of independent accounting firms located throughout Australia, New Zealand and China that trade as Bentleys. All members of the Bentleys Network are affiliated only and are separate legal entities and not in Partnership. Liability limited by a scheme approved under Professional Standards Legislation.

- ▶ Advisors
- ▶ Accountants
- ▶ Auditors



**INDEPENDENT AUDITOR'S REPORT**

**Independent Auditor's Report**  
 To the Members of Victory Mines Limited (Continued)



**Material Uncertainty Related to Going Concern**

We draw attention to Note 1b in the financial report which indicates that the Consolidated Entity incurred a net loss of \$13,090,902 during the year ended 30 June 2019. As stated in Note 1b, these events or conditions, along with other matters as set forth in Note 1b, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our opinion is not modified in this respect of this matter.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter   | How our audit addressed the key audit matter  |
|--|---|
| <b>Exploration and evaluation expenditure</b>  |   |
| <p>As disclosed in note 10 to the financial statements, as at 30 June 2019, the Consolidated Entity's capitalised exploration and evaluation expenditure was carried at \$155,517 following an impairment loss of \$12,254,833.</p> <p>The recognition and recoverability of the exploration and evaluation expenditure was considered a key audit matter due to:</p> <ul style="list-style-type: none"> <li>- The carrying value represents a significant asset of the Consolidated Entity, we considered it necessary to assess whether facts and circumstances existed to suggest the carrying amount of this asset may exceed the recoverable amount; and</li> <li>- Determining whether impairment indicators exist involves significant judgement by management</li> </ul> | <p>Our audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> <li>- Assessing management's determination of its areas of interest for consistency with the definition in AASB 6 <i>Exploration and Evaluation of Mineral Resources</i> ("AASB 6");</li> <li>- Assessing the Consolidated Entity's rights to tenure for a sample of tenements;</li> <li>- Testing the Consolidated Entity's additions to capitalised exploration costs for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Consolidated Entity's accounting policy and the requirements of AASB 6;</li> <li>- By testing the status of the Consolidated Entity's tenure and planned future activities, reading board minutes and enquiries with management we assessed each area of interest for one or more of the following circumstances that may indicate impairment of the capitalised exploration costs:                         <ul style="list-style-type: none"> <li>- The licenses for the rights to explore expiring in the near future or are not expected to be renewed;</li> <li>- Substantive expenditure for further exploration in the area of interest is not budgeted or planned;</li> </ul> </li> </ul> |

For personal use only

**INDEPENDENT AUDITOR'S REPORT**

**Independent Auditor's Report**  
 To the Members of Victory Mines Limited (Continued)



| Key audit matter   | How our audit addressed the key audit matter  |
|--|---|
|  | <ul style="list-style-type: none"> <li>- Decision or intent by the Consolidated Entity to discontinue activities in the specific area of interest due to lack of commercially viable quantities of resources; and</li> <li>- Data indicating that, although a development in the specific area is likely to proceed, the carrying amount of the exploration asset is unlikely to be recorded in full from successful development or sale.</li> <li>- We also assessed the appropriateness of the related disclosures in note 10 to the financial statements.</li> </ul> |
| <b>Transactions with related parties</b>   |   |
| <p>As disclosed in note 17 to the financial statements, the Consolidated Entity's entered into transactions with related parties.</p> <p>We considered the related party transactions to be significant to the audit as the risk is that if the accounting treatment of the rights and obligations of these transactions are not correct, it could influence the results of the Consolidated Entity.</p> | <p>Our audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> <li>- Verified that transactions are approved with internal procedures including involvement of key personnel at the appropriate level;</li> <li>- Testing the transactions by verifying to underlying records and assessed whether the transactions were recorded appropriately; and</li> <li>- We determined whether the directors have disclosed relationships and transactions in accordance to AASB 124 <i>Related Party Disclosures</i> ("AASB 124");</li> </ul> |

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

For personal use only

INDEPENDENT AUDITOR'S REPORT

---

**Independent Auditor's Report**  
To the Members of Victory Mines Limited (Continued)



**Responsibilities of the Directors for the Financial Report**

The directors of the Consolidated Entity are responsible for the preparation of the financial report that gives a true and fair view 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

**Independent Auditor's Report**  
To the Members of Victory Mines Limited (Continued)



- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019. The directors of the Consolidated Entity are responsible for the preparation and presentation of the remuneration report in accordance with s 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 the Consolidated Entity, for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

**BENTLEYS**  
Chartered Accountants

**MARK DELAURENTIS CA**  
Partner

Dated at Perth this 25<sup>th</sup> day of September 2019

For personal use only

**Victory Mines Limited**  
**ABN 39 151 900 855**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2019**

|  | Note | Consolidated        |                    |
|--|------|---------------------|--------------------|
|  |      | 2019<br>\$          | 2018<br>\$         |
| Revenue  | 3    | 1,618               | 28,334             |
| Recovery of impaired loan  | 9    | -                   | 218,516            |
| Accounting and compliance fees   |      | (96,342)            | (105,959)          |
| Consulting fees  |      | (120,984)           | (549,037)          |
| Depreciation   |      | (3,278)             | (2,504)            |
| Directors fees   |      | (300,300)           | (345,400)          |
| Employee benefits expense  |      | (11,859)            | (31,323)           |
| Exploration expenditure  |      | (14,566)            | -                  |
| Finance costs  | 4    | (98,088)            | (2,104)            |
| Impairment of exploration expenditure  | 10   | (12,254,833)        | (473,303)          |
| Loss on disposal of subsidiary   |      | -                   | (150,020)          |
| Marketing, promotion and public relation costs   |      | (63,500)            | (418,633)          |
| Share based payments   | 19   | -                   | (600,588)          |
| Write off – pre acquisition costs  |      | -                   | (309,483)          |
| Other expenses   | 4    | (128,770)           | (260,925)          |
| <b>Loss before income tax expense</b>  |      | <b>(13,090,902)</b> | <b>(3,002,429)</b> |
| Income tax expense   | 2    | -                   | -                  |
| <b>Loss after income tax expense for the year</b>  |      | <b>(13,090,902)</b> | <b>(3,002,429)</b> |
| <b>Other comprehensive income</b>  |      |                     |                    |
| <i>Other Comprehensive Income that may be reclassified subsequently to profit and loss</i> |      |                     |                    |
| Foreign currency translation   |      | -                   | (113,148)          |
| <b>Total comprehensive loss for the year</b>   |      | <b>(13,090,902)</b> | <b>(3,115,577)</b> |
| <b>Loss Per Share</b>  |      |                     |                    |
| Basic and diluted loss per share (cents per share)   | 5    | (0.97)              | (0.38)             |

The accompanying notes form part of these financial statements.

For personal use only

**Victory Mines Limited**  
**ABN 39 151 900 855**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

|  | Note | Consolidated   |                   |
|--|------|----------------|-------------------|
|  |      | 2019<br>\$     | 2018<br>\$        |
| <b>ASSETS</b>                          |      |                |                   |
| <b>CURRENT ASSETS</b>                  |      |                |                   |
| Cash and cash equivalents              | 6    | 128,982        | 818,553           |
| Trade and other receivables            | 7    | 42,227         | 26,253            |
| Other assets                           | 8    | 41,476         | 15,972            |
| <b>TOTAL CURRENT ASSETS</b>            |      | <b>212,685</b> | <b>860,778</b>    |
| <b>NON-CURRENT ASSETS</b>              |      |                |                   |
| Plant and equipment                    |      | 5,770          | 5,019             |
| Exploration and evaluation expenditure | 10   | 155,517        | 12,218,338        |
| <b>TOTAL NON-CURRENT ASSETS</b>        |      | <b>161,287</b> | <b>12,223,357</b> |
| <b>TOTAL ASSETS</b>                    |      | <b>373,972</b> | <b>13,084,135</b> |
| <b>LIABILITIES</b>                     |      |                |                   |
| <b>CURRENT LIABILITIES</b>             |      |                |                   |
| Trade and other payables               | 11   | 246,497        | 323,965           |
| <b>TOTAL CURRENT LIABILITIES</b>       |      | <b>246,497</b> | <b>323,965</b>    |
| <b>TOTAL LIABILITIES</b>               |      | <b>246,497</b> | <b>323,965</b>    |
| <b>NET ASSETS</b>                      |      | <b>127,475</b> | <b>12,760,170</b> |
| <b>EQUITY</b>                          |      |                |                   |
| Issued capital                         | 12   | 20,645,786     | 20,283,761        |
| Reserves                               | 13   | 9,553,897      | 9,457,715         |
| Accumulated losses                     |      | (30,072,208)   | (16,981,306)      |
| <b>TOTAL EQUITY</b>                    |      | <b>127,475</b> | <b>12,760,170</b> |

The accompanying notes form part of these financial statements.

For personal use only

**Victory Mines Limited**  
**ABN 39 151 900 855**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2019**

|                                   | Note | Issued<br>Capital<br>\$ | Reserves<br>\$   | Accumulated<br>Losses<br>\$ | Non-<br>Controlling<br>Interest<br>\$ | Total<br>\$         |
|-----------------------------------|------|-------------------------|------------------|-----------------------------|---------------------------------------|---------------------|
| <b>Balance at 1 July 2017</b>     |      | <b>15,122,728</b>       | <b>509,733</b>   | <b>(13,978,877)</b>         | <b>(262,920)</b>                      | <b>1,390,664</b>    |
| Loss for the period               |      | -                       | -                | (3,002,429)                 | -                                     | (3,002,429)         |
| Other comprehensive income        |      | -                       | (113,148)        | -                           | -                                     | (113,148)           |
| <b>Total comprehensive income</b> |      | <b>-</b>                | <b>(113,148)</b> | <b>(3,002,429)</b>          | <b>-</b>                              | <b>(3,115,577)</b>  |
| Deregistration of subsidiary      |      | -                       | -                | -                           | 262,920                               | 262,920             |
| Shares issued                     |      | 5,494,400               | -                | -                           | -                                     | 5,494,400           |
| Share issue costs                 |      | (333,367)               | -                | -                           | -                                     | (333,367)           |
| Performance shares issued         |      | -                       | 2,000,000        | -                           | -                                     | 2,000,000           |
| Options issued                    |      | -                       | 7,061,130        | -                           | -                                     | 7,061,130           |
| <b>Balance at 30 June 2018</b>    |      | <b>20,283,761</b>       | <b>9,457,715</b> | <b>(16,981,306)</b>         | <b>-</b>                              | <b>12,760,170</b>   |
| <b>Balance at 1 July 2018</b>     |      | <b>20,283,761</b>       | <b>9,457,715</b> | <b>(16,981,306)</b>         | <b>-</b>                              | <b>12,760,170</b>   |
| Loss for the period               |      | -                       | -                | (13,090,902)                | -                                     | (13,090,902)        |
| Other comprehensive income        |      | -                       | -                | -                           | -                                     | -                   |
| <b>Total comprehensive income</b> |      | <b>-</b>                | <b>-</b>         | <b>(13,090,902)</b>         | <b>-</b>                              | <b>(13,090,902)</b> |
| Shares issued                     | 12   | 411,948                 | -                | -                           | -                                     | 411,948             |
| Share issue costs                 | 12   | (49,923)                | -                | -                           | -                                     | (49,923)            |
| Share based payment               | 13   | -                       | 96,182           | -                           | -                                     | 96,182              |
| <b>Balance at 30 June 2019</b>    |      | <b>20,645,786</b>       | <b>9,553,897</b> | <b>(30,072,208)</b>         | <b>-</b>                              | <b>127,475</b>      |

The accompanying notes form part of these financial statements.

**Victory Mines Limited**  
**ABN 39 151 900 855**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

|  | Note | Consolidated       |                    |
|--|------|--------------------|--------------------|
|  |      | 2019<br>\$         | 2018<br>\$         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                |      |                    |                    |
| Payments to suppliers and employees                        |      | (737,867)          | (1,716,177)        |
| Exploration and evaluation expenditure                     |      | (342,975)          | (827,967)          |
| Interest received  |      | 1,618              | 28,288             |
| <b>Net cash (used in) operating activities</b>             | 16   | <b>(1,079,224)</b> | <b>(2,515,856)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                |      |                    |                    |
| Loans repaid by other entities                             | 9    | -                  | 221,766            |
| Purchase of equipment                                      |      | (4,029)            | (6,575)            |
| Purchase of tenements                                      |      | -                  | (250,000)          |
| Payment of exploration asset acquired                      |      | -                  | (200,000)          |
| <b>Net cash (used in) provided by investing activities</b> |      | <b>(4,029)</b>     | <b>(234,809)</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                |      |                    |                    |
| Proceeds from issue of shares                              | 12   | 211,948            | 2,200,000          |
| Proceeds from issue of convertible note                    | 12   | 200,000            | -                  |
| Payment of share issue costs                               |      | (18,266)           | (333,367)          |
| <b>Net cash provided by financing activities</b>           |      | <b>393,682</b>     | <b>1,866,633</b>   |
| Net (decrease) in cash held                                |      | (689,571)          | (884,032)          |
| <b>Cash at beginning of financial period</b>               |      | <b>818,553</b>     | <b>1,702,585</b>   |
| <b>Cash at end of financial period</b>                     | 6    | <b>128,982</b>     | <b>818,553</b>     |

The accompanying notes form part of these financial statements.

For personal use only



## **NOTES TO THE FINANCIAL STATEMENTS**

---

### **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements and notes represent those of Victory Mines Limited and Controlled Entities (the "Group"). Victory Mines Limited is a public Company, incorporated and domiciled in Australia. The financial statements were authorised for issue on 25 September 2019 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.

#### ***Accounting Policies***

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

##### **a) Principles of Consolidation**

A controlled entity is an entity over which the Company 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.

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 been 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.

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) 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 Group incurred a loss for the year ended 30 June 2019 of \$13,090,902 (2018: \$3,002,429) and net cash outflows from operating activities of \$1,079,224 (2018: \$2,515,856), and as at that date had a working capital deficit of \$33,812 (2018: surplus of \$536,813).

These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern.

The ability of the Group to continue as a going concern is principally dependent upon the ability of the Company successfully raising additional capital and managing cash flow in line with available funds.

The Company has signed a mandate with DJ Carmichael Pty Ltd to raise up to approximately \$1.6 million through the placement of shares and options. The \$1.6 million capital raise comprise of:

- (a) A Share placement of 116,000,000 fully paid ordinary shares at \$0.001 per Share to sophisticated investors under s708A of the Corporations Act and Chapter 6D, to raise \$116,000 before costs. This was completed on 30 August 2019;
- (b) Options placement of 175,000,000 options exercisable at \$0.002 expiring five years from issue at \$0.0001 per Option to raise approximately \$17,500, subject to shareholder approval; and
- (c) A fully underwritten non-renounceable entitlement issue on a 1:1 basis at \$0.001 per Share to raise \$1,479,000.

In order to save cost and enable greater focus on the Company's most prospective tenements, the Company decided to relinquish tenement E80/4964 and partially surrender E80/4901.

The Directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for a 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.

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) Going Concern (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.

**c) 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.

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Income Tax (Continued)**

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.

**d) 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 diminishing value 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:

| <b>Class of Fixed Asset</b> | <b>Depreciation Rate</b> |
|-----------------------------|--------------------------|
| 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.

For personal use only

NOTES TO THE FINANCIAL STATEMENTS

---

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**e) 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.

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.

*Impairment of assets*

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. 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 to the statement of profit and loss and comprehensive income. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f) Financial Instruments**

*Recognition, initial measurement and derecognition*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

*Classification and subsequent measurement of financial assets*

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable)

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Amortised cost;
- Fair value through profit or loss (FVPL);
- Equity instruments at fair value through other comprehensive income (FVOCI); and
- Debt instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Classifications are determined by both:

- The entities business model for managing the financial asset; and
- The contractual cash flow characteristics of the financial assets.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables, which is presented within other expenses.

For personal use only

NOTES TO THE FINANCIAL STATEMENTS

---

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) **Financial Instruments (Continued)**

*Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as government bonds that were previously classified as held-to-maturity under AASB 139. There are no FVPL and FVOCI instruments for the group.

*Impairment of financial assets*

AASB 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f) Financial Instruments (Continued)**

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

*Trade and other receivables and contract assets*

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

*Classification and measurement of financial liabilities*

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

**g) 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.

**h) Current and Non-current Classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

For personal use only



NOTES TO THE FINANCIAL STATEMENTS

---

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**h) Current and Non-current Classification (Continued)**

A liability is classified as current when: it is either expected to be settled in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**i) Issued Capital**

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

*Basic loss per share*

Basic loss per share is determined by dividing the operating profit/(loss) after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year

*Diluted loss per share*

Diluted loss per share adjusts the amounts used in the determination of basic loss per share by taking into account unpaid amounts on ordinary shares and any reduction in loss per share that will probably arise from the exercise of options outstanding during the financial year.

**j) Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Other revenue is recognised when it is received or when the right to receive payment is established. All revenue is stated net of the amount of goods and services tax (GST).

**k) Borrowing Costs**

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

NOTES TO THE FINANCIAL STATEMENTS

---

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**l) 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.

*Equity-settled Compensation*

The Company operates equity-settled share-based payment employee share, option schemes and other equity-settled share-based payments. The fair value of the equity and other equity-settled share based payments 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 and other equity-settled share-based payments are ascertained as the market bid price. The fair value of options and preference shares is ascertained using a Black –Scholes pricing model which incorporates all market vesting conditions. The number of shares, other equity-settled share-based payments 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.

**m) 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.

**n) Segment Reporting**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**n) Segment Reporting (Continued)**

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team. The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services;
- Nature of the production processes;
- Type or class of customer for the products and services;
- Methods used to distribute the products or provide the services; and if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “all other segments”.

**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.

*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(e).

*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 19.

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, or the quoted bid price where applicable.

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**p) New Accounting Standards that are Mandatorily Effective for Current Reporting Period**

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 9 Financial Instruments and related amending Standards;
- AASB 15 Revenue from Contracts with Customers and related amending Standards; and
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

*AASB 9 Financial Instruments and related amending Standards*

In the current year, the Group has applied AASB 9 Financial Instruments (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives however there was no material impact on adoption of the standard. Additionally, the Group adopted consequential amendments to AASB 7 Financial Instruments: Disclosures.

In summary AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities;
- Impairment of financial assets; and
- General hedge accounting.

*AASB 15 Revenue from Contracts with Customers and related amending Standards*

In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers (as amended) which is effective for an annual period that begins on or after 1 January 2018.

This standard provides a single standard for revenue recognition. The core principle of the standard is that an entity must recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard requires: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue.

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**p) New Accounting Standards that are Mandatorily Effective for Current Reporting Period (Continued)**

For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity must select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.

The entity has assessed the requirements of AASB 15 and analysed the effect this has on revenue recognition including an analysis of the performance obligations within the Company's contracts with Customers. Given the nature of the Company's operations and contracts with customers, revenue is recognised at a point in time when the customer obtains control of the goods. As permitted by the standard the Company has continued to utilise the terms trade and other receivables, and advances and deposits from customers rather than contract assets and contract liabilities respectively.

There was no material impact on adoption of the standard and no adjustment made to current or prior period amounts.

**q) New Accounting Standards and Interpretations Not Yet Mandatory**

AASB 16 Leases (applicable to annual reporting periods beginning on or after 1 July 2019). When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the New Standard are as follows:

- Recognition of a right-of-use asset and lease liability for all leases (excluding short-term leases with a lease term 12 months or less of tenure and leases relating to low-value assets);
- Depreciation of right-of-use assets in lien with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- Inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- Application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- Inclusion of additional disclosure requirements.

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**q) New Accounting Standards and Interpretations Not Yet Mandatory (Continued)**

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The Group is in the process of completing its impact assessment of AASB 16. Based on a preliminary assessment performed, the effect of AASB 16 is not expected to have a material effect on the Group. It is impracticable at this stage to provide a reasonable estimate of such impact.

**NOTE 2: INCOME TAX EXPENSE**

|  | <b>Consolidated</b> |             |
|--|---------------------|-------------|
|  | <b>2019</b>         | <b>2018</b> |
|  | <b>\$</b>           | <b>\$</b>   |
| <b>Reconciliation of income tax expense:</b>   |                     |             |
| Loss from ordinary activities before income tax expense  | (13,090,902)        | (3,002,429) |
| Prima facie tax benefit on loss from ordinary activities before income tax at 30%                              | (3,927,271)         | (900,729)   |
| Increase in income tax due to:   |                     |             |
| Non-deductible expenses  | 3,712,875           | 999,099     |
| Current period tax losses not recognised   | 304,922             | 486,170     |
| Movement in unrecognised temporary differences   | 13,423              | 34,639      |
| Decrease in income tax expense due to:   |                     |             |
| Deductible equity raising costs  | (46,345)            | (41,936)    |
| Movement in unrecognised temporary differences   | -                   | -           |
| Other deductible expenses  | (57,604)            | -           |
| Non-assessable income  | -                   | (577,243)   |
| Income tax attributable to operating loss  | -                   | -           |
| <b>Unused tax losses and temporary differences for which no deferred tax asset has been recognised at 30%:</b> |                     |             |
| Deductible temporary differences   | 30,461              | 120,987     |
| Tax revenue losses   | 4,250,956           | 3,946,034   |
| Tax capital losses   | 128,510             | 128,510     |
| Total unrecognised deferred tax asset  | 4,409,927           | 4,195,531   |

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2019 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time.

For personal use only

**Victory Mines Limited**  
**ABN 39 151 900 855**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 3: REVENUE**

|                 | <b>Consolidated</b> |             |
|-----------------|---------------------|-------------|
|                 | <b>2019</b>         | <b>2018</b> |
|                 | <b>\$</b>           | <b>\$</b>   |
| Interest income | 1,618               | 28,334      |

**NOTE 4: OTHER EXPENSES**

**Finance Costs**

|  |        |       |
|--|--------|-------|
| Interest expense   | 1,906  | 2,104 |
| Options issued in lieu of interest on convertible note (Note 13) | 96,182 | -     |
|  | 98,088 | 2,104 |

**Other Expenses**

|                          |         |         |
|--------------------------|---------|---------|
| Communication expenses   | 5,743   | 18,527  |
| Legal expenses           | 50,610  | 16,809  |
| Loss on foreign exchange | -       | 2,574   |
| Pre-Acquisition costs    | -       | 25,573  |
| Travel costs             | 30,721  | 129,552 |
| Other expenses           | 41,696  | 67,890  |
|                          | 128,770 | 260,925 |

**NOTE 5: EARNINGS PER SHARE**

|   | <b>2019</b>   | <b>2018</b>   |
|---|---------------|---------------|
|   | <b>\$</b>     | <b>\$</b>     |
| Loss for the year   | (13,090,902)  | (3,002,429)   |
|   | <b>Number</b> | <b>Number</b> |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | 1,351,569,725 | 788,198,463   |
|   | <b>Cents</b>  | <b>Cents</b>  |
| Basic and diluted loss per share  | (0.97)        | (0.38)        |

As the Company is in a loss position the options outstanding at 30 June 2019 have no dilutive effects on the earnings per share calculation.

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 6: CASH AND CASH EQUIVALENTS**

|                       | <b>Consolidated</b> |             |
|-----------------------|---------------------|-------------|
|                       | <b>2019</b>         | <b>2018</b> |
|                       | <b>\$</b>           | <b>\$</b>   |
| Cash and cash at bank | 128,982             | 543,553     |
| Term deposit          | -                   | 275,000     |
|                       | 128,982             | 818,553     |

**NOTE 7: TRADE AND OTHER RECEIVABLES**

|                 |        |        |
|-----------------|--------|--------|
| GST receivables | 17,227 | 24,528 |
| Other debtors   | 25,000 | 1,725  |
|                 | 42,227 | 26,253 |

**NOTE 8: OTHER ASSETS**

|                        |        |        |
|------------------------|--------|--------|
| Prepayments            | 34,476 | 15,972 |
| Other assets (Note 17) | 7,000  | -      |
|                        | 41,476 | 15,972 |

**NOTE 9: LOANS RECEIVABLE**

During the year ended 30 June 2018, the Company entered into a settlement agreement with Milestone whereby the Company would receive a total of US\$169,446 (AU\$218,516) in full and final settlement of the outstanding loan balance, on or before 3 June 2018. As at 30 June 2018, the Company forgave a total of US\$80,554 (AU\$109,939) of the loan receivable amount. The settlement was received by the Company in full (AU\$221,766) on 31 May 2018.

**NOTE 10: EXPLORATION AND EVALUATION EXPENDITURE**

|                                       | <b>Consolidated</b> |             |
|---------------------------------------|---------------------|-------------|
|                                       | <b>2019</b>         | <b>2018</b> |
|                                       | <b>\$</b>           | <b>\$</b>   |
| Exploration and evaluation – at costs | 12,883,653          | 12,691,641  |
| Less impairment                       | (12,728,136)        | (473,303)   |
|                                       | 155,517             | 12,218,338  |

For personal use only



**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 10: EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)**

|   | <b>Consolidated</b> |             |
|---|---------------------|-------------|
|   | <b>2019</b>         | <b>2018</b> |
|   | <b>\$</b>           | <b>\$</b>   |
| Carrying amount at the beginning of the year                          | 12,218,338          | 46,780      |
| Costs capitalised during the year                                     | 192,012             | 809,810     |
| Costs impaired during the year <sup>1</sup>                           | (12,254,833)        | (473,303)   |
| Acquisition and fair value of Bonaparte tenements <sup>2</sup>        | -                   | 904,500     |
| Acquisition and fair value of Cobalt Prospecting Pty Ltd <sup>3</sup> | -                   | 10,930,551  |
| Carrying amount at the end of the year                                | 155,517             | 12,218,338  |

<sup>1</sup> During the financial year, the Company assessed its exploration projects for impairment in accordance with AASB 6 *Exploration and Evaluation of Mineral Resources* and determined an impairment loss of \$12,254,833 (2018: \$473,303). The impairment relates to its Bonaparte project and Cobalt Prospecting tenements (2018: Bolivia project). The Board decided to be prudent and fully impair the tenements in Cobalt Prospecting Pty Ltd as there has been a severe deterioration in the cobalt price since its acquisition. Due to the high fixed cost nature of the mining industry, the value of a resource is not a linear function of price. As such, the severe fall in commodity prices can be expected to have a disproportionately greater impact on the value of the Company's cobalt assets. The Bonaparte project was impaired for in full as minimal expenditure is planned for the next 12 months.

<sup>2</sup> On 18 July 2017, the Company entered into a Heads of Agreement to acquire Bonaparte tenements. The consideration for the acquisition was \$100,000 cash payment to vendors and the issue of 20,000,000 fully paid ordinary shares to the vendors. The acquisition was completed in September 2018. The acquisition value of \$904,500 represents the total fair value calculated on the acquisition. As part of the consideration, the Company will issue a total of 10,000,000 bonus shares to the vendors on the achievement of relevant performance milestones. Refer to Performance Shares section of Directors' Report for details. At this point in time, Directors assessed that it is unlikely the performance conditions will be met. Furthermore, as part of consideration the facilitation fee for Bonaparte acquisition consisted of \$150,000 cash payment, 20,000,000 fully paid ordinary shares and 15,000,000 quoted options upon signing of a binding Heads of Agreement, 20,000,000 fully paid ordinary shares and 15,000,000 quoted options upon receipt of assay results from a minimum of two samples confirming average cobalt mineralisation of 0.5% and or zinc confirming average zinc mineralisation consistently with the recent XRF findings and 10,000,000 fully paid ordinary shares and 5,000,000 quoted options upon settlement of Heads of Agreement.

<sup>3</sup> On 14 November 2017, the Company entered into a binding agreement to acquire 100% issued capital of Cobalt Prospecting Pty Ltd ('CPPL'). Upon the execution of the binding agreement, the Company issued 14,285,714 fully paid ordinary shares, 14,285,714 quoted options to the CPPL shareholders. The consideration terms at settlement were to issue 357,142,857 fully paid ordinary shares at a deemed price of \$0.007 per share, 142,857,143 performance shares, 178,571,428 quoted options and a grant of 2% net smelter return royalty with respect to all minerals produced and sold from the four project areas and \$200,000 cash payment to the vendors to be applied against expenditure costs incurred in establishing and maintaining the four project areas.

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 10: EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)**

<sup>3</sup> As at 30 June 2018, the Board assessed 70% being the likelihood of performance shares milestone to be achieved. The acquisition value of \$10,930,551 represents the total fair value calculated on the acquisition.

*Acquisition of Cobalt Prospecting Pty Ltd*

On 15 January 2018, Shareholders approved the acquisition of 100% of issued capital of Cobalt Prospecting Pty Ltd. The acquisition of Cobalt Prospecting Pty Ltd was determined to be an asset acquisition as Cobalt Prospecting Pty Ltd did not constitute a business under the Accounting Standards. The excess consideration paid over the net assets of Cobalt Prospecting Pty Ltd totalling \$10,930,551, was capitalised as exploration expenditure. The purchase consideration was calculated as follows:

|  | \$         |
|--|------------|
| 14,285,714 shares in Victory Mines Limited upon execution of binding agreement at a fair value of \$0.01 per share                     | 142,857    |
| 14,285,714 options in Victory Mines Limited upon execution of binding agreement at a fair value of \$0.003 per option                  | 42,857     |
| 357,142,857 consideration shares in Victory Mines Limited upon settlement of acquisition at a fair value of \$0.02 per share           | 7,142,857  |
| 178,571,428 consideration options in Victory Mines Limited upon settlement of acquisition at a fair value of \$0.008                   | 1,428,571  |
| 142,857,143 performance shares in Victory Mines upon achievement of milestone (refer to Note 13 for details) at a fair value of \$0.02 | 2,000,000  |
| Cash payment to the vendors – expenditure costs incurred   | 200,000    |
|  | 10,957,142 |

The fair value of the assets and liabilities of Cobalt Prospecting Pty Ltd as at the date of the acquisition as follows:

|  | \$         |
|--|------------|
| Cash and cash equivalent   | 854        |
| Receivables  | 25,737     |
| Net Assets   | 26,591     |
| Purchase consideration   | 10,957,142 |
| Consideration in excess of net assets acquired (capitalised as exploration and evaluation expenditure) | 10,930,551 |

For personal use only

**Victory Mines Limited**  
**ABN 39 151 900 855**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 11: TRADE AND OTHER PAYABLES**

|                 | <b>Consolidated</b> |             |
|-----------------|---------------------|-------------|
|                 | <b>2019</b>         | <b>2018</b> |
|                 | <b>\$</b>           | <b>\$</b>   |
| Trade creditors | 166,411             | 290,026     |
| Accruals        | 80,086              | 33,939      |
|                 | 246,497             | 323,965     |

Trade creditors are expected to be paid on a 30-day term.

**NOTE 12: ISSUED CAPITAL**

|                            | <b>2019</b>   | <b>2018</b>   | <b>2019</b> | <b>2018</b> |
|----------------------------|---------------|---------------|-------------|-------------|
|                            | <b>Number</b> | <b>Number</b> | <b>\$</b>   | <b>\$</b>   |
| Fully paid ordinary shares | 1,363,232,174 | 1,225,916,246 | 20,645,786  | 20,283,761  |

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.

|   | <b>Number</b> | <b>\$</b>  |
|---|---------------|------------|
| Balance at 1 July 2017                                    | 413,656,247   | 15,122,728 |
| Shares issued during the year for cash <sup>3</sup>       | 314,285,714   | 2,200,000  |
| Shares issued as consideration for acquisitions (note 10) | 391,428,571   | 2,740,000  |
| Share based payments for services rendered <sup>4</sup>   | 105,945,714   | 553,300    |
| Share based payments to directors (note 19)               | 600,000       | 1,100      |
| Less share issue costs                                    | -             | (333,367)  |
| Balance at 30 June 2018                                   | 1,225,916,246 | 20,283,761 |
| Conversion of convertible notes <sup>1</sup>              | 66,666,668    | 200,000    |
| Rights issue <sup>2</sup>                                 | 70,649,260    | 211,948    |
| Less share issue costs                                    | -             | (49,923)   |
| Balance at 30 June 2019                                   | 1,363,232,174 | 20,645,786 |

<sup>1</sup> On 15 March 2019, the Company received commitments for short term loan funding of \$200,000 that will convert to equity at a conversion price of \$0.003 per share upon lodgement of Prospectus and entitled one free option for every share issued. Upon lodgement of the Prospectus on ASX on the 9 April 2019, the 66,666,668 convertible securities were converted to ordinary shares, and were issued on the 31 May 2019. On the same date, 66,666,668 unlisted options exercisable at \$0.003 per option expiring on 31 May 2022 were issued.

<sup>2</sup> On 31 May 2019, 70,649,260 ordinary shares were issued at a price of \$0.003 per share as part of the 1-for-3 rights issue.

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 12: ISSUED CAPITAL(CONTINUED)**

<sup>3</sup> On 30 November 2017, the Company completed a placement via issuances of 314,285,714 ordinary shares at \$0.007 per share, raising \$2.2 million before costs.

<sup>4</sup> On 4 August 2017, 40,000,000 ordinary shares were issued at a deemed price of \$0.008 per share as part of facilitation fee for the acquisition of the Bonaparte tenements. On 29 November 2017, 48,160,000 ordinary shares were issued at a deemed price of \$0.015 per share in lieu of geological and marketing services provided by creditors. On 29 November 2017, 6,000,000 ordinary shares were issued at a deemed price of \$0.015 per share in lieu of loan settlement to Six Degrees Group Holdings. On 30 November 2017, 11,785,714 ordinary shares issued at a deemed price of \$0.007 per share in lieu of services provided by creditors.

*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.

|                             | <b>Consolidated</b> |             |
|-----------------------------|---------------------|-------------|
|                             | <b>2019</b>         | <b>2018</b> |
|                             | <b>\$</b>           | <b>\$</b>   |
| Cash and cash equivalents   | 128,982             | 818,553     |
| Trade and other receivables | 42,227              | 26,253      |
| Other assets                | 41,476              | 15,972      |
| Trade and other payables    | (246,497)           | (323,965)   |
| Working capital position    | (33,812)            | 536,813     |

**NOTE 13: RESERVES**

|   |           |           |
|---|-----------|-----------|
| Opening reserve balance at 1 July         | 9,457,715 | 509,733   |
| Equity issued during the year             | -         | 5,455,214 |
| Options issued during the year            | 96,182    | 1,605,916 |
| Performance shares issued during the year | -         | 2,000,000 |
| Foreign exchange translation              | -         | (113,148) |
| Closing reserve balance at 30 June        | 9,553,897 | 9,457,715 |

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 13: RESERVES (CONTINUED)**

During the year ended 30 June 2019, 66,666,668 unlisted options exercisable at \$0.003 per option expiring on 31 May 2022 were issued. The value of share-based payments was \$96,182 for the year ended 30 June 2019. The valuation model inputs used in the Black-Scholes valuation model to determine the fair value at grant date are as follows:

| Grant Date  | Expiry Date | Share Price | Exercise Price | Expected Volatility | Risk-Free Interest Rate | Fair Value |
|-------------|-------------|-------------|----------------|---------------------|-------------------------|------------|
| 31 May 2019 | 31 May 2022 | \$0.002     | \$0.003        | 137.73%             | 1.10%                   | \$0.0014   |

The total options on issue at 30 June 2019 consist of the following classes.

| Grant Date       | Expiry Date      | Description | Exercise Price | Number      |
|------------------|------------------|-------------|----------------|-------------|
| 23 November 2016 | 25 November 2019 | Unquoted    | \$0.05         | 600,000     |
| 15 December 2017 | 27 November 2020 | Unquoted    | \$0.05         | 1,100,000   |
| 19 March 2018    | 28 December 2020 | Quoted      | \$0.02         | 603,752,013 |
| 31 May 2019      | 31 May 2022      | Unquoted    | \$0.003        | 66,666,668  |
|                  |                  |             |                | 672,118,681 |

Movements in options balance is as follows:

|  | 2019<br>Number | 2018<br>Number |
|--|----------------|----------------|
| Opening options balance at 1 July        | 605,498,681    | 198,080,555    |
| Options issued during the year (Note 19) | 66,666,668     | 407,425,746    |
| Options expired during the year          | (46,668)       | (7,620)        |
| Opening options balance at 30 June       | 672,118,681    | 605,498,681    |

The total performance shares on issue at 30 June 2019 consist of the following classes.

| Grant Date      | Vesting Date              | Expiration Date             | Number of rights issued | Fair Value per Right at Grant Date |
|-----------------|---------------------------|-----------------------------|-------------------------|------------------------------------|
| 15 January 2018 | Satisfaction of milestone | 3 years from the issue date | 142,857,143             | \$0.02                             |

Performance share value at grant date was determined using the performance milestone summarised in the table above. Each performance share will vest as one (1) Share (with one VICOA Option being issued for every two (2) Shares held) upon the announcement to the ASX by the Company that one 4m intersection with an average grade of 300ppm scandium (Sc) or 600ppm cobalt has been achieved from a drilling program on the tenements within three (3) years of their issue. As at 30 June 2019, the Board assessed the milestones were unlikely be achieved. Refer to Performance Shares section of the Director's Report for full details on Performance Shares.

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 14: REMUNERATION OF KEY MANAGEMENT PERSONNEL**

|                              | <b>2019</b> | <b>2018</b> |
|------------------------------|-------------|-------------|
|                              | \$          | \$          |
| Short-term employee benefits | 181,500     | 345,400     |
| Post-employment benefits     | 7,410       | 17,049      |
| Other long-term benefits     | -           | -           |
| Share-based payments         | -           | 4,813       |
|                              | 188,910     | 367,262     |

**NOTE 15: AUDITOR'S REMUNERATION**

|  | <b>2019</b> | <b>2018</b> |
|--|-------------|-------------|
|  | \$          | \$          |
| Auditing or reviewing the financial report | 34,084      | 27,000      |

**NOTE 16: CASHFLOW INFORMATION**

|  | <b>Consolidated</b> |             |
|--|---------------------|-------------|
|  | <b>2019</b>         | <b>2018</b> |
|  | \$                  | \$          |
| <b>a) Reconciliation of Cash Flow from Operations with Loss after Income Tax</b> |                     |             |
| Loss after income tax  | (13,090,902)        | (3,002,429) |
| <i>Non-cash flows in loss</i>  |                     |             |
| Finance costs  | 96,182              | -           |
| Share based payments   | -                   | 600,588     |
| Write-off pre-acquisition costs  | -                   | 309,483     |
| Other write-offs   | -                   | 45,971      |
| Recovery of impaired loan  | -                   | (218,516)   |
| Exploration expenditure impaired   | 12,254,833          | 473,303     |
| Loss on disposal of subsidiary   | -                   | 150,020     |
| Depreciation   | 3,278               | 2,504       |
| <i>Changes in assets and liabilities</i>   |                     |             |
| (Increase)/decrease in trade and other receivables                               | (15,974)            | 2,530       |
| (Increase) in other assets   | (25,504)            | -           |
| (Increase) in exploration expenditure  | (192,012)           | (803,941)   |
| (Decrease) in trade payables and accruals  | (109,125)           | (75,369)    |
| Cashflow used in operations  | (1,079,224)         | (2,515,856) |

**b) Non-Cash Financing and Investing Activities**

For the year ended 30 June 2019, there were the following non-cash financing activities:

- On 31 May 2019, the Company issued 66,666,668 unlisted options to the value of \$96,182 in lieu of interest upon conversion of 66,666,668 convertible securities.

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 16: CASHFLOW INFORMATION (CONTINUED)**

For the year ended 30 June 2018, there were the following non-cash financing and investing activities:

- On 4 and 21 August 2017, the Company issued shares to the value of \$140,000 in lieu of purchase consideration to the vendors for the acquisition of Bonaparte tenements.
- On 15 November 2017, the Company issued shares to the value of \$100,000 for the exclusivity payment for the acquisition of Cobalt Prospecting Pty Ltd.
- On 30 November 2017, the Company issued shares to the value of \$30,000 in lieu of settlement of loan repayment.
- On 30 November 2017, the Company issued shares to the value of \$200,000 in lieu of facilitation fee for the acquisition of Bonaparte tenements.

**NOTE 17: RELATED PARTY TRANSACTIONS**

|  | <b>2019</b> | <b>2018</b> |
|--|-------------|-------------|
| <i>Transactions with Related Parties</i>           | <b>\$</b>   | <b>\$</b>   |
| Executive services – James Ellingford <sup>1</sup> | 68,732      | 58,258      |
| Consulting services – Terence Clee <sup>1</sup>    | 61,000      | 2,305       |
| Mathew Perrot Consultant Geologist <sup>1</sup>    | 770         | 2,530       |
| EverBlu Capital Pty Ltd <sup>2</sup>               | 116,950     | 343,030     |
| Bennett & Co Pty Ltd <sup>3</sup>                  | 40,103      | -           |
| Darlington Geological Services <sup>4</sup>        | -           | 19,500      |
| Mining Corporate Pty Ltd <sup>5</sup>              | -           | 124,663     |

<sup>1</sup> Related director resigned 31 January 2019.

<sup>2</sup> Related entity such that Company could not issue securities to that party without shareholder approval.

<sup>3</sup> Related entity of Mr Sanders (Appointed 31 January 2019).

<sup>4</sup> Director related entity of Mr Peebles (Resigned 30 January 2018).

<sup>5</sup> Director related entity of Mrs Hunt (Resigned 13 June 2018).

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

|   | <b>2019</b> | <b>2018</b> |
|---|-------------|-------------|
| <i>Payable to Related Parties</i>         | <b>\$</b>   | <b>\$</b>   |
| Highwest Capital Pty Ltd – Rohan Dalziell | 3,300       | -           |
| Lexcon Services Pty Ltd – Alec Pismiris   | 6,600       | -           |
| Mathew Perrot Consultant Geologist        | 880         | 3,850       |
| EverBlu Capital Pty Ltd <sup>1</sup>      | 33,000      | 38,000      |
| A.C.P Investments Pty Ltd                 | (1,800)     | -           |
| David Sanders                             | (1,560)     | -           |

<sup>1</sup>The payable to EverBlu Capital Pty Ltd is under dispute.

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS**

---

*Loan to / from Related Parties*

There was \$7,000 receivable from Terence Clee (ex-director) as at 30 June 2019. There were no loans from related parties as at 30 June 2019 (2018: nil).

**NOTE 18: EVENTS AFTER REPORTING PERIOD**

Following the closure of the Rights Issue on 13 May 2019, shareholders had three months to apply for shortfall shares. No further shortfall shares were issued and the Company deciding to conduct another capital raising and conduct an Entitlements Issue. The Company has signed a mandate with DJ Carmichael Pty Ltd to raise up to approximately \$1.6 million through the placement of shares and options. The \$1.6 million capital raise comprise of:

- (a) A Share placement of 116,000,000 fully paid ordinary shares at \$0.001 per Share to sophisticated investors under s708A of the Corporations Act and Chapter 6D, to raise \$116,000 before costs. This was completed on 30 August 2019;
- (b) Options placement of 175,000,000 options exercisable at \$0.002 expiring five years from issue at \$0.0001 per Option to raise approximately \$17,500, subject to shareholder approval; and
- (c) A fully underwritten non-renounceable entitlement issue on a 1:1 basis at \$0.001 per Share to raise \$1,479,000.

In order to save cost and enable greater focus on the Company's most prospective tenements, the Company decided to relinquish tenement E80/4964 and partially surrender E80/4901.

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 19: SHARE BASED PAYMENTS**

There were no share-based payments for the year ended 30 June 2019. The aggregate value of share-based payments for the year ended 30 June 2018 is \$3,293,300. The difference between the values of the acquisitions and the fair value of the shares issued was \$4,852,857 which has been booked as a reserve as share-based payment.

| Description  | Number of Instruments | Grant and Vesting Date | Fair Value at Grant date (\$) |
|--|-----------------------|------------------------|-------------------------------|
| Shares issued on 4 and 21 August 2017 as part consideration for the Bonaparte tenements acquisition        | 20,000,000            | 04/08/2017             | 0.008                         |
| Shares issued on 15 November 2017 as exclusivity payment for the acquisition of Cobalt Prospecting Pty Ltd | 14,285,714            | 13/11/2017             | 0.01                          |

For personal use only



**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 19: SHARE BASED PAYMENTS (CONTINUED)**

| Description  | Number of Instruments | Grant and Vesting Date | Fair Value at Grant date (\$) |
|--|-----------------------|------------------------|-------------------------------|
| Listed options issued on 15 November 2017 as exclusivity payment for the acquisition of Cobalt Prospecting Pty Ltd exercisable at \$0.02 on or before 28 December 2020 | 14,285,714            | 13/11/2017             | 0.003                         |
| Shares issued in lieu of services on 30 November 2017  | 11,785,714            | 30/11/2017             | 0.007                         |
| Shares issued on 30 November 2017 as part of facilitation fee for the acquisition of Bonaparte tenements as approved at AGM  | 40,000,000            | 04/08/2017             | 0.008                         |
| Listed options issued on 30 November 2017 as part of facilitation fee for the acquisition of Bonaparte tenements as approved at AGM*                                   | 30,000,000            | 04/08/2017             | 0.0027                        |
| Shares issued on 30 November 2017 in lieu of settlement of a loan as approved at AGM   | 6,000,000             | 29/11/2017             | 0.015                         |
| Shares issued on 30 November 2017 in lieu of services as approved at AGM   | 48,160,000            | 29/11/2017             | 0.015                         |
| Shares issued on 15 December 2017 as per employment agreement as approved at AGM   | 600,000               | 29/11/2017             | 0.015                         |
| Unlisted Options issued on 15 December 2017 as per employment agreement exercisable at \$0.05 on or before 27 November 2020*   | 1,100,000             | 29/11/2017             | 0.0042                        |
| Shares issued for Cobalt Prospecting Pty Ltd acquisition on 19 March 2018  | 357,142,857           | 15/01/2018             | 0.02                          |
| Listed options issued on 19 March 2018 as consideration for the Cobalt Prospecting Pty Ltd acquisition as approved at GM   | 178,571,428           | 15/01/2018             | 0.008                         |

\* The fair value of shares issued during the period as share-based payments was determined by reference to the market value of the shares at grant date. The fair value of the options granted was determined using the Black & Scholes option valuation.

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 19: SHARE BASED PAYMENTS (CONTINUED)**

For the options granted during the year ended 30 June 2018, the valuation model inputs used to determine the fair value at the grants date are as follows:

| Grant Date  | Expiry Date | Share Price | Exercise Price | Expected Volatility | Risk-Free Interest Rate | Fair Value |
|-------------|-------------|-------------|----------------|---------------------|-------------------------|------------|
| 4 Aug 2017  | 28 Dec 2020 | \$0.008     | \$0.02         | 76.64%              | 1.73%                   | \$0.0027   |
| 29 Nov 2017 | 27 Nov 2020 | \$0.015     | \$0.05         | 78.64%              | 1.73%                   | \$0.0042   |

On 19 March 2018, the Company issued 142,857,143 Performance Shares as part of the consideration for the 100% acquisition of Cobalt Prospecting Pty Ltd. Each Performance Share will automatically convert into one Victory share (with one VICOA Option being issued for every two Shares held) upon the announcement to the ASX by the Company that one 4m intersection with an average grade of 300ppm scandium (Sc) or 600ppm cobalt has been achieved from a drilling program on the Tenements within three years of their issue date. As at 30 June 2019, the Board assessed the milestones were unlikely be achieved. As at 30 June 2018, the Board assessed 70% likelihood of the milestone being achieved.

Under the terms for the acquisition of the Bonaparte tenements acquired in 2018, the Company will issue Bonus Shares to the vendors on the achievement of the following performance milestones:

- 5,000,000 ordinary shares upon confirmation of a JORC probable reserve of 10m pounds at 10% copper or zinc or lead equivalent (Milestone 1); and
- 5,000,000 ordinary shares upon confirmation of a JORC probable reserve of 20m pounds at 10% copper or zinc or lead equivalent (Milestone 2).

As at 30 June 2019, the Board assessed the milestones were unlikely be achieved. No performance shares were converted or redeemed during the year.

**NOTE 20: COMMITMENTS**

|                               | 2019    | 2018      |
|-------------------------------|---------|-----------|
|                               | \$      | \$        |
| <i>Capital Commitments</i>    |         |           |
| No longer than 12 months      | 469,500 | 395,000   |
| Between 12 months and 5 years | 481,338 | 745,233   |
| Over 5 years                  | -       | 100,000   |
|                               | 950,838 | 1,240,233 |

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

For personal use only

**Victory Mines Limited**

**ABN 39 151 900 855**

**NOTES TO THE FINANCIAL STATEMENTS**

---

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.

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 21: CONTINGENT LIABILITIES**

On 6 March 2017, the Company acquired gold base metals project near Laverton in Western Australia through a Tenement Sale Agreement with Empire Resources Ltd, via consideration of \$2,000 in cash and 2% royalty on all metals produced from within the tenement.

On 14 November 2017, the Company announced that it has entered into a binding agreement to acquire 100% of the issued capital of Cobalt Prospecting Pty Ltd ('CPPL') subject to certain conditions precedent. As part of the Consideration terms at settlement, Victory is to grant 2% net smelter return royalty with respect to all minerals produced and sold from the four project areas.

In the opinion of the Directors, there were no other contingent assets or liabilities as at 30 June 2019.

**NOTE 22: OPERATING SEGMENTS**

The Group 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. The Group is managed on the basis of two geographical segments being Australia and Bolivia, and two business segments being mineral exploration and development and treasury. On 18 September 2018, the Company deregistered its subsidiary in Bolivia, Andean Tin Mining S.R.L.

*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

|                             | <b>Exploration<br/>Australia</b> | <b>Exploration<br/>South America</b> | <b>Treasury</b> | <b>Total</b>   |
|-----------------------------|----------------------------------|--------------------------------------|-----------------|----------------|
| <b>2019</b>                 | <b>\$</b>                        | <b>\$</b>                            | <b>\$</b>       | <b>\$</b>      |
| <i>Segment Assets</i>       |                                  |                                      |                 |                |
| Cash and cash equivalents   | -                                | -                                    | 128,982         | 128,982        |
| Exploration expenditure     | 155,517                          | -                                    | -               | 155,517        |
| <i>Unallocated</i>          |                                  |                                      |                 |                |
| Trade and other receivables |                                  |                                      |                 | 42,227         |
| Other assets                |                                  |                                      |                 | 41,476         |
| Plant and equipment         |                                  |                                      |                 | 5,770          |
| Total Assets                |                                  |                                      |                 | <u>373,972</u> |
| <i>Segment Liabilities</i>  |                                  |                                      |                 |                |
| Trade and other payables    |                                  |                                      |                 | <u>246,497</u> |
| Total Liabilities           |                                  |                                      |                 | <u>246,497</u> |

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 22: OPERATING SEGMENTS (CONTINUED)**

|  | Exploration<br>Australia | Exploration<br>South America | Treasury | Total               |
|--|--------------------------|------------------------------|----------|---------------------|
| <b>2019</b>                              | \$                       | \$                           | \$       | \$                  |
| Segment revenue                          | -                        | -                            | 1,618    | 1,618               |
| Segment expenditure                      | (12,269,399)             | -                            | -        | (12,269,399)        |
| <i>Unallocated</i>                       |                          |                              |          |                     |
| Directors' remuneration                  |                          |                              |          | (300,300)           |
| Consulting, marketing & promotional fees |                          |                              |          | (184,484)           |
| Other expenses                           |                          |                              |          | (338,337)           |
| Total loss before income tax             |                          |                              |          | <u>(13,090,902)</u> |
| <b>2018</b>                              |                          |                              |          |                     |
| <i>Segment Assets</i>                    |                          |                              |          |                     |
| Cash and cash equivalents                | -                        | -                            | 818,553  | 818,553             |
| Exploration expenditure                  | 12,218,338               | -                            | -        | 12,218,338          |
| <i>Unallocated</i>                       |                          |                              |          |                     |
| Trade and other receivables              |                          |                              |          | 26,253              |
| Other assets                             |                          |                              |          | 15,972              |
| Plant and equipment                      |                          |                              |          | 5,019               |
| Total assets                             |                          |                              |          | <u>13,084,135</u>   |
| <i>Segment Liabilities</i>               |                          |                              |          |                     |
| Trade and other payables                 | -                        | -                            | 323,965  | 323,965             |
| Total Liabilities                        |                          |                              |          | <u>323,965</u>      |
| Segment revenue                          | -                        | -                            | 246,850  | 246,850             |
| Segment expenditure                      | (473,303)                | -                            | -        | (473,303)           |
| <i>Unallocated</i>                       |                          |                              |          |                     |
| Directors' remuneration                  |                          |                              |          | (345,400)           |
| Consulting, marketing & promotional fees |                          |                              |          | (967,670)           |
| Other expenses                           |                          |                              |          | (1,462,906)         |
| Total loss before income tax             |                          |                              |          | <u>(3,002,429)</u>  |

**NOTE 23: FINANCIAL RISK MANAGEMENT**

The Group'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).

For personal use only

NOTES TO THE FINANCIAL STATEMENTS

---

**NOTE 23: FINANCIAL RISK MANAGEMENT (CONTINUED)**

*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.

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. The Company does not have a material exposure to market risk at present.

*Interest rate risk*

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

For personal use only

**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 23: FINANCIAL RISK MANAGEMENT (CONTINUED)**

*Interest rate sensitivity analysis*

The following table illustrates sensitivities to the Company's exposures to changes in interest rates. The table indicates the impact of how profit and equity values report 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. 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:

|   | Change in Equity |          | Change in Loss |          |
|---|------------------|----------|----------------|----------|
|   | 2019             | 2018     | 2019           | 2018     |
| Increase in interest rate by 200 basis points | 2,580            | 16,371   | 2,580          | 16,371   |
| Increase in interest rate by 200 basis points | (2,580)          | (16,371) | (2,580)        | (16,371) |

*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. The only financial instrument which is required to be measured at fair value are its investments in listed companies. These are classified in the level 1 fair value hierarchy with values based on quoted bid prices on the ASX.

**NOTE 24: INTERESTS IN CONTROLLED ENTITIES**

The consolidated financial statements incorporate the assets, liabilities and the results of the following subsidiaries in accordance with the accounting policy described in Note 1:

| Name                                | Country of Incorporation | Class of Share | Equity holding |              |
|-------------------------------------|--------------------------|----------------|----------------|--------------|
|                                     |                          |                | 30 June 2019   | 30 June 2018 |
| Cobalt Prospecting Pty Ltd          | Australia                | Ordinary       | 100%           | 100%         |
| Andean Tin Mining S.A. <sup>1</sup> | Bolivia                  | Ordinary       | -              | 99%          |

<sup>1</sup> On 18 September 2018, the Company de-registered its 99% owned subsidiary in Bolivia.

For personal use only

**Victory Mines Limited**  
**ABN 39 151 900 855**

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 25: PARENT INFORMATION**

|                            | <b>2019</b>    | <b>2018</b>       |
|----------------------------|----------------|-------------------|
| <b>ASSETS</b>              | <b>\$</b>      | <b>\$</b>         |
| Current Assets             | 186,187        | 834,381           |
| Non-Current Assets         | 187,345        | 10,334,138        |
| <b>TOTAL ASSETS</b>        | <b>373,532</b> | <b>11,168,519</b> |
| <b>LIABILITIES</b>         |                |                   |
| Current Liabilities        | 246,057        | 426,819           |
| <b>TOTAL LIABILITIES</b>   | <b>246,057</b> | <b>426,819</b>    |
| <b>NET ASSETS</b>          | <b>127,475</b> | <b>10,741,700</b> |
| <b>EQUITY</b>              |                |                   |
| Issued Capital             | 20,645,786     | 20,283,761        |
| Reserve                    | 9,553,897      | 9,457,715         |
| Accumulated losses         | (30,072,208)   | (18,999,776)      |
| <b>TOTAL EQUITY</b>        | <b>127,475</b> | <b>10,741,700</b> |
| Loss for the year          | (11,072,432)   | (4,504,639)       |
| Other comprehensive income | -              | -                 |
| Total comprehensive income | (11,072,432)   | (4,504,639)       |

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.

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

For personal use only



**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 2019 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. In the directors' opinion there are reasonable grounds to believe that the Group 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.



Alec Pismiris  
Non-Executive Director

Dated this 25 day of September 2019

For personal use only

**SHAREHOLDER INFORMATION**

Additional information required by the Australian Securities Exchange Listing Rules and not disclosed elsewhere in this report. The information was prepared based on share registry information processed up to 11 September 2019.

**1. Shareholding**

**a) Distribution of Shareholders**

| <i>Holding Range</i> | <i>Number of Holders</i> | <i>Fully Paid Ordinary Shares</i> |
|----------------------|--------------------------|-----------------------------------|
| 1 - 1,000            | 290                      | 53,653                            |
| 1,001 – 5,000        | 57                       | 154,334                           |
| 5,001 – 10,000       | 45                       | 329,966                           |
| 10,001 – 100,000     | 856                      | 49,494,893                        |
| 100,001 +            | 1,293                    | 1,429,199,328                     |
| <b>Totals</b>        | <b>2,541</b>             | <b>1,479,232,174</b>              |

**b) Listed Options**

At the date of this report, the Company had 603,752,013 listed options exercisable at \$0.02 expiring on 28 December 2020

**c) Unmarketable Parcels**

At \$0.001 per share, the minimum marketable holding size is 500,000. 2,002 shareholders hold less than this amount, collectively they hold 239,082,132 ordinary shares. T

**d) Top 20**

The 20 largest shareholders hold 36.30% of the Company's ordinary shares.

**e) Issued Capital**

There are 1,479,232,174 shares on issue

**f) Substantial shareholders**

The company has no substantial shareholders listed in the Company's register at 11 September 2019.

**g) Voting Rights**

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

**h) Top 20 Holders (Ordinary Shares)**

| <b>Position</b> | <b>Holder Name</b>  | <b>Holding</b> | <b>% IC</b> |
|-----------------|---|----------------|-------------|
| 1               | MR ROGER BLAKE & MRS ERICA LYNETTE BLAKE <THE MANDY SUPER FUND A/C> | 58,000,000     | 3.92%       |
| 1               | DJ CARMICHAEL PTY LTD   | 58,000,000     | 3.92%       |
| 2               | STRAT PLAN PTY LTD <DISC - STRAT PLAN A/C>                          | 44,699,681     | 3.02%       |
| 3               | MAINVIEW HOLDINGS PTY LTD   | 44,500,000     | 3.01%       |
| 4               | LA CASA SUPER FUND PTY LTD <LA CASA SUPER FUND A/C>                 | 40,000,000     | 2.70%       |
| 5               | MR JOE LEUZZI & MRS SALLY LEUZZI                                    | 24,666,667     | 1.67%       |
| 6               | XCEL CAPITAL PTY LTD  | 23,333,334     | 1.58%       |
| 7               | SNOWBALL 3 PTY LTD <ANTONIO TORRESAN SUPER A/C>                     | 22,500,000     | 1.52%       |
| 8               | SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>            | 21,857,150     | 1.48%       |
| 9               | MR ZIYAN WANG   | 20,000,000     | 1.35%       |
| 10              | BEIRNE TRADING PTY LTD  | 19,304,838     | 1.31%       |

For personal use only

**Victory Mines Limited**  
**ABN 39 151 900 855**

**SHAREHOLDER INFORMATION**

|    |   |                      |                |
|----|---|----------------------|----------------|
| 11 | ALLOWSIDE PTY LTD                                 | 18,448,491           | 1.25%          |
| 12 | MR POH SENG TAN                                   | 18,000,000           | 1.22%          |
| 13 | HVVK INVESTMENTS PTY LTD                          | 17,120,000           | 1.16%          |
| 14 | DARLOT INVESTMENTS PTY LTD <JONES SUPER FUND A/C> | 12,000,000           | 0.81%          |
| 15 | CCI SUPER FUND PTY LTD <MOULTRIE STAFF S/F A/C>   | 11,827,458           | 0.80%          |
| 16 | MR AHMAD TAMERJI                                  | 11,758,396           | 0.79%          |
| 17 | GREGORY DENISE PTY LTD <GREGORY DENISE SUPER A/C> | 11,298,834           | 0.76%          |
| 18 | ACP INVESTMENTS PTY LTD                           | 10,000,000           | 0.68%          |
| 18 | LOWRIE HEARN PTY LTD <LOWRIE FAMILY A/C>          | 10,000,000           | 0.68%          |
| 18 | VOLTA INVESTMENTS PTY LTD <VOLTA A/C>             | 10,000,000           | 0.68%          |
| 18 | MR STEPHEN JAMES WILSON                           | 10,000,000           | 0.68%          |
| 19 | PERROT GORDON PTY LTD <PERROT FAMILY A/C>         | 9,800,000            | 0.66%          |
| 20 | HARLEY N PTY LIMITED <HARLEY SUPER FUND ACCOUNT>  | 9,795,000            | 0.66%          |
|    | <b>Total</b>                                      | <b>536,909,849</b>   | <b>36.30%</b>  |
|    | <b>Total issued capital – ordinary shares</b>     | <b>1,479,232,174</b> | <b>100.00%</b> |

**i) Top 20 Holders (Listed Options)**

| Position | Holder Name   | Holding            | % IC           |
|----------|---|--------------------|----------------|
| 1        | STRAT PLAN PTY LTD <DISC - STRAT PLAN A/C>              | 47,211,445         | 7.82%          |
| 2        | CHERRISON SUPER PTY LTD <RCYL SUPER FUND A/C>           | 17,900,000         | 2.96%          |
| 3        | MR DANIEL JOHN BAKER                                    | 17,500,000         | 2.90%          |
| 4        | INSPARK PTY LIMITED <INSPARK PTY LIMITED S/F A/C>       | 16,000,000         | 2.65%          |
| 5        | MRS PAYAL GUPTA   | 15,214,524         | 2.52%          |
| 6        | TALEX INVESTMENTS PTY LTD                               | 12,500,000         | 2.07%          |
| 7        | MR PAUL AIVALIOTIS                                      | 12,460,000         | 2.06%          |
| 8        | 327TH P & C NOMINEES PTY LTD <MASTERMAN SUPER FUND A/C> | 11,463,102         | 1.90%          |
| 9        | CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>         | 10,928,575         | 1.81%          |
| 10       | MRS CAROLYN DOW   | 10,000,000         | 1.66%          |
| 10       | MR GRAHAM RAYMOND DOW                                   | 10,000,000         | 1.66%          |
| 10       | MR GEORGE VINCENT ANTHONY TARANTO                       | 10,000,000         | 1.66%          |
| 10       | MR KEEGAN DANIEL GORDON CHAPAT                          | 10,000,000         | 1.66%          |
| 11       | MRS SNEH VILLANOVA                                      | 9,010,000          | 1.49%          |
| 12       | TIREE FINANCE LIMITED                                   | 9,000,000          | 1.49%          |
| 13       | MR DARREN PETER LIMON                                   | 8,000,000          | 1.33%          |
| 14       | MR CHARLES MALCOLM BAIRD                                | 7,250,000          | 1.20%          |
| 15       | MAINVIEW HOLDINGS PTY LTD                               | 7,083,332          | 1.17%          |
| 16       | MR BOON LYE PNG   | 7,000,000          | 1.16%          |
| 17       | Y P STEVENS PTY LTD <T&S SUPERANNUATION FUND A/C>       | 6,430,000          | 1.07%          |
| 18       | MR LEONARD BEBRI  | 6,150,000          | 1.02%          |
| 19       | MR SCOTT ALAN MALONE                                    | 6,000,000          | 0.99%          |
| 19       | MR GERARD MEEHAN  | 6,000,000          | 0.99%          |
| 19       | MR GLENN ROBINS   | 6,000,000          | 0.99%          |
| 20       | MR DANIEL AARON HYLTON TUCKETT                          | 5,872,040          | 0.97%          |
|          | <b>Total</b>  | <b>284,973,018</b> | <b>47.20%</b>  |
|          | <b>Total issued capital – listed options</b>            | <b>603,752,013</b> | <b>100.00%</b> |

**SHAREHOLDER INFORMATION**

---

**2. Unquoted Securities**

The Company has issued the following unquoted securities:

| <b>Number on Issue</b> | <b>Class</b>  | <b>Number of Holders</b> | <b>Holder of &lt;20% of class</b>                                   |
|------------------------|---|--------------------------|---|
| 600,000                | Options exercisable at \$0.05 on or before 25 November 2019 | 2                        | 83.33% - James Ellingford   |
| 1,100,000              | Options exercisable at \$0.05 on or before 27 November 2020 | 3                        | 45.45% - James Ellingford<br>45.45% - Terence Clee                  |
| 66,666,668             | Options exercisable at \$0.003 on or before 31 May 2022     | 5                        | 35.00% - Xcel Capital Pty Ltd<br>25.00% - Mainview Holdings Pty Ltd |
| 142,857,143            | Performance Shares  | 17                       | 24.48% - Strat Plan Pty Ltd   |

For personal use only

**Victory Mines Limited**

**ABN 39 151 900 855**

**SCHEDULE OF EXPLORATION TENEMENTS**

| <b>Project Name</b> | <b>Location</b> | <b>Tenement Licence</b> | <b>Interest held by Group</b> |
|---------------------|-----------------|-------------------------|-------------------------------|
| Laverton            | WA              | E38/3075                | 100%                          |
| Bonaparte           | WA              | E80/4901                | 100%                          |
| Galah Well          | WA              | E29/1023                | 100%                          |
| Peperill Hill       | WA              | E29/1024                | 100%                          |
| Malamute            | NSW             | EL8667                  | 100%                          |
| Husky               | NSW             | EL8666                  | 100%                          |

For personal use only