

10 May 2018



Drilling campaigns for Malamute and Husky Projects formulated

Highlights

- The geology team has designed comprehensive drilling campaigns for the Malamute and Husky projects that targets key areas prospective for cobalt-scandium mineralisation
- These campaigns will be dynamically refined upon receipt of final geochemical assay results – likely within 2-3 weeks – then submitted to the NSW mining regulator for approval
- The Board’s strategic intent remains fast-tracking understanding the geology apparent within the Malamute and Husky projects and to determine if modelling can deliver an inaugural JORC (2012) compliant resource for cobalt, scandium and nickel
- Landholder access has been resolved for all key target areas across the Malamute and Husky projects
- The geology team are now reviewing tenders from prospective drilling contractors and, once appointed, will be prepared to deploy rapidly to site upon securing regulatory approval
- Further, the geology team are progressing work on the newly acquired WA assets - Galah Well and Peperill Hill – and reviewing options for the Bonaparte and Laverton projects

Non-Executive Chairman Dr James Ellingford commented: *“The Board is delighted the drilling campaigns for the Malamute and Husky projects are largely mapped out and can be readily finalised once the geochemical results are received. The remaining steps are finalising the application for submission to the NSW mining regulator and selecting a reliable third-party drilling contractor. Holistically, the Board’s current primary focus is to ascertain the extent of cobalt and scandium mineralisation within the NSW assets as quickly as possible, then progress gaining a greater understanding the WA cobalt projects.”*

Victory Mines Limited’s (ASX: VIC) (“Victory” or “the Company”) Board has received the preliminary drilling programs for the NSW assets from the geology team. Steps to implement these campaigns – subject to regulatory approval – are now being progressed, with drilling slated to start at the Malamute project.

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**DRILLING PROGRAM FORMULATED**

The geology team have designed thorough exploration drilling programs, subject to final consideration of the geochemical assay results, for the Malamute and Husky projects. Geological targets have been mostly pre-selected and ranked in order to verify the presence of prospective laterite hosted cobalt-scandium-nickel mineralisation.

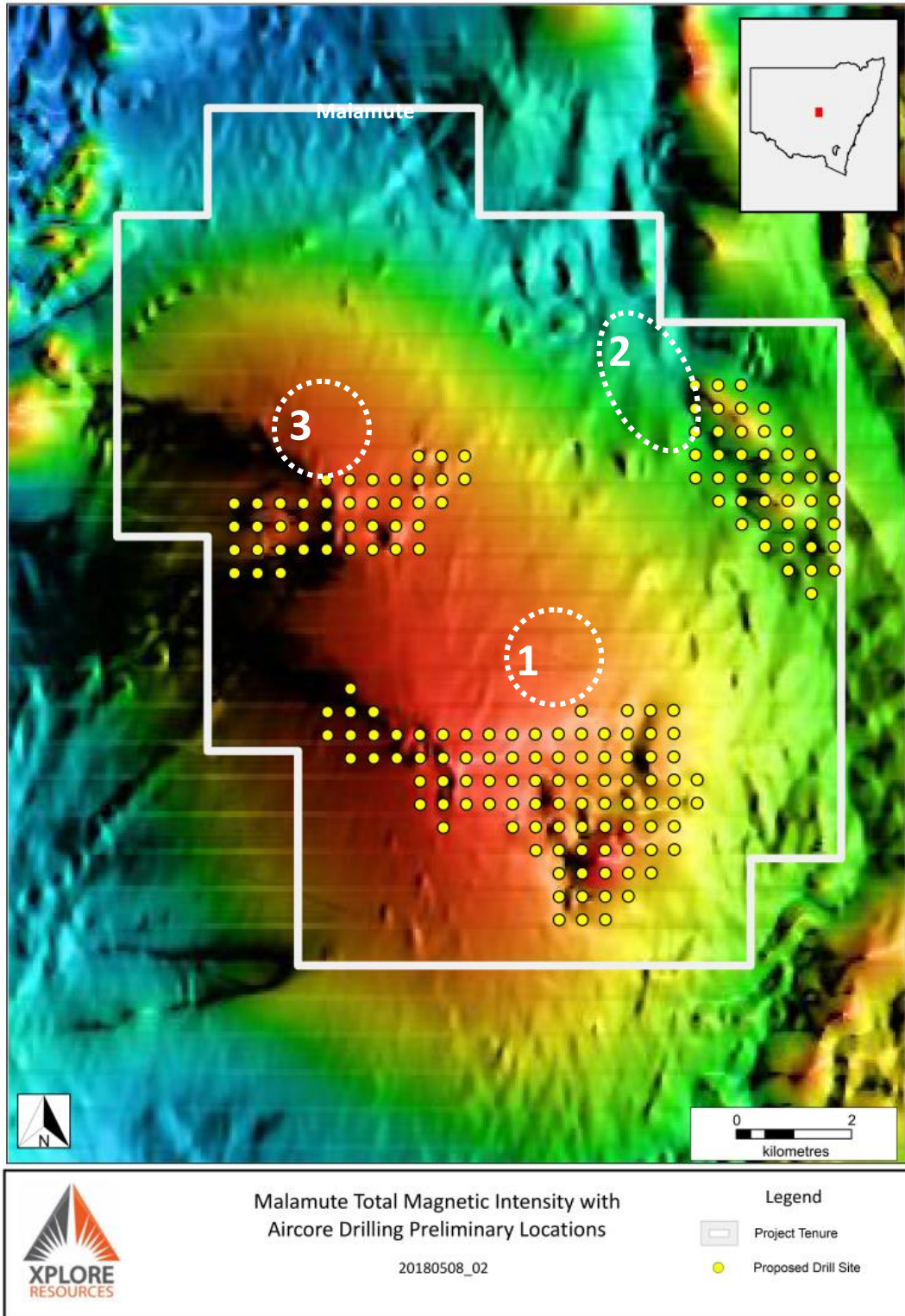
Landholder access for all target drill areas has been secured, while the geology team are reviewing potential third-party drilling contractors that will be ready to deploy once regulatory approval is granted.

Malamute campaign

The drilling strategy for the Malamute project aims to confirm the prospectivity of known ultramafics that have the potential to form prospective laterite profiles for cobalt, scandium and nickel mineralisation. To recap, legacy drilling records from 1993-1994 only targeted porphyry related copper/gold mineralisation (VIC ASX Release 20 March 2018). However, the drilling confirmed the presence of ultramafics and lateritic units overlying a large geophysical signature within the southern part of the Malamute project.

As such, VIC's proposed drilling target areas assess several prominent magnetic features associated with the wider intrusive complex which the geology team believes hosts cobalt, scandium and nickel mineralisation. The drilling campaign's drill-holes are typically expected to 50-60m deep over 400m² grids (Figure 1), though the ultimate depth will be determined when the fresh ultramafic material is intersected.

FIGURE 1: DRILLING CAMPAIGN FOR MALAMUTE PROJECT



Source: VIC geology team

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Husky campaign

Contrasting with the Malamute project, the exploration strategy for the Husky tenure is to execute an air-core drilling program with an initial circa 70 holes on 400m² spaced grids (Figure 2). Notably, the grids will cover magnetic anomalies which are deemed prospective for laterite hosted cobalt, nickel and scandium mineralisation.

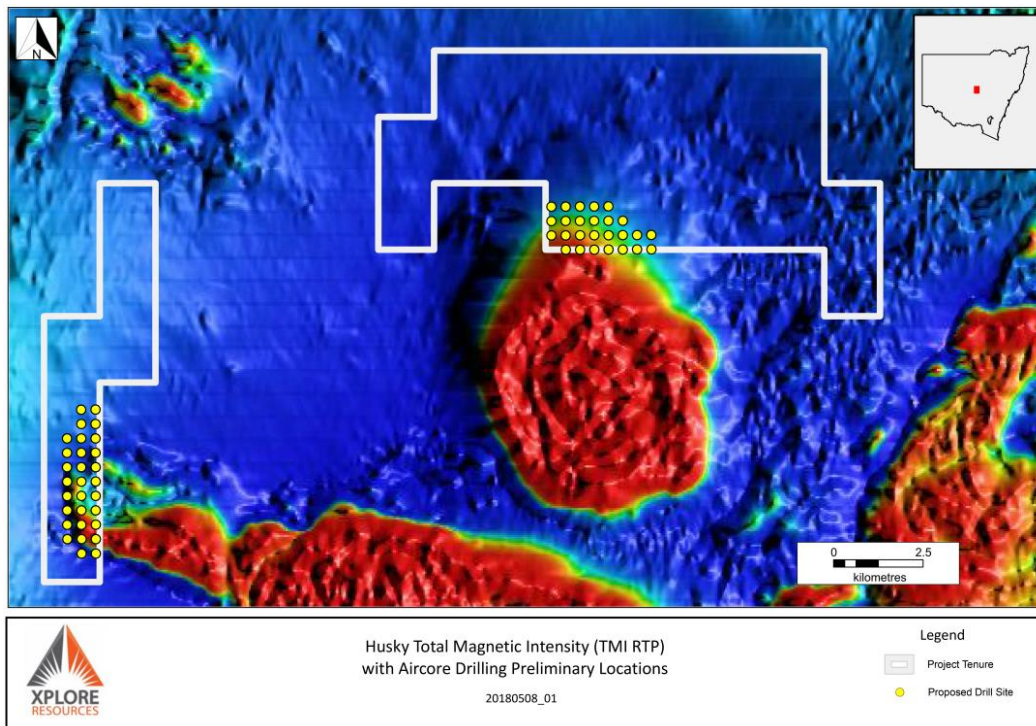
The geology team expects the drilling campaign to capture the entire lateritic profile, with drill-holes 30-40m deep terminating in the ultramafic (specifically the Tout Intrusive Complex). The ultramafic geological unit that hosts the prospective cobalt-scandium-nickel mineralisation has been confirmed as open to the east by peer Australian Mines (ASX: AUZ) – refer AUZ ASX Release 31 October 2017.

The targeted magnetic anomalies are located in the southern sectors of each portion of the Husky split exploration tenement: Husky West and Husky East (VIC ASX Release 20 March 2018). Moreover, Husky East is contiguous to Platina Resources’ (PGM) Owendale project and Husky West is contiguous to AUZ’s Flemington project.

Encouragingly, PGM’s Owendale project has reported high-grade intersections – 9m @ 685ppm Sc including 3m at 880 ppm Sc and 3m @ 0.45% Co including 1m at 0.90% Co (refer PGM ASX Release 25 June 2017). As the Husky East project covers the same magnetic anomaly, the geology team believe it hosts similar cobalt-scandium-nickel lateritic mineralisation over both ultramafic and intermediate intrusive rock which implies material exploration upside.

Further, there is significant exploration upside for the Husky West project too. Notably, AUZ’s contiguous Flemington project has reported cobalt intercepts of 5m at 3,152ppm Co from 4m and 16m at 556ppm Sc from surface (refer AUZ ASX Release 11 August 2017).

FIGURE 2: DRILLING CAMPAIGN FOR HUSKY PROJECT



Source: VIC geology team

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Next steps

Dynamically refine the exploration drill pattern once the geochemical assay results have been returned from the laboratory and carry out a final drill site inspection.

Select drilling contractor, finalise all exploration related contracts and refine proposed exploration drilling pattern.

Progress desktop reviews on WA cobalt assets and reviews on Bonaparte/Laverton projects.

For further information, please contact:

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COMPETENT PERSON'S STATEMENT:

The information in this report that relates to Geological Interpretation and Historical Exploration Results is based on information compiled by Nicholas Ryan, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Ryan has been a Member of the Australian Institute of Mining and Metallurgy for 12 years and is a Chartered Professional (Geology). Mr Ryan is employed by Xplore Resources Pty Ltd. Mr Ryan is the consulting Technical Manager for Cobalt Prospecting Pty Ltd, the sub-entity that holds the Malamute and Husky tenures. Mr Ryan has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Ryan consents to the inclusion in the report of the matters based on his information and the form and context in which it appears.

1. JORC Code, 2012 Edition – Table 1 report template

1.1 Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> • <i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i> • <i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i> • <i>Aspects of the determination of mineralisation that are Material to the Public Report.</i> • <i>In cases where ‘industry standard’ work has been done this would be relatively simple (eg ‘reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay’). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i> 	<ul style="list-style-type: none"> • Samples will be reported on receipt of certified laboratory results, that will be publicly released in future announcement(s) • Sampling previously reported in Table 1 dated 28th March 2018
Drilling techniques	<ul style="list-style-type: none"> • <i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i> 	<ul style="list-style-type: none"> • No additional drilling to report • Historic drilling previously reported in Table 1 dated 28th March 2018
Drill sample recovery	<ul style="list-style-type: none"> • <i>Method of recording and assessing core and chip sample recoveries and results assessed.</i> • <i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i> 	<ul style="list-style-type: none"> • No additional drilling to report • Historic drilling previously reported in Table 1 dated 28th March 2018

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> • <i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i> 	
Logging	<ul style="list-style-type: none"> • <i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i> • <i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i> • <i>The total length and percentage of the relevant intersections logged.</i> 	<ul style="list-style-type: none"> • No additional drilling to report • Historic drilling previously reported in Table 1 dated 28th March 2018
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> • <i>If core, whether cut or sawn and whether quarter, half or all core taken.</i> • <i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i> • <i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i> • <i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i> • <i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i> • <i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i> 	<ul style="list-style-type: none"> • Samples will be reported on receipt of certified laboratory results, that will be publicly released in future announcement(s) • Historic drilling previously reported in Table 1 dated 28th March 2018
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> • <i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i> • <i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their</i> 	<ul style="list-style-type: none"> • Samples will be reported on receipt of certified laboratory results, that will be publicly released in future announcement(s) • Historic drilling previously reported in Table 1 dated 28th March 2018

Criteria	JORC Code explanation	Commentary
	<p><i>derivation, etc.</i></p> <ul style="list-style-type: none"> • <i>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</i> 	
Verification of sampling and assaying	<ul style="list-style-type: none"> • <i>The verification of significant intersections by either independent or alternative company personnel.</i> • <i>The use of twinned holes.</i> • <i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i> • <i>Discuss any adjustment to assay data.</i> 	<ul style="list-style-type: none"> • Samples will be reported on receipt of certified laboratory results, that will be publicly released in future announcement(s) • Historic drilling previously reported in Table 1 dated 28th March 2018
Location of data points	<ul style="list-style-type: none"> • <i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i> • <i>Specification of the grid system used.</i> • <i>Quality and adequacy of topographic control.</i> 	<ul style="list-style-type: none"> • Sample data locations will be reported on receipt of certified laboratory results, that will be publicly released in future announcement(s) • Survey data previously reported in Table 1 dated 28th March 2018
Data spacing and distribution	<ul style="list-style-type: none"> • <i>Data spacing for reporting of Exploration Results.</i> • <i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i> • <i>Whether sample compositing has been applied.</i> 	<ul style="list-style-type: none"> • Sample spacing will be reported on receipt of certified laboratory results, that will be publicly released in future announcement(s) • Previously reported in Table 1 dated 28th March 2018
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> • <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> • <i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i> 	<ul style="list-style-type: none"> • Sample orientation will be reported on receipt of certified laboratory results, that will be publicly released in future announcement(s) • Previously reported in Table 1 dated 28th March 2018

Criteria	JORC Code explanation	Commentary
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<ul style="list-style-type: none"> Sample security procedures will be reported on receipt of certified laboratory results, that will be publicly released in future announcement(s) Previously reported in Table 1 dated 28th March 2018
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	<ul style="list-style-type: none"> Previously reported in Table 1 dated 28th March 2018

1.2 Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<ul style="list-style-type: none"> The mineral tenements referred to in this announcement are held by Victory Mines Limited (ASX: VIC) subsidiary Cobalt Prospecting Pty Ltd are as follows: <ul style="list-style-type: none"> NSW – Malamute Exploration Licence EL 8666 consisting of 50 sub blocks, granted on the 30/Oct/2017, expires on the 30/Oct/2023; and NSW – Husky Exploration Licence EL 8667 consisting of 30 sub blocks, granted on the 30/Oct/2017, expires on the 30/Oct/2023.
Exploration done by other parties	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> Previously reported in Table 1 dated 28th March 2018
Geology	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	<ul style="list-style-type: none"> Previously reported in Table 1 dated 28th March 2018
Drill hole Information	<ul style="list-style-type: none"> A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> easting and northing of the drill hole collar elevation or RL (Reduced Level – elevation above sea level in 	<ul style="list-style-type: none"> Previously reported in Table 1 dated 28th March 2018

Criteria	JORC Code explanation	Commentary
	<p><i>metres) of the drill hole collar</i></p> <ul style="list-style-type: none"> ○ <i>dip and azimuth of the hole</i> ○ <i>down hole length and interception depth</i> ○ <i>hole length.</i> <ul style="list-style-type: none"> ● <i>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</i> 	
<i>Data aggregation methods</i>	<ul style="list-style-type: none"> ● <i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.</i> ● <i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i> ● <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i> 	<ul style="list-style-type: none"> ● Previously reported in Table 1 dated 28th March 2018
<i>Relationship between mineralisation widths and intercept lengths</i>	<ul style="list-style-type: none"> ● <i>These relationships are particularly important in the reporting of Exploration Results.</i> ● <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i> ● <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').</i> 	<ul style="list-style-type: none"> ● Previously reported in Table 1 dated 28th March 2018
<i>Diagrams</i>	<ul style="list-style-type: none"> ● <i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i> 	<ul style="list-style-type: none"> ● Previously reported in Table 1 dated 28th March 2018

Criteria	JORC Code explanation	Commentary
<i>Balanced reporting</i>	<ul style="list-style-type: none"> Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. 	<ul style="list-style-type: none"> Previously reported in Table 1 dated 28th March 2018
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. 	<ul style="list-style-type: none"> Geochemistry will be reported on receipt of certified laboratory results, that will be publicly released in future announcement(s) Previously reported in Table 1 dated 28th March 2018
<i>Further work</i>	<ul style="list-style-type: none"> The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling). Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. 	<ul style="list-style-type: none"> VIC is awaiting sample results from the soil sampling program in order to refine the proposed locations for the exploration drilling program. Geochemistry samples will be reported on receipt of certified laboratory results, that will be publicly released in future announcement(s)