ASX ANNOUNCEMENT

Date: 11 December 2018

VICTORY MINES

Company Update

ASX's Ruling under ASX Listing Rule 10.11.2

By Letter dated 27 November 2018 (a copy of which is attached to this announcement), ASX advised Victory Mines Limited (ACN 151 900 855) (ASX: VIC) ("**VIC"** or **"the Company"**) that, in ASX's opinion, the relationships between:

(a) VIC on the one hand and Adam and Darrin Blumenthal and the entities they control; including Everblu, Anglo, ASN, and Horatio, each as defined in the letter from ASX enclosed with this announcement, (together the Blumenthal Parties) on the other; and

(b) the directors of VIC (who are related parties of VIC) on the one hand and the Blumenthal Parties on the other,

are such that any issue of equity securities by VIC to the Blumenthal Parties ought to be approved by the ordinary shareholders of VIC. To put it another way, ASX has formed the opinion that ASX Listing Rule 10.11.2 applies in relation to any issue of equity securities by VIC to the Blumenthal Parties.

Given ASX's ruling under ASX Listing Rule 10.11.2, if the securities of VIC are reinstated to trading, for so long as ASX considers the Blumenthal Parties to fall within ASX Listing Rule 10.11.2, any future issue of equity securities by VIC to a Blumenthal Party will require the approval of VIC's ordinary shareholders under and in accordance with ASX Listing Rule 10.11 and the Blumenthal Parties and their associates will be excluded from voting on the resolutions to approve such issues.

Whilst the Company does not agree with the stance taken by ASX, it understands that ASX has the discretion to form the opinion that ASX Listing Rule 10.11.2 applies in relation to any issue of equity securities by the Company to the Blumenthal Parties.

In light of this, the Company has agreed to seek approval of its ordinary shareholders for any future issue of equity securities to a Blumenthal Party under and in accordance with ASX Listing Rule 10.11 and the Blumenthal Parties and their associates will be excluded from voting on the any resolutions to approve such issues.

Termination of acquisition agreement and proposed capital raising

The Company refers to its announcement on 7 September 2018 requesting a trading halt pending the announcement of an acquisition and capital raising (**Proposed Transaction**).

At the time the Company requested the trading halt, the Company was in the process of having an acquisition agreement executed under which it had an option to acquire a mineral exploration project. The Company had sought, and received, confirmation from ASX that Chapter 11 of the ASX Listing Rules would not apply to the Proposed Transaction.
As a result of a drop in the Company's share price prior to the trading halt being requested, the Company resolved to undertake the capital raising at a price below that which was initially contemplated to increase the likelihood of successfully raising the capital required. The Company

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received confirmation at this time that a reduction in the issue price under the capital raising and resulting increase in the number of securities to be issued under the capital raising would not change ASX's decision that Chapter 11 of the ASX Listing Rules would not apply to the Proposed Transaction.

It became clear to the Company during the trading halt that the vendors expected that the reduced capital raising price would result in them receiving a greater number of consideration securities, due to the lower implied value of the Company's securities as a result of the reduced capital raising price. While these circumstances were not contemplated by the acquisition agreement (i.e. the consideration under the acquisition was not connected with the price at which securities were to be issued under the capital raising), the Company's preference was to maintain a positive relationship with the vendors given that they would become significant shareholders in the Company following completion of the Proposed Transaction. The Company therefore agreed to consider an increase in the number of consideration securities to which the vendors would be entitled and resolved to seek confirmation from ASX as to whether this would affect ASX's previous determination.

At this time, the Company received a query from ASX with respect to the identity of the vendors, as well as any other persons entitled to receive consideration securities. The Company provided this information to ASX at the same time it requested confirmation from ASX whether an increase in the number of consideration securities to be issued to the vendors would affect ASX's previous decision with respect to the Proposed Transaction.

ASX noted that the vendors were substantially the same as the vendor group under the transactions the subject of recent queries from ASX in relation to the affairs of Hardey Resources Limited (ASX.**HDY**), with one different vendor involved in the proposed acquisition contemplated by the Company. The Company is aware that the vendor group's business model is to identify and acquire rights to resources assets for sale to listed companies. The Board does not consider these circumstances to be detrimental to the Company or its shareholders.

Following provision of the vendor details, the Company received a number of additional queries from ASX with respect to:

- the advisers to the vendors in respect of the acquisition;
- the advisers to the Company in respect of the acquisition;
- any fees paid, or payable, to the advisers to the vendors and the Company in connection with the Proposed Transaction;
- the identity of the person or persons that presented the acquisition to the Company;
- the identity of the participants under the capital raising; and
- the identity of the lead manager to the capital raising,

which were responded to by the Company, other than with respect to the participants under the capital raising who had not yet been determined.

The Company subsequently received further queries from ASX with respect to whether any of the vendors were parties to whom ASX Listing Rule 10.1 would apply (i.e. related parties of the Company, promoters or persons who hold, or held in the previous 6 months, in excess of 10% of the issued capital in the Company) and whether the Company would require shareholder approval under ASX Listing Rule 10.1 or would be required to apply escrow to the consideration securities to be issued in accordance with the requirements of the ASX Listing Rules. At that stage of the transaction, the Company had not yet undertaken detailed due diligence and had not yet considered the relevant requirements under the ASX Listing Rules.

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As a result of:

- the ongoing suspension of the Company's securities from trading and uncertainty with respect to when ASX would permit the suspension to be lifted;
- the drop in the Company's share price requiring that the capital raising be conducted at a lower price;
- ASX having been yet to confirm whether the increase in the number of consideration securities would affect its position with respect to whether Chapter 11 of the ASX Listing Rules would be triggered as a result of the Proposed Transaction; and
- uncertainty with respect to the consideration that would be payable in respect of the acquisition.

the Company and the vendors mutually agreed that the Company would not proceed with the acquisition. The Company considered that this would be in the best interests of shareholders as the Company expected this would result in the Company's securities being released from suspension. The acquisition and capital raising the subject of the Company's trading halt request will therefore no longer proceed.

The Company subsequently received the query letter from ASX that was responded to by the Company in its ASX release of 28 September 2018 and has remained in suspension pending completion of the ASX review process.

Based on information provided by the vendors prior to the parties agreeing not to proceed with the acquisition, substantial shareholder notices given to the Company and the Company's review of its share register, as at the date that the parties agreed not to proceed with the transaction, the Company does not consider that ASX Listing Rule 10.1 would have applied to the acquisition had it proceeded. However, the Company does not have sufficient information with respect to any entities associated with the vendors to have formed a final position with respect to the potential application of ASX Listing Rule 10.1.

ASX has advised the Company that it will not permit the suspension in trading of the Company's securities to be lifted until such time as ASX's concerns with respect to the affairs of HDY have been resolved to ASX's satisfaction. ASX has taken this view as a result of the similarities between the vendors of assets to HDY and the proposed vendors of assets to the Company. In ASX's view, the submissions that HDY may put to ASX in response to ASX's letter to HDY of 29 November 2018 (as announced by HDY on that date) may be relevant to the Company given the similarities in the transactions.

Proposed Capital Raising

The Company sought, and received, shareholder approval at its annual general meeting held on 30 November 2018 to complete a placement of up to 750,000,000 shares at an issue price of not less than 80% of the average market price over the 5 days on which sales in shares were recorded before the date of issue.

The Company's intention is to raise further capital in accordance with that resolution in order to undertake further exploration on the Company's existing projects, as set out in the notice of meeting for the annual general meeting and further discussed below.

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Malamute and Husky Projects Update

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Non-Executive Chairman Dr James Ellingford commented: *"The Board has been working actively behind the scenes to ensure the drilling program at our core Malamute and Husky projects get underway as soon as possible. Moreover, the Board is optimistic the proposed drilling program our geology team have devised will provide a greater understanding of the underlying mineralisation as the campaign progresses."*

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The Company's Board is pleased to update its shareholders on plans to move ahead with the drilling campaign for the Malamute and Husky projects in New South Wales (**Projects**).

As part of the Board's efforts to progress with its inaugural drilling program, the Company's geology team conducted site visits between 22 – 23 November 2018 (**Site Visit**). As the tendering process is moving into the final phase, the geology team was accompanied by key third party service providers, which included the preferred drilling contractor.

The focus of the Site Visit was to determine where to locate drill pads, finalise the necessary equipment for the drilling and reconcile field observations with the final planned drill-grid so the drilling delivers the highest probability of intersecting lateritic mineralisation that hosts nickel-cobalt-scandium.

Furthermore, the Site Visit provided the Company with the opportunity to meet with key landholders to negotiate agreements that will provide the Company with ready access to the drill sites and storage of all equipment.

Once all service providers and key landholders' agreements are finalised, the Board aims to commence with the drilling program immediately.

The objective of the first phase of the drilling campaign is to commence with three AC/RC bore-holes in the Malamute project first and follow up with one AC/RC bore-holes in the Husky project. However, the order of the drilling campaign may vary depending on the field results.

The Board anticipates that the drilling campaign will commence before the festive season gets underway and will update shareholders as the drilling campaign unfolds.

ENDS

VICTORY MINES LIMITED BOARD

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The Company does not undertake any obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions or conclusions contained in this announcement. To the maximum extent permitted by law, none of VIC, its Directors, employees, advisors or agents, nor any other person, accepts any liability for any loss arising from the use of the information contained in this announcement. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this announcement reflect views held only as at the date of this announcement.

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