

ASX ANNOUNCEMENT



Date: 6 April 2016

Victory Mines Limited enters into binding Heads of Agreement to acquire Milestone Sport, Ltd

The Board of Victory Mines Limited (ASX:VIC) (**Victory** or **the Company**) is pleased to announce it has entered into a conditional binding heads of agreement (**HOA**) to acquire 100% of the issued capital in Milestone Sport, Ltd (an entity incorporated in Israel) (**Milestone Sport**) (**Acquisition**).

Highlights:

- Conditional binding Heads of Agreement to acquire a leading US sports technology company, Milestone Sport, Ltd (**Milestone Sport**).
- Milestone Sport is focused on developing low-cost, wearable sensor technology together with data analytics to create a revolutionary marketing platform for consumers, retailers, manufacturers and advertisers involved in the sports industry.
- The MilestonePod collects data such as foot strike, cadence, stance time and rate of impact in addition to traditional data such as distance, duration and pace, all without the need for GPS, re-charging or user intervention. To date, 600,000 miles of unique running data has been collected from Milestone Sport devices.
- Milestone Sport has launched the industry's first Wearable Marketing Platform that uses data from MilestonePods to automate personalized marketing messages from retailers to customers. Retailers can combine user profile, activity and product information to customize marketing, coaching and product recommendations. The platform generates subscription revenue for Milestone Sport, a new model for device companies.
- The wearable platform also extends to races and events. Milestone Sport has worked with the Dick's Sporting Goods Pittsburgh Marathon on an interactive Leaderboard to bring gamify race training.
- The Milestone Sport database and data analytics offer brands and retailers detailed information to support product development, marketing and sales strategies. This big data platform delivers the second subscription revenue model.

- Milestone Sport uses technology developed by a highly credentialed and credentialed team with internationally recognised sport technology industry experience.
- Significant interest already received from parties interested in bringing together wearable sensor technology and big data analytics.
- Proposed public offer to raise a minimum of \$3.5 million at a minimum of \$0.02 per share (post-Consolidation).

Change of Activities

The proposed acquisition of Milestone Sport will constitute a change in the nature and scale of the Company's activities from mineral exploration to the business of developing a wearable based marketing and communication platform and enabling wearable sensor technology.

As part of the Acquisition, the Company will be required, pursuant to Listing Rule 11.1.2, to obtain approval from Victory's shareholders at a general meeting. The Company will also be required, pursuant to Listing Rule 11.1.3, to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

The Company also intends, should the Acquisition successfully proceed, to dispose of its current assets, being exploration and mining assets.

Milestone Sport Wearable Devices and Wearable Marketing Platform

Milestone Sport, an Israeli incorporated company, is a sports technology company focused on connecting retailers and brands to consumers through its wearable marketing platform (**WMP**). The WMP collects comprehensive data from a low-cost sensor (**MilestonePod**) worn on the consumer's shoe that wirelessly syncs to a mobile device. This real-life data results in meaningful, personal and timely direct marketing, the future of retailer and brand loyalty.

The MilestonePod collects gait metrics data such as foot strike, cadence, stance time and rate of impact in addition to traditional data such as distance, duration and pace available from existing wearable devices. Using the MilestonePod, Milestone Sport is able to collect valuable data on the running habit of the consumer and link the running habit to user information such as gender, height, age, shoe brand and model. In addition, the WMP provides summarised statistics for users to compare their performance with others.

Milestone Sport' business strategy is to provide affordable and simple shoe-worn devices that give brands and retailers the ability to meet the real needs of customers beyond the point of sale, in real time, automatically, and at a low cost. This unique model allows Milestone Sport to generate revenue from device sales and recurring revenue for access to the marketing platform and data analytics. Due to the experience and expertise of the founders in technology, marketing, retailing and biomechanics, the business will be able to develop products beyond running, which bridge direct marketing and wearables. Future opportunities include additional sports and the health industry (fall prediction), where the hardware and platform audience will be insurance, medical groups or association partners.

Further details on the MilestonePod can be obtained from www.milestonepod.com

Key Management Team

The Milestone Sport' management team consists of the following experienced leaders:

CEO and Co-Founder – Jason Kaplan: Jason has worked in technology start-ups for over 17 years. His responsibilities have included senior management roles in sales, business

development, channel development and marketing. Just prior to Milestone Sport, Jason led business development at Sensics, a wearables virtual reality goggle company. Other positions have included being the first sales leader at Akamai, Digex and Motista, as well as various consulting roles. Jason brings passion, leadership and vision to the team day in and day out and when time permits, Jason is an avid runner having completed a number of marathons and half marathons. Jason has a Bachelor of Business Administration.

CTO and Co-Founder – Meir Machlin: Most recently Meir worked with Jason at Sensics, where he was responsible for technology design and production of wearables, including virtual reality goggles. Prior to that, Meir was the first R&D Manager at PrimeSense, the developer of the sensors inside the Microsoft Kinect. His responsibilities included managing all of R&D and system design, and overseeing multidisciplinary development teams. Before PrimeSense, Meir spent almost ten years in the defence industry developing advanced technologies. As an experienced technology leader and a serious athlete (multiple Ironman distance events, a 2:48 marathon personal record and almost weekly ultra marathons), Meir is the perfect fit to lead Milestone Sport R&D. Meir has a Bachelor of Science and Master of Science (Electrical Engineering).

Business Development and Co-Founder – Tzach Goren: Tzach opened the first specialty endurance retail stores in Israel 17 years ago and operated them until co-founding Milestone Sport. He has tremendous knowledge of retailing, distribution and the needs of runners and other athletes. Tzach sees the momentum behind sensor-based products in the sports market and knows how to apply these products for the benefit of retailers and consumers. Tzach brings 20 years of experience in starting and growing businesses. Tzach enjoys cycling and running and has completed a dozen marathons and two Ironman distance events. He is also a certified triathlon coach. Tzach studied management and economics.

VP Marketing and Communications – Nancy Rowe: Nancy brings 18 years of experience in integrated brand marketing and product launches, both regionally and globally. Prior to joining Milestone Sport, Nancy served in global marketing roles at PUMA and SRAM and spent over a decade at NIKE. Nancy has held roles touching all aspects of marketing, including events, retail, grass-roots, production, public relations, copy writing, branding and strategy. She has the talent needed to bring Milestone Sport to marketing to both the B2B and B2C audiences. Additionally, Nancy is a veteran ultra-marathoner, having participated in approximately 50 ultra distance races. Nancy dreams of breaking 24 hours in her favourite distance of 100 miles. She currently holds a personal record of 24 hours and 30 minutes. Nancy has a Master of Arts (Corporate Communications and Public Relationship) and a Bachelor of Arts (Communications and Writing).

Director of Research – Stephen Suydam: Stephen combines his years of mechanical and electrical engineering experience with a PhD in Biomechanics to develop sport related performance and health metrics. He comes with a strong research background and specializes in gait and movement analysis. Steve is published in four Journals and is a member of the International and American Societies of Biomechanics. He enjoys almost every sport, including running, so Milestone Sport allows him to make his hobbies a profession. Stephen has a PhD and Master of Science in Biomechanics and Movement Science and a Bachelor of Science (Mechanical Engineering).

Director of Software Engineering – Orin Eden: Orin has been working with leading companies in the tech space for over a decade. One of his more notable projects was his work as the embedded software lead at PrimeSense where he developed the technology inside the Microsoft Kinect. Apple recently acquired the PrimeSense technology and now you can find Orin's software in over 10 million devices. Orin is a fitness fanatic, although he prefers Power 90 Extreme over running, for now.

Acquisition Terms

Pursuant to the HOA, Victory has agreed to acquire 100% of the issued shares in Milestone Sport (**Milestone Sport Shares**) from the shareholders of Milestone Sport (**Milestone Sport Shareholders**), subject to the satisfaction or waiver of the Conditions Precedent (defined in section 2 below). The Milestone Sport Shareholders are not associated with Victory's existing Directors.

A summary of the key terms of the Acquisition is set out below. The HOA also contains warranties and indemnities granted by and to Victory, among other terms which are customary for a transaction of this nature.

1. Consideration

Subject to satisfaction or waiver of the Conditions Precedent, in consideration for the acquisition of the Milestone Sport Shares, Victory has agreed to issue upon settlement of the Acquisition (**Settlement**), the following securities to the Milestone Sport Shareholders (all on a pre-consolidation basis):

- 332,681,018 fully paid ordinary shares in the capital of the Company (**Shares**) (**Consideration Shares**); and
- 332,681,016 performance shares divided into three tranches of 110,893,672 (**Performance Shares**). Each of the Performance Shares will convert into one Share upon satisfaction of the relevant milestone set out below:
 - 110,893,672 Performance Shares (**Class A Performance Shares**) will convert in the event that the Board of the Company announces the availability of the fall prediction prototype within 12 months from Settlement;
 - 110,893,672 Performance Shares (**Class B Performance Shares**) will convert in the event that the Company and/or Milestone Sport collectively sell 150,000 units of MilestonePods within 24 months from Settlement; and
 - 110,893,672 Performance Shares (**Class C Performance Shares**) will convert in the event that the Company (on a consolidated basis) generates US\$10,000,000 of aggregated overall revenue from the Milestone Sport business and any derivatives thereof within 36 months from Settlement.

The Performance Share terms are subject to ASX's approval, which approval is a condition precedent to Settlement of the Acquisition.

2. Conditions Precedent

Settlement of the Acquisition will be subject to a number of Conditions Precedent, including, but not limited to:

- **Due Diligence:** completion of due diligence by the Company on Milestone Sport's business, assets, operations, financial position, financial performance and any further matters relevant to Milestone Sport, in each case to the satisfaction of the Company;

- **Milestone Sport Shares:** each of the Milestone Sport Shareholders agreeing to sell (or being legally required to sell) all of their Milestone Sport Shares to the Company for the consideration set out above in section 1;
- **Accounts:** Milestone Sport preparing audited accounts for the shorter period of three years and the date of incorporation of Milestone Sport and delivering those accounts to the Company;
- **Shareholder and Regulatory Approvals:** the Company, Milestone Sport and Milestone Sport Shareholders obtaining all necessary shareholder and regulatory approvals in relation to the Acquisition and other matters contemplated by the HOA (including, but not limited to, conditional approval for the Company's Shares to be reinstated to quotation on ASX following completion of the Acquisition, on conditions satisfactory to the Company);
- **Consolidation:** consolidation of the Company's existing Shares at a ratio to be agreed with Milestone Sport, provided that the consolidation ratio shall not be more than 1 for 2.857 (**Consolidation**);
- **Capital Raising:** the Company lodging a prospectus with ASIC to raise no less than \$3.5 million via an offer of Shares pursuant to that prospectus at an issue price of a minimum of \$0.02 each (post Consolidation) so that the Company has a minimum net cash balance of at least \$3 million at Settlement, or such amount as necessary to satisfy the ASX Listing Rules;
- **Restriction Agreements:** each Milestone Sport Shareholder entering into a restriction agreement whereby they agree to an escrow period on their Consideration Shares and Performance Shares for a period of 12 months from Settlement or such longer period as mandated by ASX; and
- **Tax Ruling:** the Milestone Sport Shareholders have received a tax ruling, in customary form in connection with the transaction contemplated under the HOA, which defers the payment of taxes for 24 months (for 50% of the Shares received) and for 48 months (for the remaining 50% of the Shares received),

(together, the **Conditions Precedent**).

The Conditions Precedent to completion of the Acquisition must be satisfied (or waived) within 4 months from the date of the HOA (or such later date as Milestone Sport and the Company may agree).

3. **Equity Incentive Plan**

Prior to Settlement, the Company will obtain Board and shareholder approvals for the adoption of an equity incentive plan (**Plan**) that provides for shares, options or right to shares to be issued equal up to 15% of the Company's fully diluted Share capital (post Settlement) to be issued to key employees or consultants of Milestone Sport (with the allocations and performance criteria to be agreed between Milestone Sport and the Company).

4. **Working Capital Loan**

Concurrently with the execution of the HOA, the Company shall extend to Milestone Sport a convertible loan facility in an aggregate amount of US\$500,000, to be documented under a convertible loan agreement, to provide working capital funding (**Loan**). The key terms of the Loan are as follows:

- (a) the Loan will be for an amount of US\$500,000, unless the Company extends the end date under the HOA by 1 month, in which case the Loan will increase by an amount of \$100,000 to \$600,000;
- (b) the Loan proceeds are to be used solely in accordance with Milestone Sport's operating budget as agreed between the parties and contained in the HOA;
- (c) the Loan will be available 2 business days following execution of the Loan; and
- (d) repayment of the Loan will be occur on the earlier (to the extent such occurs) of:
 - (i) should settlement of the Acquisition occur, the Loan will become an intercompany loan with repayment to be agreed between the Company and Milestone Sport; and
 - (ii) should settlement of the Acquisition not occur, unless the parties agree that the outstanding Loan amount be repaid in cash, the outstanding amount of the Loan will be converted into Milestone Sport Shares according to the following formula:

TCS=OM/CSP

TCS means the total number of conversion shares to be issued on the End Date

OM means the outstanding amount of the Loan

CSP means the deemed price per Milestone Share which shall be based on a pre-money valuation for Milestone Sport of US\$1.7m.

Shareholder approval and terms of securities

A general meeting is proposed to be convened to approve the change in activities (pursuant to Listing Rule 11.1.2) referred to above, as arising from the Acquisition, the Capital Raising, the Consolidation and associated business (**General Meeting**).

Proposed change in Victory's board and management

At Settlement, Milestone Sport will have the right to appoint three nominees as directors to the Board of the Company. The Company must cause all but two of the existing Directors to resign as directors at Settlement of the Acquisition.

Pursuant to the Acquisition, Milestone Sport will appoint Yaron Garmazi, and two other nominees of Milestone Sport as directors of the Company.

Mr Yaron Garmazi

Following Settlement of the Acquisition, Mr Garmazi will be appointed as CEO and Managing Director.

Mr Garmazi brings 23 years' experience in leading technology companies through all stages of their business. Yaron spent most of his career leading early or mid-stage start-ups from zero to more than \$U100M in revenue. Among his previous companies were Nogatech that went public on Nasdaq and sold for almost US\$200M to Zoran and Passave that was acquired for more than US\$300M by PMC Sierra during a Nasdaq public offering. Yaron is also a passionate endurance athlete, having completed six marathons and two Ironman distance events.

The other two nominees of Milestone Sport are yet to be agreed.

Change of Company name

If the Acquisition proceeds to the stage of convening the General Meeting, the Company also proposes to seek shareholders' approval at the General Meeting to change its name to "Milestone Sport Ltd".

Indicative Timetable

The indicative timetable for the matters contemplated by the Acquisition is set out below.

Indicative Timetable*	Date
Date of Announcement	6 April 2016
Despatch of Notice of Meeting	6 May 2016
General Meeting held to approve the Acquisition	8 June 2016
Lodgement of Prospectus with the ASIC	8 June 2016
Opening Date of the Offer	8 June 2016
Closing Date for Offer	8 July 2016
Settlement of the Acquisition^	22 July 2016
Re-quotations of Securities (including Shares issued under the Offer) on ASX	5 August 2016

* The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without prior notice.

^ The above stated date for Settlement of the Acquisition is only a good faith estimate by the Directors and may have to be extended.

5. Indicative Capital Structure

Set out below is the indicative capital structure of the Company following completion of the Acquisition and associated Capital Raising. The anticipated capital structure of the Company is only an estimate and is subject to variation.

SHARES	
Shares currently on issue	556,577,580
Consideration Shares	332,681,018
SUB-TOTAL	889,258,598

The Company will also raise a minimum of \$3.5 million through the issue of shares at a price not less than \$0.02 each (post-Consolidation). A consolidation of the Company's existing shares may be required, but this will be determined at a later date (with the consolidation ratio not being more than 1:2.867).

Note:

1. This assumes that no options in Victory are exercised and that none of the Performance Shares milestones are satisfied.

PERFORMANCE SHARES	
Class A Performance Shares	110,893,672
Class B Performance Shares	110,893,672
Class C Performance Shares	110,893,672
TOTAL	332,681,016

OPTIONS	
Options currently on issue:	
(Unquoted options exercisable at \$7.00 on or before 9 October 2017)	114,286
(Unquoted options exercisable at \$1.05 on or before 31 December 2016)	2,990,016
(Unquoted options exercisable at \$0.03 on or before 30 November 2018)	700,000
(Unquoted options exercisable at \$0.02 on or before 30 June 2017)	66,141,666

Notes:

1. This assumes that no options in Victory are exercised.

In addition to the above, a total of 33,268,102 Shares and 33,268,102 Performance Shares will be issued to certain parties that introduced the transaction to Victory.

Pro Forma balance sheet

The Company is not currently in a position to provide a pro-forma balance sheet showing the effects of the Acquisition on the Company. The Company will release a pro forma balance sheet upon conclusion of its due diligence investigations into Milestone Sport.

For further information please contact:

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Some of the statements appearing in this announcement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which Victory operates and proposes to operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets, among other things. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. No forward looking statement is a guarantee or representation as to future performance or any other future matters, which will be influenced by a number of factors and subject to various uncertainties and contingencies, many of which will be outside Victory's control.

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