

27 OCTOBER 2010

## **MALALA MOLYBDENUM PROJECT TO BE FULLY FUNDED AGREEMENT EXECUTED WITH CHINA GUANGSHOU GROUP**

### **Key Highlights:**

- **China Guangshou Group Corp (“CGGC”) completes due diligence on Malala Molybdenum Project in Sulawesi, Indonesia (“Malala”, the “Project”)**
- **Victory West and CGGC execute Memorandum of Agreement (MOA) in Xiamen, China**
- **Official signing ceremony with key Indonesian Government officials in Perth, Western Australia**
- **CGGC to acquire a 65% interest in Malala by sole funding 100 per cent of all expenditure to large scale production**
- **VWM (through its related entities) to retain a “free carried” interest of 27.5 per cent in the Project (non-contributing to ‘Large Scale’ production)**
- **US \$1 million commitment fee payable by CGGC**
- **An aggressive 12 month work program to be undertaken including;**
  - **Establishment of a management and operational committee**
  - **Commencement of development works - construction of 20+ kms of roads**
  - **Extensive drilling and exploration program including construction of a 700+ metre exploration (adit) tunnel**
  - **Exploration and feasibility works to determine quickest and most effective route to early production from identified high grade mineralization**
- **CGGC to target early production within 24 months and Large Scale Production (open pit) by 2016**

Victory West Moly Limited (ASX: VWM, FSE: R1E) (“**VWM**” or the “**Company**”) is pleased to announce the execution of a binding Memorandum of Agreement (“**MOA**”) with China Guangshou Group Corp (“**CGGC**”) that will fully fund VWM’s Malala Molybdenum Project to large scale production.

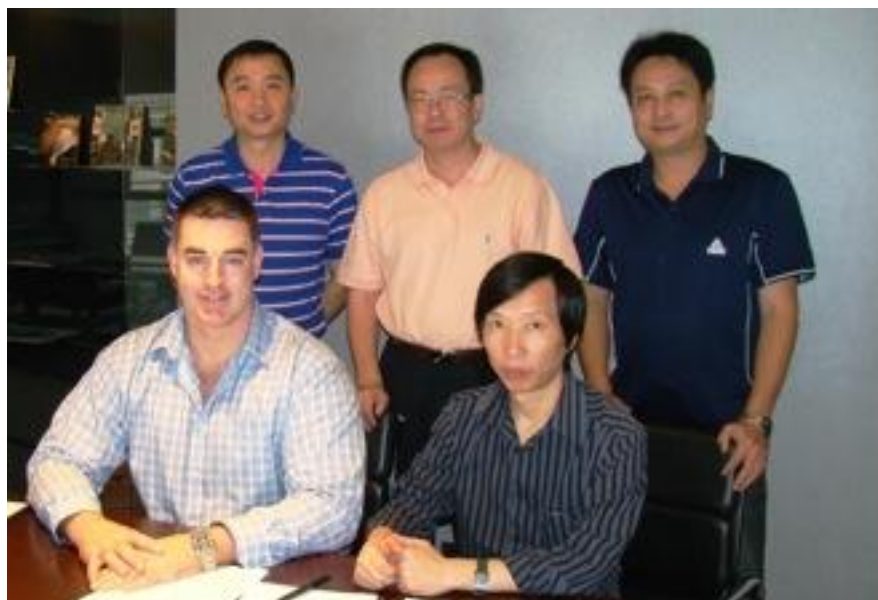
Under the agreement, which marks the completion of a comprehensive due diligence process, CGGC will acquire a 65 per cent interest in the Project in consideration for sole funding 100 per cent of all expenditure to large scale Production. VWM will retain a “free carried” interest of 27.5 per cent in the Project through its related parties.

CGGC will also pay a US\$1 million commitment fee (to be paid in 2 tranches of \$500,000).

Under the terms of the MOA, a number of key exploration, development and production milestones are required to be met by CGGC;

- Exploration - A minimum of 10,000 metres drilling to be reviewed by a geological consulting group of international standard. Definition of a suitable 43-101 / JORC resource that is capable of commercial production.
- Development - Development and construction of the Project for commercial production including mine development, processing plant and associated infrastructure
- Early Production - Delivery of early production opportunities from high grade mineralization identified during exploration within 24 months
- Large Scale Production - Subject to a total resource of no less than 150 million tons at 840ppm Mo CGGC will commence large scale production (open pit) by 2016.

### MOA Signing – Xiamen, China



Back (left to right) – Michael Law (CGGC Rep), Mr. Zhang Hui (MD, CGGC Indonesia)  
Front (left to right) – Robert Hyndes (CEO), Mr. Huang Guoqing (President, CGGC)

VWM CEO Robert Hyndes said the execution of the MOA is a major milestone for the Company.

“The agreement with CGGC will enable us to fully realise the potential of the Malala Molybdenum Project within a shorter development window,” he said,

“This ensures we can provide value to our shareholders as well as economic growth to the people of Toli Toli and Central Sulawesi.”

Mr Hyndes said “CGGC is an experienced mining group with significant molybdenum mining expertise with molybdenum operations in China and North Korea, and major mining projects throughout Asia including Indonesia – we have great faith in their expertise to develop the Malala Project to its full potential”.

## Initial Work Program

The parties are to establish a management and operating committee (“Operating Committee”) consisting of 3 (three) CGGC representatives and 2 (two) VWM group representatives. An annual budget and work program is to be agreed and implemented by the Operating Committee. Subject to receipt of the any required permits an immediate and extensive exploration and development program will be undertaken with an initial primary focus on Inti Cemerlang. The program will see the construction of more than 20kms of roads providing greater accessibility to the project, significant drilling and exploration work including the construction of a 700+ metre exploration/prospecting tunnel (adit) to further explore Anomaly B.

Mr Hyndes said focus will initially be on those exploration and feasibility works that will determine the quickest route to early production opportunities from high grade mineralisation identified during exploration.

## Signing Ceremony

Following the execution of the MOA in Xiamen, China, a signing ceremony was held in Perth, Western Australia and was attended by a delegation of high-ranking Toli Toli (local regent) and Central Sulawesi Indonesian Government Officials including H. Bandjela Paliudju, Governor of Central Sulawesi Province, H. Moh. Saleh Bantilan, Bupati Toli Toli Regency and Central Sulawesi heads of Mining, Forestry and Environment. Also in attendance was Mr. Michael Law as representative of CGGC.



Back (right to left) – Domenic Martino (Advisor), Robert Hyndes (CEO), Michael Law (Guangshou Rep), (PT Promistis)  
Front (right to left) - H. Moh. Saleh Bantilan (Bupati Toli Toli), H.B. Paliudju (Governor, Central Sulawesi)

## Memorandum Of Agreement – Key Material Terms

The key material terms of the MOA are;

- CGGC is to commit to funding 100% of the exploration, development and exploitation costs required to take the Project into Production (“Sole Funding Commitment”).
- Victory West (through its related entities) and the local regency owned enterprise (BUMD) (are to be ‘free carried’ to Large Scale Production and will hold a direct or indirect interest of 27.5% and 5% respectively in the Malala Molybdenum Project. A further 2.5% interest will be acquired by local Chinese interests.
- A US\$1 million commitment fee is payable by CGGC in 2 tranches;
  - US\$500,000 within 5 days of receipt of letters of support and confirmation from Indonesian Energy and Mineral Ministry (ESDM), Central Sulawesi Government and Toli Toli Regent.
  - US\$500,000 within 30 days of the first payment (above).
- CGGC will initially acquire a 65% interest in PT Sulawesi Molybdenum Management (PTSMM), and as soon as possible each of the local Moly Concession Companies are to be converted into Indonesian limited liability foreign investment company’s (PMA Company’s) and each party is to be issued its relevant interests.
- The parties are to work together to establish a tax effective structure to hold their interests in the Project.
- A management and operating committee (“Operating Committee”) is to be established and comprise of 5 (five) members, 3 (three) members to be nominated by CGGC and 2 (two) to be nominated by VWM. An annual budget and work program is to be agreed and implemented by the Operating Committee.
- A number of key milestones are required to be met by CGGC (the “Milestones”);

Stage	Deliverable
Stage 1: Exploration	<ul style="list-style-type: none"><li>• A minimum of 10,000 metres drilling to be reviewed by a geological consulting group of international standard</li><li>• Definition of a suitable 43-101 / JORC resource that is capable of commercial production</li></ul>
Stage 2: Construction/Development	<ul style="list-style-type: none"><li>• Development and construction of the Project for commercial production including mine development, processing plant and associated infrastructure</li></ul>
Stage 3: Production	<ul style="list-style-type: none"><li>• Delivery of early production opportunities from high grade mineralization identified during exploration within 24 months</li><li>• Subject to a total resource of no less than 150 million tons at 840ppm Mo CGGC will commence large scale production (open pit) by 2016.</li></ul>

- CGGC is to provide security over its equity interest (via pledge of shares) until such time as CGGC has met certain exploration and development deliverables.
- In the event that CGGC does not meet the agreed Milestones within the agreed timeframes, the CGGC interest will be transferred back to the Company on a proportional basis to milestone stages achieved. In the event of circumstances outside the control of CGGC, the timetable shall be adjusted appropriately.

- The parties have agreed that any profits generated from any Small Scale Production activities identified during Stages 1 & 2 are to be reinvested to develop larger scale production mining projects.
- Project capital costs are to be amortised in accordance with international accounting standards, CGGC will have the right to cost recovery from profits generated after Large Scale Production.

Yours sincerely



**LUKE MARTINO**  
Company Secretary

### **About China Guangshou Group Co., Ltd**

CGGC is a diversified international industrial group engaged in a broad range of operational and investment activities across industries including mining, engineering, construction and real estate (visit [www.gsjt.cc](http://www.gsjt.cc) for further information). It is a trans-regional and multi-industry group enterprise under the approval of the State Administration of Industry & Commerce

CGGC has accumulated more than 15 years of experience in mining development and investment since the commencement of the mining business in 1994, and has successfully established enterprises and teams in China (Guizhou, Sichuan, Fujian, Guangxi, Yunnan) and overseas (North Korea, Indonesia, Thailand, and Burma).CGGC's enterprises include:

- China (Fujian Region). Molybdenum, lead zinc, gold and silver.
- China (Guizhou Region). Molybdenum, nickel, vanadium, and coal.
- China (Sichuan Region). Lead zinc.
- North Korea. Molybdenum.
- Indonesia. Manganese and coal.
- Thailand. Manganese, and iron ore.

CGGC is mainly engaged in the exploitation and development of mining of molybdenum, lead zinc, copper, manganese, iron, silver, gold and coal. It possesses over 10 independent corporate bodies, over 40 mining certificates, 6 mines, 3 mineral separation factories and 2 coking factories.

### **About the Malala Molybdenum Project**

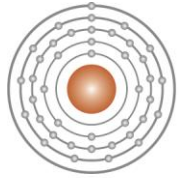
The Malala Molybdenum Project comprises five strategic exploration concessions that are highly prospective for Molybdenum, located in the Toli-Toli Regency at the northern tip of the island of Sulawesi in Indonesia covering a total area of 23,747Ha.

The concessions cover the most prospective sections of a former third generation Contract of Work (COW) held by Rio Tinto during 1977-1985 and for a period in joint venture with Santos Ltd during 1980-82.

**About VWM**

Victory West Moly Ltd is a metals focused resource exploration company listed on the Australian Securities Exchange (ASX code: VWM) and Frankfurt Stock Exchange (FSE code: R1E), with a vision to find, prove and extract value from world class metals projects in South East Asia. The Company currently has two key assets: a 27.5% free carried interest (to production) in the Malala Molybdenum Project and is in the process of acquiring a 70% interest in the USSU Nickel Project in South Sulawesi.

**For further information on VWM, please visit [www.victorywestmoly.com.au](http://www.victorywestmoly.com.au)**



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VWM Group Board, Management & Advisors, Bupati Toli Toli & Staff, Central Sulawesi Governor & Staff, Heads of Mining, Forestry & Environment, ESDM Rep, Guangzhou Rep.

***Signing Ceremony - 26 October 2010. Perth, Western Australia.***