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# VICTORY WEST METALS LIMITED

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## VWM FAST-TRACKS ENTRY TO RAPIDLY GROWING INDONESIAN COAL SECTOR

### Key Highlights:

- Victory West Metals Ltd (“VWM”) sign Heads of Agreement to acquire 100% of South East Asia Energy Resources Pte Ltd (“SEAE”), a special purpose company registered in Singapore that has:
  - The rights to an 85% interest in BEK Coal Project in East Kalimantan
  - Pipeline of 9 coking & thermal coal concessions in East Kalimantan
  - Initial offtake agreements for 200,000 tonnes per month with major parties
- Acquisition facilitated by Asia Energy Group Singapore (“AEG”), a leading global provider of mining services with specific skills & experience in Indonesian coal projects.
- The SEAE team will be combined with the VWM management team going forward to target significant JORC certifiable resources & production.
- SEAE acquisition consideration of 330 million fully paid VWM shares, 33 million VWM options (exercise price, 30c); and cash payment of A\$750,000.
- Consideration only paid in full on agreed milestone of 2.4Mt annual production & 50Mt JORC inferred resource from SEAE projects.
- SEAE acquisition positions VWM to:
  - Diversify into quality thermal and coking coal assets;
  - Seek to move quickly to production and cashflow from these assets; and
  - Become a significant player in the rapidly growing Indonesian coal sector.

## Overview

Victory West Metals Limited (ASX: VWM, FSE: R1E) (“**VWM**”) has identified an opportunity to expand its portfolio of world class resource projects and are pleased to announce the signing of a Heads of Agreement to acquire 100% of South East Asia Energy Resources Pte Ltd (“**SEAE**”)

SEAE (a special purpose company registered in Singapore) has the ability to secure majority equity stakes in a number of Indonesian thermal and coking coal assets, and thus assist VWM to achieve an internally stated vision of 50 to 100Mt of inferred JORC compliant resource and production of 2.4Mt per annum within the next 12 to 24 months, with the consideration for SEAE only paid in full upon achievement of these internal VWM targets/milestones.\*

VWM and SEAE have agreed that the share component of the first tranche of the consideration will be escrowed from the date of the issue of those shares until the later of:

- 1 July 2012; or
- Achievement of an annualised production rate of 1.2Mt of thermal coal.

VWM is yet to determine whether the ASX will require a longer period of escrow with respect to the share component of the full consideration, and will seek the normal submission in this regard in due course.

The acquisition of SEAE has been facilitated by Asia Energy Group Singapore (“**AEG**”), a leading global provider of professional mining, mine engineering, geological, mine management and mining services, with particular skills and experience in coal project assessment and acquisitions in Indonesia.

SEAE are highly experienced in the identification of high quality mineral assets in both Indonesia and Australia, and the parties have a well connected team of local based and ex-patriot engineers and geologists who work with local and regional mine concession owners on a regular basis.

As part of the acquisition, it is proposed that Mr Gary Williams will become the Chief Executive Officer (CEO) of VWM. Mr William’s corporate profile is as follows:

- Experienced mining executive manager with global experience
- 30+ years in international mining, infrastructure projects, engineering & processing
- Held board positions in Australian and offshore resource companies
- Proven track record in Indonesian negotiations, legal, development & operations

Going forward, the SEAE team will combine with the VWM management team to identify potential mineral, thermal and coking coal assets, review existing assets, and conduct full asset due diligence (legal and technical) with an aim of securing significant JORC compliant resources within VWM.

The proposed acquisition of SEAE is subject to specified conditions including legal and technical due diligence, shareholder approval and Australian regulatory approvals as required.

\* *In accordance with Clause 18 of the JORC Code, it is important to note that no JORC Mineral Resources or Ore Reserves have been established on these tenements and any current assessment remains subject to ongoing exploration work and drilling.*

## Transaction Details

The Heads of Agreement states that VWM will acquire 100% of SEAE for a total consideration of up to 330 million fully paid VWM shares, 33 million VWM options (exercise price, 30c), and cash of A\$750,000.

This consideration is to be paid against the agreed milestones below:

Milestone	Shares	Options	Cash
Settlement of Share Purchase Agreement	110m	11m	A\$750,000
SEAE projects have total annualised production $\geq$ 1.2 Mt & total JORC inferred resource $\geq$ 25 Mt	110m	11m	---
SEAE projects have total annualised production $\geq$ 2.4 Mt & total JORC inferred resource $\geq$ 50 Mt	110m	11m	---

The Heads of Agreement states that the Share Purchase Agreement for the acquisition of SEAE will include an agreed set of warranties that:

- SEAE has the rights to an 85% interest in the BEK Project;
- SEAE has 100% of the coal marketing rights for the BEK Project;
- SEAE can demonstrate that the BEK Project will have a mineralisation of not less than 6Mt of high grading thermal coal with calorific value of not less than 5,000 Kcal/kg\*;
- SEAE has majority right to 9 other coal concessions which host high grading thermal coal with calorific value of not less than 5,000 Kcal/kg;
- SEAE will seek to secure 100% of the coal marketing rights for these concessions; and
- SEAE will target to take a minimum of 2 of these concessions to JORC inferred status within 24 months;
- SEAE will develop all necessary transport, loading & port infrastructure for the projects.

Furthermore, SEAE have advised that:

- SEAE has secured offtake agreements for 200,000 tonnes of coal per month with major parties including PetrolTek (Korea/Europe); and
- SEAE holds all of the required licences for mining services and coal export in Indonesia as required for the BEK Project and other coal concessions.

As part of the acquisition of SEAE, VWM will:

- Combine the SEAE team with the existing VWM management team for the purpose of identifying new mining concession opportunities, undertaking due diligence, certifying projects to JORC, mine planning, management and production, and coal marketing and sales; and
- Allocate key targets and accountabilities to these executives in order to ensure successful set up, management and business direction of the coal business within VWM.

Funding for SEAE to acquire and further develop the flagship BEK Project is expected to be through a combination of debt, equity and offtake financing.

## SEAE Projects

SEAE has the ability to secure a majority equity stake in each of the Indonesian coal projects below:

Project	Concession Area	Location	Area (Ha)	Permit Status
BEK	Penajam	Penajam East Kalimantan	3,281	IUP Production
SDH	Penajam	Penajam East Kalimantan	4,000	IUP Production
SIA	Barito	Central Kalimantan	1,200	IUP Production
PBE	Mahakam	West Kutai East Kalimantan	4,400	IUP Exploration
MBA	Mahakam	West Kutai East Kalimantan	4,500	IUP Exploration
TWP	Mahakam	West Kutai East Kalimantan	3,900	IUP Exploration
AAP	Mahakam	West Kutai East Kalimantan	7,500	IUP Exploration
KTP	Mahakam	West Kutai East Kalimantan	4,800	IUP Exploration
KJ	Mahakam	West Kutai East Kalimantan	5,500	IUP Exploration
TWPI	Mahakam	West Kutai East Kalimantan	4,350	IUP Exploration

### SEAE Flagship Project – BEK (PT Bumi Energy Kaltim)

The BEK Project, located in East Kalimantan, is currently the flagship project for SEAE.

The BEK project is ready for the final stages of mine planning, development and production ready activities which will involve advanced drilling, mine planning and JORC certification.

SEAE are currently targeting coal production from the BEK Project by the end of Q2 2012.

Highlights of the BEK project include:

- Large concession area of 3,281ha, with mining approval over the entire concession.
- Low progressive entry for high value asset (only 6% of concession area drilled to date).
- Significant growth opportunities with minimal future investment.
- Future growth potential to take-over surrounding concessions.
- Complete budget for mine takeover and development.
- Concession is within ~10km of river.

Details of past exploration and coal quality at the BEK project include:

- Project has been drilled & cored over 200Ha for 20 holes
- Coal is high quality bituminous coal for export supply
- Gross calorific value 5,000 - 6,500 kcal/kg
- Low ash coal that does not require washing providing 100% yield

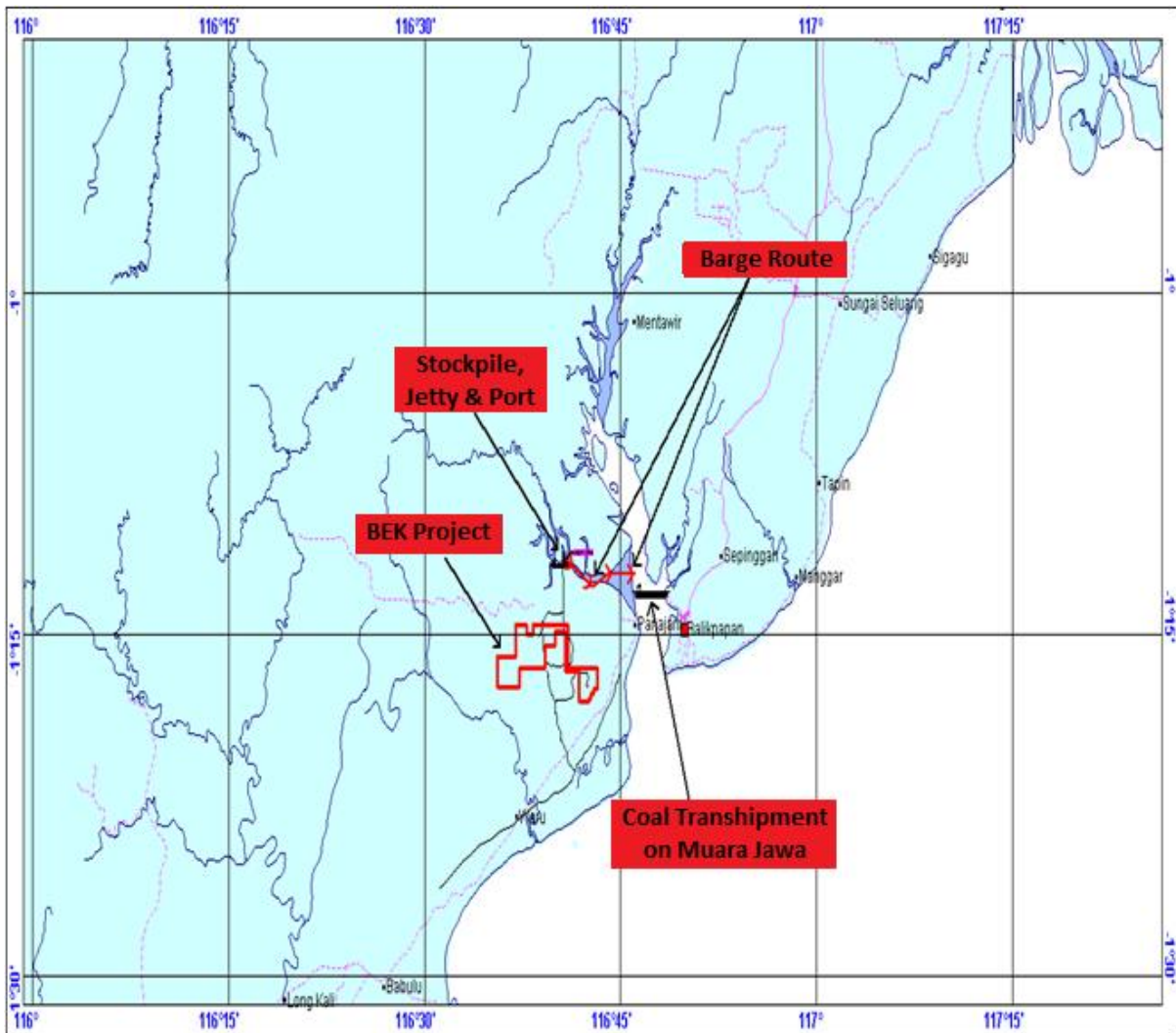


Figure 1: Location of BEK Project, showing proximity to Balikpapan Coal Terminal

Certified Proximate Analysis (NATA Laboratory)	
Gross Calorific Value	5,000 - 6,500 Kcal/kg
Ash	10% - 19.38 %
Total Sulphur	0.43% - 1.5%
Inherent Moisture	5.02% - 6.26%
Total Moisture	10% - 25%



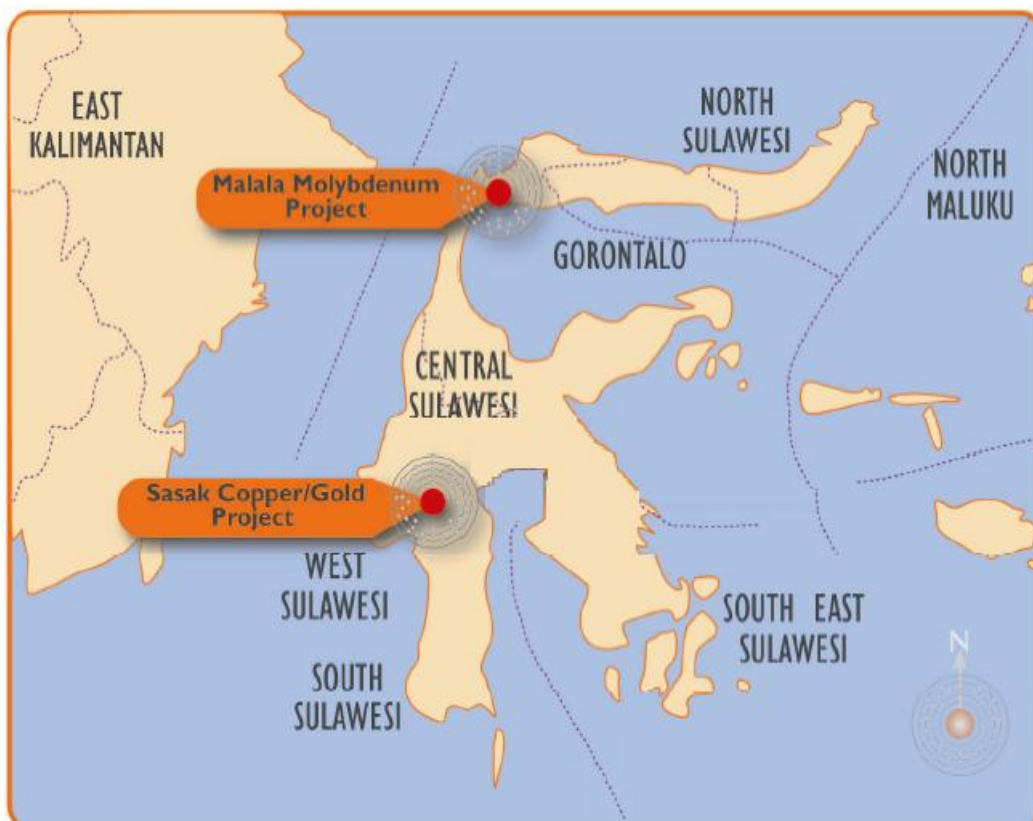
Figure 2: Technical Analysis & Physical Sample of Coal from BEK Project

## About Asia Energy Group (AEG)

- Leading global provider of mining services with skills & experience in Indonesian coal projects.
- Experienced team of high quality local & overseas geologists, engineers, and project managers able to source quality coal concessions, investigate viability, acquire and profitably develop.
- Providers of high calibre thermal coal projects developed to production, coupled with robust management information enabling compliance with ASX and statutory requirements.
- Access to a strong project pipeline of Indonesian coal projects.
- Past projects and achievements managed by key AEG personnel include:
  - Development of significant resources & reserves for International Thermal Coal Power Groups in Indonesia (40Mt+).
  - Development of underground coal mining projects in Bowen Basin Queensland.
  - Development of coal projects in NSW, Victoria and Tasmania.
  - Mining & processing developments in Australia, Africa, Indonesia, Thailand, New Zealand, China & South America.
  - Design & engineering of coal & iron ore port terminals in Australia & Indonesia.

## Projects Update

VWM is pleased to advise the following updates with regards to its other ongoing projects.



### ***Malala Molybdenum Project***

- The Malala Molybdenum Project is located in the Toli-Toli Regency on the island of Sulawesi in Indonesia, covers a total area of 23,747Ha, and comprises 5 exploration concessions that are highly prospective for Molybdenum.
- VWM continues to work actively in conjunction with its Joint Venture Partner China Guangshou Group Corp (“CGGC”), and with key Indonesia Government groups to secure the required administration letters to move the joint venture to the next stage.
- Under the terms of the joint venture, CGGC will acquire a 65% interest in the Malala Molybdenum Project in return for sole funding 100% of all expenditure up to when the project enters large-scale production.
- VWM entered into an Amendment Agreement with CGGC to extend the terms relating to obtaining regulatory approvals, letters and recommendations for the Malala Molybdenum Project to 31 October 2011.

### ***Novienindo Copper & Gold Project***

- VWM continues to evaluate, and work with the vendors of, the Novienindo Project.
- This follows on from a recent intensive 40 day field work program under the supervision of the Company’s consulting Geologist Mr Brett Gunter which included:
  - Mobilisation of 6 senior geologists from the Malala Molybdenum Project;
  - Survey of approximately 5,000 hectares of the Concession;
  - Collation of data on in-situ rock outcrop formations, previous historical drilling and 12 Dutch Adits; and
  - Sample collection from prospective zones encountered during mapping that will allow for assessment of the potential and distribution of mineralisation within the mapped concession areas.

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

**END**

### **About Victory West**

Victory West Metals 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 is building a metals portfolio with its cornerstone project Malala Molybdenum Project in the Toli Toli Province in North Sulawesi and the right to earn a 75% equity interest in a highly prospective copper-gold porphyry project located in South Sulawesi.

### **Competent Persons Statement**

The data in this announcement that relates to Exploration Results, Resources and Reserves is based on information reviewed and evaluated by Mr. Peter Macey who is a member of the Australian Institute of Geoscientists and holds a Bachelor of Science (Geology & Chemistry), a Masters of Science in Environmental Management, is an accredited professional geoscientist and environmental auditor, and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the “JORC Code”). Mr. Peter Macey is a fulltime employee of AustralAsian Resource Consultants Pty Ltd and he consents to the results as they appear.

**\* JORC Exploration Targets**

It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information in this announcement relating to exploration targets should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserves(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient work completed to define them beyond exploration targets and that it is uncertain if further exploration will result in the determination of a Mineral Resource. In accordance with Clause 18 of the JORC Code, it is important to note that no JORC Mineral Resources or Ore Reserves have been established on these tenements and any current assessment remains subject to ongoing exploration work and drilling. The current interpretation remains preliminary and is based on exploration, evaluation and resource definition work performed by previous owners.

**Forward-Looking Statements**

This announcement may contain forward-looking statements that are subject to risks, uncertainties and other factors associated with exploration and mining that are in some case beyond the control of Victory West Metals. Such statements may be affected by variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to drilling and production results, reserve estimations, environmental risks, physical risks, legislative, fiscal and regulatory changes, economic and financial market conditions in various countries and regions, political risks, tenement renewals, project delay or advancement, approvals and cost estimates. Readers are cautioned not to place undue reliance on forward-looking statements.