

Quarterly Activity Report For the period ending 31 December 2011

Victory West Metals Limited (“VWM” or “the Company”) is pleased to provide shareholders with this Quarterly Activities Report for the three (3) months ending 31 December 2011.

Major Expansion into Rapidly Growing Coal Sector

During the quarter, the Company continued due diligence and preparation of legal agreements and independent reports, related to the acquisition of 100% of South East Asia Energy Resources Pte Ltd (SEAE). This transaction includes:

- A pipeline of thermal and coking coal concessions in East Kalimantan
- A proven management team capable of identifying, assessing and operating these world class projects

The acquisition will be satisfied by 330 million fully paid shares and 33 million VWM options and a cash payment of \$750,000. Agreed milestones of 1.2Mt and 2.4Mt annual production and 25Mt and 50Mt JORC inferred resources are in place for full payment of consideration. The Company and SEAE continue to evaluate all funding options in connection with the project.

Malala Molybdenum Project, Sulawesi, Indonesia

The Malala Project is located in the Toli Toli Regency of Central Sulawesi Province, Indonesia, approximately 150km to the north of Palu (Figure 1). The project comprises five IUP concessions: PT Inti Cemerlang, PT Promistis, PT Era Moreco, PT Sembilan Sumber Mas & PT Indo Surya. The total area forming the Malala Project is in excess of 240km² (Figure 2) spread across the five concessions all of which are located within 15km of the coast.

Since acquisition, VWM has worked diligently at compiling and reviewing the historical data and re-initiating the exploration process. The majority of work has targeted Anomaly B, the key area of Rio Tinto/Santos exploration efforts in the 1970's and 1980's. Rio Tinto had defined a non-JORC compliant resource at Anomaly B which is the basis of VWM's exploration target of 105-115Mt @ 660-900ppm Mo¹. In FY2009, VWM began the task of proving up this initial exploration target, with this work continuing throughout FY2010. The Company has significantly advanced its understanding of the Anomaly B prospect area, with detailed trenching and geophysical surveying making large contributions to this improved understanding.

¹ 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 Rio Tinto, Santos and VWM.

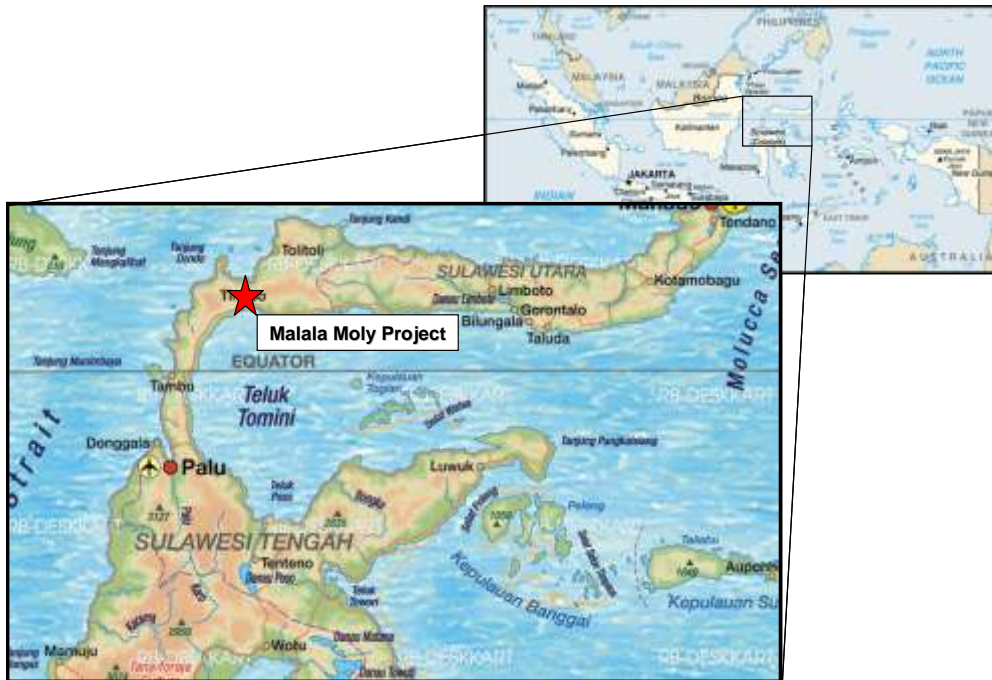


Figure 1 – Location of Malala Molybdenum Project in northern Sulawesi, Indonesia.



Figure 2 – Malala Molybdenum Project area

The Company previously entered into an agreement with China Guangzhou Group Corporation (CGGC). This agreement expired on 31 December 2011 and the Company has been discussing with CGGC the termination of the agreement and renegotiating a new agreement pending final regulatory approvals. The project is still awaiting forestry approval to proceed to production. The Company believes this approval will be obtained in the first quarter of 2012.

The Company will arrange repayment of \$650,000 to CGGC while continuing negotiations with CGGC on a new agreement pending the receipt of forestry approval. The company has also entered discussions with another Chinese company who has approached the company to finance and develop this project.

The Company intends to complete either a renegotiated agreement with CGGC or a new agreement with another party by the end of the first quarter 2012.

Convertible Loans

Convertible loan holders and the Company have extended the agreement of the Loan until 30 June 2012, on the following terms:

- 1) Convertible at the lower of 5 cents per share; or a price equal to 80% of the five (5) day VWAP immediately prior to the Conversion Date
- 2) 10% interest rate (pa)
- 3) Repayment date on or before 30 June 2012

With respect to the Dempsey Nominees convertible note, agreement has been reached to repay the note in due course.

Noviando Copper/Gold Project

The Company continues to evaluate its resource portfolio. No further activity occurred during the quarter on this project and it is not anticipated to do anything further whilst the Company is focused on its coal acquisitions.

On 31 December 2011, 25,000,000 unlisted options expired.

About Victory West

Victory West Metals Ltd is a resource focused 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 resource projects in South East Asia. The Company is building a resource portfolio with its cornerstone project Malala Molybdenum Project in the Toli Toli Province in North Sulawesi.

The Company has announced the signing of a 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 the Penajam East coal project in East Kalimantan, Indonesia, with a pipeline of coal projects in East Kalimantan and initial offtake agreements. This agreement is subject to due diligence, completion of final legal agreements, shareholder approval and regulatory approvals if required.

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. Brett Gunter who is a member of The Australian Institute of Mining and Metallurgy (MAusIMM) 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. Gunter is a fulltime employee of GMT Indonesia and he consents to the result 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.

For further information on VWM, please visit www.victorywest.com.au