ANNUAL REPORT 2012

For Victory West Metals Limited And Controlled Entities

ABN 66 009 144 503

Contents

Page

Corporate Directory

VICTORY WEST METALS LIMITED
ABN 66 009 144 503
(Incorporated in Western Australia)

WEBSITE
www.victorywest.com.au

REGISTERED OFFICE
311 Hay Street
Subiaco
Western Australia 6008
Ph: +618 9381 5819

DIRECTORS & SECRETARY
Mr Steven Pynt – Chairman and Non-executive Director
Mr Michael Scivolo - Non-executive Director
Mr Wayne Knight - Non-executive Director
Mr Luke Martino – Company Secretary

AUDITORS
Grant Thornton Audit Pty Ltd
Level 1 10 Kings Park Road
West Perth
Western Australia 6005

SHARE REGISTRY
Computershare Investor Services Pty Ltd
Level 2, 45 St. George's Terrace
Perth WA 6000
Ph: 1300 557 010 (within Australia)
Ph: +61 8 9323 2033
www.computershare.com.au

STOCK EXCHANGE LISTING
ASX Limited
ASX Code – VWM

Letter to Shareholders

Dear Shareholders,

On behalf of the Board of Directors I present the 2012 annual report for Victory West Metals Limited.

Shareholders approved the acquisition of the South East Asia Energy Resources group (SEAE) at a shareholder meeting held on 25 September 2012. The Company will now proceed with completion of conditions precedent and settlement in due course. We welcome the South East Asia Energy Resources (Singapore) Group led by Mr. Gary Williams. The SEAE team will combine with the VWM management and consultant team going forward to build significant JORC certifiable resources and production. It is proposed that at the completion of the transaction Mr. Gary Williams will become the Chief Executive Officer of VWM and we look forward to this positive appointment and his team's contribution to the growth of the assets owned by VWM.

The prospective Malala Molybdenum project in Sulawesi, Indonesia continues to be maintained by the company working with consultants and the provincial Government on all Indonesian licences and approvals.

I would like to thank the Board, staff and consultants both in Australia and overseas, in particular Indonesia and the Province of Toli Toli for their contribution during the year and for their ongoing commitment.

I draw your attention to the Operational Report included herewith which discusses our project in detail and I also encourage you to regularly visit our website at www.victorywest.com.au for all of our ASX announcements, project updates and information.

We look forward to meeting our shareholders at the upcoming Annual General Meeting.

On behalf of the Board of Directors

Steven Pynt LLB MBA

Chairman

28 September 2012

Review of Operations

The Consolidated entity's activities are contained in releases to the ASX on a quarterly basis and can be obtained from our website www.victorywest.com.au

Acquisition of South East Asia Energy Resources

On the 22 August 2012, the company signed the Share Purchase Agreement to acquire 100% of South East Asia Energy Resources Pte Ltd (SEAE). This transaction involves:

- An interest in the Penajam East Coal Project in Penajam Regency of East Kalimantan, Indonesia
- A proven management team capable of identifying, assessing and operating world class projects
- SEAE and local parties support to develop major infrastructure and coal mines in South Sumatra
- Acquisition approved by shareholders on 25 September 2012

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 are in place for full payment of consideration. The Company and SEAE continue to evaluate all funding options in connection with the project.

Completion is conditional upon a successful capital raising of $3,000,000 and obtaining necessary business licenses, to be completed before 31 October 2012 or a later date agreed between parties.

Penajam East Project

The Penajam East coal project consists of two concessions located in the Penajam Regency of East Kalimantan, Indonesia. The project is within the Kutai Basin and includes a haul road and port facilities. The Penajam East project has been subject to previous mining and exploration which should advance the development process however, this information has not been obtained for review by SEAE.

Highlights of the Penajam East project include the following:

(a) Substantial concession areas of 185.13ha, with mining approval over the entire concession areas with granting of Production Operation IUP's.

(b) 5 mining pits already open with overburden removed, and available for recommissioning leading to reduced start-up costs and time.

(c) Coal outcrop/exposed coal only found in ex mining activities. Coal thickness ranges between 0.45m and 1.1m.

(d) Additional opportunities for further exploration.

(e) Both concessions share the same haul road and jetty infrastructure.

(f) Rights to use haul road and jetty/port services granted to PT1, or a party nominated by PT1;

(g) Short transportation with distance to the jetty only 8 – 10kms.

(h) Low progressive entry for entry in imminent mining concessions.

(i) Availability of third party coal in the immediate region identified for blending.

(j) Significant growth opportunities with minimal future investment.

(k) Future growth potential to take-over surrounding concessions.

Certified Sample Analysis (PT Geosciences Laboratory)	
	Range
Calorific Value (abd)	5,825 – 5,971 Kcal/kg
Calorific Value (gar)	5,535 - 5,755 Kcal/kg
Ash (adb)	1.8% - 4.5%
Total Sulphur (adb)	1.79% - 2.65%
Inherent Moisture (ar)	16% – 17%
Total Moisture (ar)	20% - 21.5%

Figure 1: Technical Analysis of Coal Samples undertake from 3 locations with previous pits

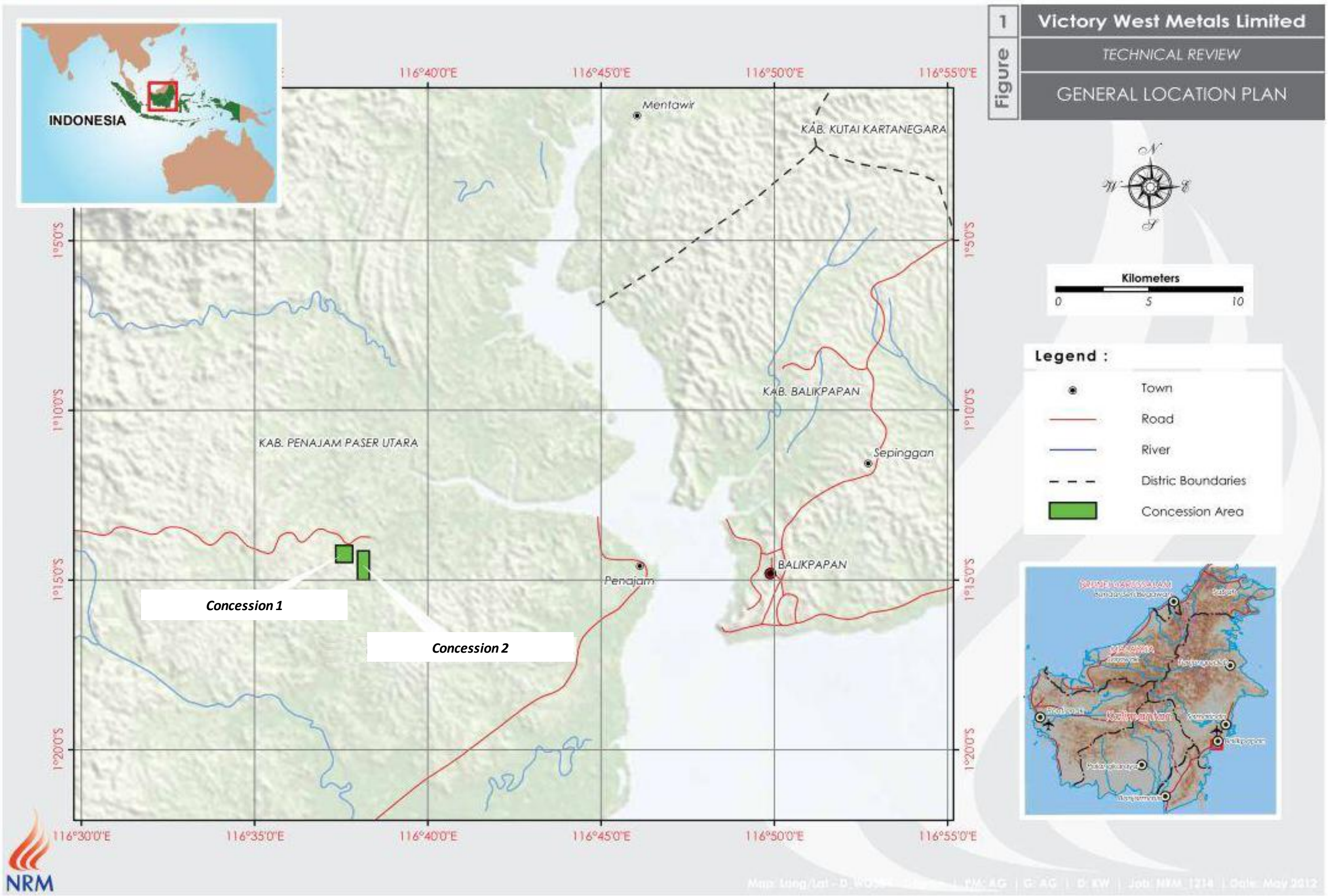

Figure 2: Location of Penajam East project, showing proximity to Balikpapan Coal Terminal

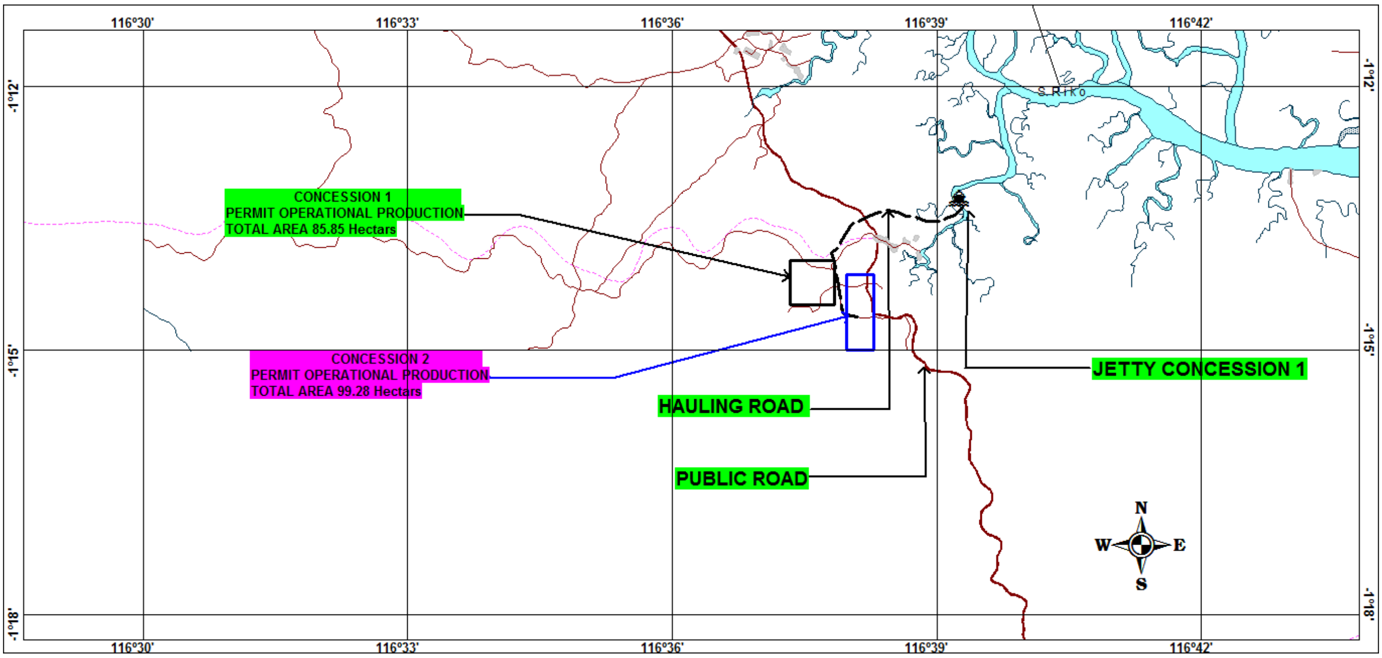

Figure 3: Location of Penajam East project, showing proximity to Jetty

The development/production strategy is to begin operations in concession 1 in the most recently mined open pit, where the coal seam is exposed. Coal produced from concession is expected to have medium to high sulphur. The Company proposes to blend this coal with appropriate medium grade, low sulphur coal to reduce the project's sulphur content to produce medium grade coal with less than >1% sulphur suitable for exporting.

Following initial production, stage 2 of production will involve further exploration of the concession, in particular concession 2. Further drilling and exploration will continue throughout both concessions to look for additional mining opportunities.

The concessions are currently owned by cooperatives of local landowners, who have entered into exclusive coal sales contracts with a local special purpose Indonesian PT company (**PT1**), with rights to reject coal of less than agreed specifications. Management Committees, consisting of representatives of SEAE, PT1 and the respective concession holders, will give directions to the concession holders with respect to exploration and mining of coal, including the party to be appointed to undertake mining activities.

PT1 has entered into an exclusive coal sales contract with SEAE for the sale of all coal from the concessions.

The haul road and jetty to service both concessions is owned by one of the concession holders. PT1 has rights to use the haul road and jetty services, or nominate a third party to use such services.

The Company has obtained the non-binding opportunity to supply Indonesian thermal coal off-take to Vietnam National Coal (VINACOMIN). The Company anticipates utilising the local work force for development work on the Penajam East Project in East Kalimantan, Indonesia.

Malala Molybdenum Project, Sulawesi, Indonesia

The Company has maintained the Malala Molybdenum Project and continued discussions with provincial Government and other officials concerning all licenses and administrative matters.

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 Mo[1]. 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.

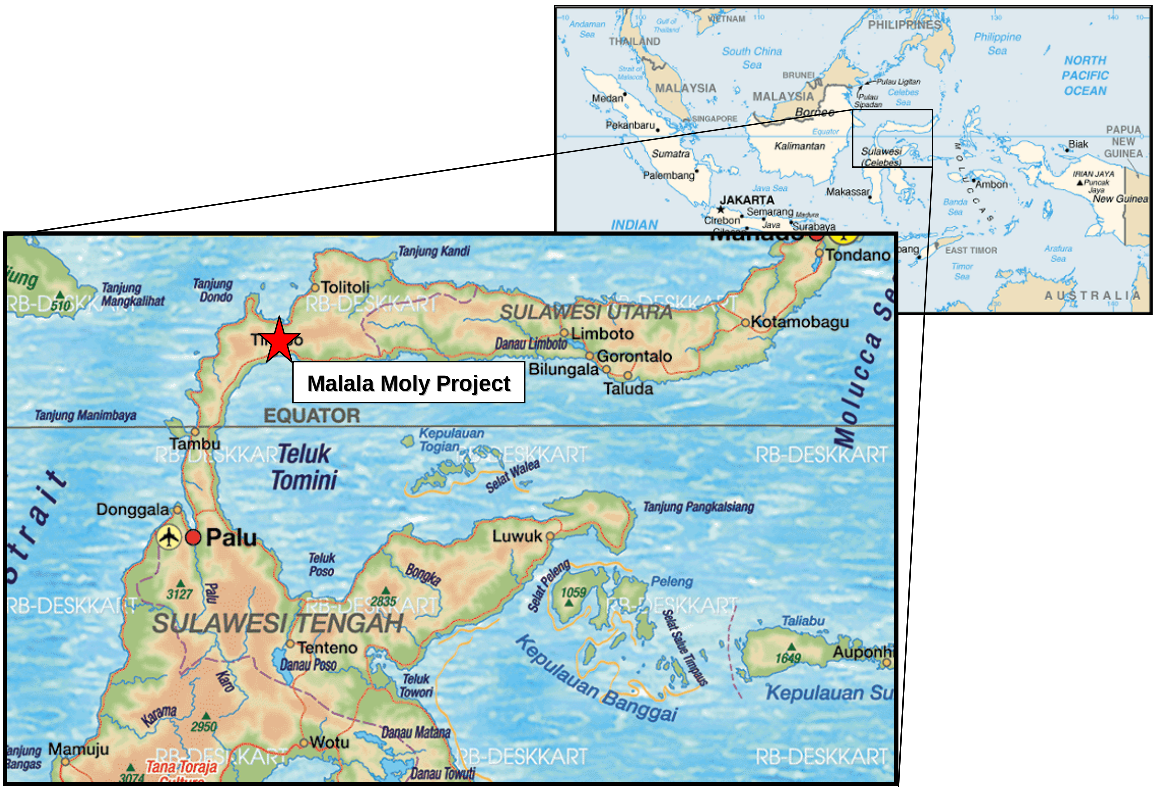

Figure 1 – Location of Malala Molybdenum Project in northern Sulawesi, Indonesia.

[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.*

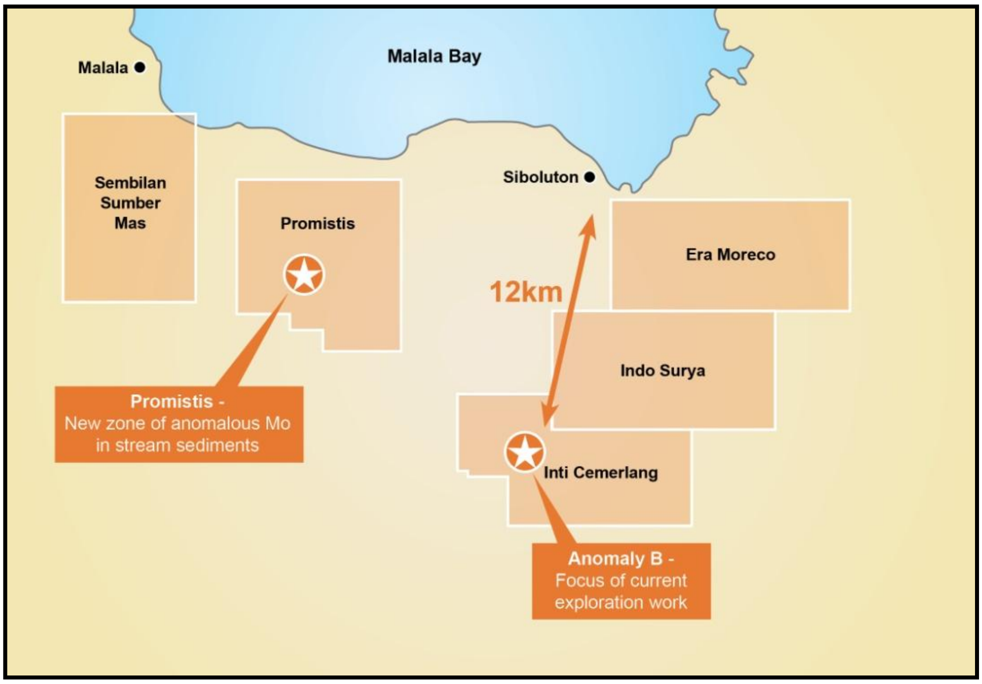

Figure 2 – Malala Molybdenum Project area

The Company previously entered into an agreement with China Guangshou 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 all approvals will be obtained and is working with the Indonesian parties in this regard.

The Company will arrange repayment of the outstanding amount 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 have 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 during 2013.

Convertible Loans

Convertible loan holders and the Company have extended the agreement of the Loan until 31 December 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 31 December 2012

Notes to the value of $25,000 were repaid during the period. In addition, notes to the value of $100,000 were converted to equity post 30 June 2012.

With respect to the Dempsey Resources convertible note, the Company and Dempsey Resources are in discussions regarding an extension to the notes or a modification to the terms of the notes.

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 presentation 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 Rio Tinto and Santos. Victory West Metals have undertaken exploration work including surface mapping, trenching and geochemical surveying (soil, rock and stream sediment geochemistry), geological logging and assaying of diamond drilling and geological modeling within the areas previously defined by Rio Tinto and Santos which is demonstrating results consistent with previous outcomes presented by Rio Tinto and Santos.

Competent Persons Statement

The data in this section of the report that relates the Malala Molybdenum project 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 inclusion in this section of this report of the Exploration Results and/or Mineral Resource and/or Reserve in the form and context in which they appear above.

The data in this section of the report that relates to the Penajam East project exploration results is based on information compiled, review and evaluated by Mr. William Park, BSc (Geology), BEcon, MAIG, who is a member of the Australian Institute of Geoscientists. Mr. Park is a full time employee of PT New Resource Mine (NRM), and has sufficient experience which is relevant to the style and type of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify him as a "Competent Person" as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Park consents to the inclusion in this section of this report of the matters based on his information in the form and content as they appear above.

No geological data has been obtained in respect to the Penajam East Project, and neither the Company nor NRM are able to estimate any potential mineralization of the concessions.

Corporate Governance Statement

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Victory West Metals Limited ("Victory West" or "the Company") support the Corporate Governance Principles and Recommendations ("Principles and Recommendations") as issued by the Australian Stock Exchange Corporate Governance Council (CGC).

The Board of directors of Victory West is responsible for the corporate governance of the entity and endorses the need for high standards of corporate governance. The Board guides and monitors the business and affairs of Victory West on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board has formalised its corporate governance framework which it considers suitable given the size, history and strategy of the Company. The Board will keep its corporate governance practices under review and will ensure that the necessary policies are adopted as required by the Company.

Commensurate with the spirit of the ASX Corporate Governance Recommendations, the Company has followed each ASX Corporate Governance Recommendation where the Board has considered it to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, the resources available and the activities of the Company. Corporate governance policies and practice of the Company are reflective of the Company's current position. As the Company's activities develop in size, nature and scope, the Board will reconsider and review the Company's corporate governance structures.

In accordance with ASX Listing Rule 4.10.3, Victory West is required to disclose the extent to which it has followed the Principles of Best Practice Recommendations during the financial year. Where, after due consideration, Victory West's corporate governance practices depart from a recommendation, this has been identified and an explanation for the departure has been given in compliance with the "if not, why not" regime.

Structure & Role of the Board

The Board operates pursuant to a formal Board charter, which sets out the functions and responsibilities of the Board and management of the Company.

The Board of the Company is responsible for:

(a) the overall operation and stewardship of the Company and its subsidiary;
(b) charting the direction, strategies and financial objectives for the Company; and
(c) monitoring the implementation of those policies, strategies and financial objectives,

and is committed to protecting and enhancing shareholder values and conducting the Company's business ethically and in accordance with the highest standards of corporate governance.

Each of the Directors, when representing the Company, must act in the best interest of the shareholders of the Company and in the best interests of the Company as a whole.

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the annual report, including their term of office, are detailed in the Directors' Report.

A Director is considered to be independent where they are a non-executive Director, are not a member of management and are free of any relationship that could, or could reasonably be perceived to, materially interfere with the independent exercise of their judgment. Directors are expected to bring independent views and judgement to the Board's deliberations. The Board Charter recommends that at least the majority of the Directors of Victory West will be non-executive (preferably independent) Directors and that the Chair will be a non-executive Director. The existence of the following relationships may affect independent status if the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with a substantial shareholder of Victory West;
- is employed, or has previously been employed in an executive capacity by the Company, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional adviser or a material consultant to the Company, or an employee materially associated with the services provided;
- is a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company other than as a Director.

In the context of Director independence, "materiality" is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements.

In accordance with the definition of independence above, and the materiality thresholds set, the Board reviewed the positions and associations of each of the 3 Directors in office at the date of this statement and considers that 3 of the Directors are independent as follows:

Name	Position
Steven Pynt	Non-Executive Chairman
Wayne Knight	Non-Executive Director
Michael Scivolo	Non Executive Director

The Board will assess the independence of new Directors upon appointment, and the independence of other Directors, as appropriate. To facilitate independent judgment in decision-making, each Director has the right to seek independent professional advice at the expense of the Company, subject to the prior approval from the Chairman, which may not be unreasonably withheld.

The term in office held by each Director in office at the date of this statement is set out in the Directors' Report.

Dealing in Securities Policy

The Board has an established Dealing in Securities Policy. The policy sets out the rules and regulations that apply to the Directors, Key Management Personnel, their associates and employees of the Company in regards to trading in the securities of the Company. The policy aims to develop a culture of awareness of individual responsibilities in regards to trading in the Company's securities and having regard to the insider trading provisions.

Code of Conduct

The Company has established a code of conduct. The Code of Conduct applies to all employees, directors and officers, each of whom must discharge their duties with honesty and integrity, in the best interests of the Company and having regard to the position and the organizations goals and objectives of the Company.

Shareholder Communication Policy

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. In particular, the Board believes that communicating with shareholders by electronic means, particularly through its website and ASX platform, is an efficient way of distributing information in a timely and convenient manner.

The Company's website includes a reports section containing copies of annual, half yearly and quarterly reports and reports from stockbroking firms, a news section, containing copies of ASX announcements made by the Company, and details of the Company's projects and activities including presentation material provided to investors or stockbroking analysts, briefing material from any Company site visits and the Company profile and contact details. Copies of the Company's Corporate Governance Policies are currently not available on the Company's website. The Company aims to have all its Corporate Governance Policies available on its website shortly.

Diversity

Whilst Victory West has not yet formally adopted a Diversity Policy, the Company recognises that a talented and diverse workforce is a key competitive advantage and that success is a reflection of the quality and skills of its people. Diversity assists the business in achieving its objectives and delivering for its stakeholders by enabling it to attract and retain the most qualified and experienced individuals to the workforce.

The Company's general policy when choosing employees is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background. The Company currently does not have any female board or senior executive members.

Risk Management Policy

The Company is focused on ensuring that there are adequate structures and procedures in place to identify, assess monitor and manage risk and is taking steps to address the practical implementation of risk management policies.

In accordance with the Company's Risk Management Policy, the Board oversees the establishment, implementation and regular review of the Company's risk management policies. To assist the Board to conduct the regular review, management and key executives are required to report to the Board on any material risks identified, how those risks are being managed, the implementation of any risk management or internal control system, and whether any breaches of the risk management policies have occurred during the preceding period.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

This recommendation is satisfied.

The Company's Board Charter together with updated financial statements will be given to any new Director, all of which will set out details in respect of:

- The Company's financial, strategic and operational position;
- Each Director's rights, duties and responsibilities;
- The role of the Board and Management.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

This recommendation is satisfied.

Given the size of the Company, there are no executives employed by the Company at this time. The performance target for each executive is aligned to the business targets of the Company in accordance with the position of the relevant executive.

The Board recognizes the importance of ensuring that the performance of the Board is reviewed regularly against appropriate measures. The Board has previously established an informal procedures for review of the Board and individual directors. A performance evaluation of the Board, individual directors, senior executives did not take place during the year.

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board. Upon management appointment, the responsibility for the operation and administration of the Company is delegated, by the Board, to the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the executive management team.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1: A majority of the board should be independent directors.

This recommendation is satisfied.

Recommendation 2.2: The chair should be an independent director.

This recommendation is satisfied.

Recommendation 2.3: The roles of chair and chief executive officer (CEO) should not be exercised by the same individual.

This recommendation is not applicable.

Recommendation 2.4: The board should establish a nomination committee.

This recommendation is not satisfied.

Given the size of the Company and its Board, the Directors consider that any efficiency achieved by the establishment of a nomination committee would be minimal, thereby not making establishment cost effective. For this reason the Board performs the role of the nomination committee.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

This recommendation is not satisfied.

The Directors of the Company otherwise consider that due to the size of the Company and its Board a formal review procedure is not appropriate at this point in time and has instead adopted a self-evaluation process to measure its own performance. A system to fairly review and actively encourage enhanced Board and management effectiveness is being considered.

The need for access to supporting equity and skills as required, and a flexible cost structure are greater imperatives for the Company as an exploration company, than the largely mutually exclusive concept of independence, which is much more relevant to larger corporations with substantial workforces.

However, as the Company moves to become a resources producer the concept of independence will become more relevant. Whilst the Company will progressively increase the independence of its Directors over time, compliance with the best practice in this area is not considered a current imperative, due to the additional direct cost of employing such Directors, the view that there would not be an increase in Board skills (only independence), and the risk that inefficiency will occur in the Board decision making process whilst the independent Directors become familiar with the Company's business.

All assessments as to whether a Director is independent are to be made by the Board.

The Chairman of the Board is responsible for the leadership of the Board, ensuring that Board activities are organised and efficiently conducted and for setting the agenda for Board meetings. Under the Company's constitution, the maximum term for a director before they must be re-elected by the members is three years.

The Board has not established separate committees for Audit and Risk Management, Remuneration and Nomination. The Company is not of a sufficient size, nor is the affairs of a complexity sufficient to warrant the existence of separate committees. All matters which could be delegated to such committees are dealt with by the full Board.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- **the practices necessary to maintain confidence in the company's integrity**
- **the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders**
- **the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.**

This recommendation is satisfied.

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

This recommendation is not satisfied.

Diversity includes, but is not limited to gender, age, ethnicity and cultural background. The Company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent.

However, given the size of the Company and its Board, the Company's Corporate Governance Plan does not include a policy specifically addressing diversity. The Board does not consider it necessary to have a diversity policy but will consider implementing one in the future.

Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

This recommendation is not satisfied.

Refer to recommendation 3.2.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the board.

This recommendation is not satisfied.

At present, given the size of the Company and its operations, it currently does not have any women in senior executive positions or on the board. The Company will continue to monitor this matter as the Company and its operations grow and expand.

Refer to recommendation 3.2.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1: The board should establish an audit committee.

This recommendation is not satisfied.

Given the size of the Company and its Board, it is not of a size to require an audit committee and the duties normally performed by an audit committee are undertaken by the Board as whole. The Company's Auditors attend the Annual general Meeting, at which time they are available to answer shareholder questions in relation to their audit.

Recommendation 4.2: The audit committee should be structured so that it:

- **consists only of non-executive directors**
- **consists of a majority of independent directors**
- **is chaired by an independent chair, who is not chair of the board**
- **has at least three members.**

This recommendation is not satisfied.

Refer to recommendation 4.1.

Recommendation 4.3: The audit committee should have a formal charter.

This recommendation is not satisfied.

Refer to recommendation 4.1.

The integrity of the Company's financial reporting is a critical aspect of Victory West's corporate governance and structures have been implemented during the reporting period to verify and safeguard the integrity of the Company's financial reporting.

It is the policy of the Board that the Company's financial statements be reviewed or Audited, at a minimum, each half year. The Company does not have a formalised audit committee; instead all Directors are responsible for the financial statements.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

This recommendation is satisfied.

The Company has a comprehensive disclosure policy to comply with the ASX Listing Rules regarding the public disclosure of material information. The aim of this policy is to ensure that the Company release price-sensitive information in a timely manner.

The Company will immediately notify the market by announcement to the ASX of any information concerning the business of the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Information about the Company is regarded as material if it would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to buy or sell the Company's securities.

Officers and employees are encouraged not to rely on their judgment and to consult the Chairman, Board and Company Secretary on whether particular information is considered to be material.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

This recommendation is satisfied.

The Board respects the rights of all shareholders and, to facilitate the effective exercise of those rights, the Company is committed to effective communication with shareholders. This occurs by electronic ASX releases to the market and via a subscription facility on the Company's website together with the postage of the Company's Notice of Shareholder Meetings.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

This recommendation is satisfied.

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

This recommendation is satisfied.

Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

This recommendation is satisfied.

In all its activities the Company will adopt a structured and consistent approach to risk management.

Risks will be assessed and managed through an overriding policy of identification, assessment, mitigation, monitoring and communication of risks associated with its activities. The overriding policy will be reviewed regularly against the changing activities of the Company.

The level of risk management will be consistent with the Company's overall business objectives and risk appetite and tolerance.

Risk management and control will be incorporated into property protection, health, safety and environmental audits using either self assessment or outside auditors as the Company deems appropriate.

The Board is responsible for the identification and management of business risks. The Board has obtained a written confirmation that the statement in relation to principle 4 above is founded on a sound system of risk management and internal compliance and control.

The Board has obtained a statement confirming that the systems are operating efficiently and effectively in all material respects.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1: The board should establish a remuneration committee.

This recommendation is not satisfied.

Given its size and stage in development, the Board has decided not to establish or to delegate specific authority to a remuneration committee. Responsibilities which would normally be delegated to such committees are performed by the Board as a whole. The remuneration report of the Victory West which includes all directors is included within the Directors' Report. All Directors are remunerated by way of fees and the granting of options. However they do not receive bonus payments or retirement benefits. Upon retirement, there is no contractual right to further benefits other than statutory superannuation.

The Board fulfils its responsibilities to shareholders which include:

- Ensuring that remuneration policies are appropriate;
- Determining the basis for any incentive schemes for the Company;
- Reviewing as required, the compensation arrangements for directors.

Recommendation 8.2: The remuneration committee should be structured so that it:

- **consists of a majority of independent directors**
- **is chaired by an independent chair**
- **has at least three members**

This recommendation is not satisfied.

Refer to recommendation 8.1.

Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

This recommendation is satisfied.

The Board, within the pre-approved shareholder limits, determines fees payable to individual non-executive directors.

The remuneration levels of Executive Director's are determined by the Chairman after taking into consideration those that apply to similar positions in comparable companies in Australia and Directors' possible participation in any equity based remuneration scheme. The Chairman uses industry-wide data gathered by independent remuneration experts annually as his point of reference.

Options or shares issued to Directors pursuant to any equity-based remuneration scheme require approval by shareholders prior to their issue.

The remuneration levels of senior executives and other employees are determined by the Board of Directors after taking into consideration those levels that apply to similar positions in comparable companies in Australia and employees' possible participation in any equity based remuneration scheme. If deemed necessary, the Directors will consult recruitment and remuneration experts and will, where such expenditure is not already in an approved Budget seek Board approval prior to finalising the appointment.

Options or shares issued to senior executives and other employees who are not Directors would be proposed by the Chairman and issued only after approval by the Board.

The policy will be implemented by reviewing, not less than annually, all aspects of the remuneration paid to all employees and executives to ensure that it motivates the pursuit of long-term success, a safe working environment and a culture consistent with the Company's Corporate Governance Policy and is clearly linked to individual and group performance.

Directors' Report

The Directors' present their report together with the financial report of Victory West Metals Limited and its controlled entities ("the Company" or "consolidated entity") for the year ended 30 June 2012 and the independent audit report thereon.

The Directors of the Company at any time during or since the end of financial year were:

Mr. Steven Pynt LLB MBA
Chairman and Non-Executive Director Appointed 2 February 1995

After completing his law degree in 1980, Mr. Pynt worked with a law firm for two and a half years before joining a major accounting firm where he worked as a tax consultant. Subsequently, he established his own legal firm that later merged with a medium size Perth firm. Mr. Pynt is the Managing Director of Muzz Buzz Franchising Pty Ltd.

Currently Mr. Pynt is a Non-executive Chairman of Richfield International Limited for the last 6.5 years, a Non-executive Director of Gondwana Resources Ltd since the year 2000 and Non-executive Director of Global Health Ltd (formerly Working Systems Solutions Ltd) since the year 2000 and Non-executive Chairman for the past 6 years. All of these companies are listed on the ASX.

Mr. Michael Scivolo
Non-Executive Director Appointed 5 February 2007

Mr. Scivolo completed a Bachelor of Commerce degree in 1971 and worked with various accounting firms as a tax consultant gaining CPA status in 1972. He became a partner in a medium size Perth practice in 1977 and has extensive experience in accounting and taxation work with corporate and non-corporate entities.

Mr. Scivolo is also a Director of Sabre Resources Ltd from 3 October 2006, Blaze International Limited from 21 October 2011, Prime Minerals Limited from 21 October 2011,Power Resources Limited from 21 October 2011 and Metals Australia Limited and Golden Deeps Limited from 23 July 2012.

Mr. Wayne Knight
Non-Executive Director Appointed 3 December 2007

Mr Knight has worked in the financial services industry since 1989 and has a Diploma in Financial Planning 1, 2, 3, 4. He is an Authorised Representative of Tandem Financial Advice Limited and offers services in the areas of personal superannuation planning, managed investments, risk management, rollover and redundancy planning, wealth creation and insurances. He has held no Directorships in other listed companies in the last four years.

COMPANY SECRETARY

Mr Luke Martino
Company secretary Appointed 30 November 2007

Mr Martino is a Fellow of the Institute of Chartered Accountants in Australia and a member of the Institute of Company Directors.

His area of expertise includes corporate finance and business growth consulting advice to the mining and resources sector and a wide range of other industries.

Mr Martino is also a Director of Indian Ocean Advisory Group, Indian Ocean Corporate Pty Ltd (an authorized representative of Indian Ocean Management Pty Ltd, AFSL 336409), Director of WestZone Enterprises Pty Ltd, Director of Pan Asia Corporation Ltd as well as Company Secretary of Blackgold International Holdings Ltd.

PRINCIPAL ACTIVITIES

Victory West Metals Limited is a diversified resource company seeking to create shareholder value by acquiring and operating highly valuable resource projects in Indonesia. The Company's current project is its rights to exploration and exploitation of the Malala Molybdenum deposit in Sulawesi, Indonesia. With the pending acquisition of South East Asia Energy Resources Pte Ltd (SEAE) the Company will also be a coal explorer with short term production opportunities with a senior management team experienced in coal exploration and mining in Indonesia. Please see the Review of Operations for further details of this project.

OPERATING RESULTS AND FINANCIAL REVIEW

The loss attributable to members of the parent entity after providing for income tax amounted to $10,472,456 (2011: $3,692,694).

REVIEW OF OPERATIONS

Please see "Review of Operations" section of this report.

FUTURE DEVELOPMENTS

The Company will continue to explore and evaluate its Malala Molybdenum project and commence exploration with the aim of becoming a coal producer in Indonesia following the completion of the acquisition of SEAE.

It is not possible to estimate the future results at this stage.

In addition the group will continue to assess and evaluate further resource opportunities.

DIVIDENDS

No dividends were paid or declared during the financial year ended 30 June 2012.

MATTERS SUBSEQUENT TO REPORTING DATE

- The Company varied the existing $755,000 convertible loan terms. The facility is on the same terms as previously announced to the ASX, except key variations are as follows:
    - The loans are now convertible at the lower of 5 cents per share; or a price equal to 80% of the five (5) day WVAP immediately prior to the Conversion Date.
    - Repayment date on or before 31 December 2012.

- On 17 July 2012, the Company issued 2,999,600 ordinary shares at a deemed issue price of $0.035 upon the conversion of $100,000 convertible loans plus interest.

- On 18 June 2012 the Company announced the proposed acquisition of South East Asia Energy Resources Pte Ltd (SEAE), a company with a management team experiences in coal exploration and mining in Indonesia, and which holds rights over the Penajam East Project. Full details of the terms of the SEAE Acquisition and SEAE's rights in the Penajam East Project are set out in the Notice of Meeting and Explanatory Statement dated 22 August 2012. Completion of the SEAE Acquisition is subject to the appropriate approvals and mining operation, production, sales and transportation licenses' being granted with respect to the Penajam East Project and the Company raising $3,000,000 before 31 October 2012 (or such other date as mutually agreed by the parties).

  On 25 September 2012, Shareholders approved the acquisition of SEAE together with approval for the issue of shares to raise up to a total of up to $3,000,000. Shareholders are being asked to consider a resolution to approve the issue of up to $6,000,000 in convertible notes on 4 October 2012. The

Company is yet to complete the proposed capital raising at the date of this report however, has engaged consultants to assist it with the capital raising and is in discussions with potential financiers.

Upon completion, the SEAE team will combine with the VWM management and consulting team to create an experienced and extensive team in Indonesia mining operations and engineering that will target significant JORC certifiable resources and production.

VWM will acquire all of the issued capital of SEAE in consideration for:

(a) issue to the Vendor (or its nominees) 110,000,000 Class B Performance Shares, which convert to Shares (on a 1 for 1 basis) upon the commercial shipment of 100,000 tonnes of coal from any of SEAE's current coal projects (Milestone 1) within 3 years from completion; and

(b) issue to the Vendor (or its nominees) 33,000,000 Options (30c exercise price, expiry date 3 years from issue) of which, one-third (1/3rd) will vest respectively upon the achievement of the following three milestones:

   i. the commercial shipment of 100,000 tonnes of coal from any of SEAE's current coal projects (**Milestone 1**).

   ii. SEAE having one or more projects with mines that collectively have:

   – total annualised production ≥ 1.2 Mt (satisfied by 2 consecutive months of production at an annualised rate of 100,000 tonnes per month); and

   – total aggregate JORC inferred resource ≥ 25 Mt (**Milestone 2**).

   iii. SEAE having one or more projects with mines that collectively have:

   – total annualised production ≥ 2.4 Mt (satisfied by 2 consecutive months of production at an annualised rate of 200,000 tonnes per month); and

   – total aggregate JORC inferred resource ≥ 50 Mt (**Milestone 3**).

(c) pay $750,000 to the Vendor (or its nominees) by no later than 12 months from completion;

Pursuant to the Share Purchase Agreement, VWM will issue the Vendor (or its nominees) the following Shares upon the satisfaction of the following milestones:

(a) 110 million Shares upon Milestone 2 being achieved within 3 years of completion; and
(b) 110 million Shares upon Milestone 3 being achieved within 3 years of completion.

Each of the above Share issues are subject to Shareholder approval to be sought at the time Milestones 2 and 3 are reached. In the event VWM's Shareholders do not approve an issue, VWM will issue the maximum number of Shares it can in accordance with the Listing Rules and pay the Vendor (and its nominees) the value of the Shares in cash equal to the difference between what VWM was obligated to issue and the number that it was able to issue.

DIRECTORS' INTERESTS

The relevant interest of each director in the shares, interests in registered schemes and rights or options over such instruments issued by the companies within the consolidated entity and other related bodies corporate, as notified by the directors to the Australian Stock Exchange in accordance with S205G (1) of the Corporations Act 2001, at the date of this report is as follows:

	2012		2011	
	Ordinary Shares	Number of Options over Ordinary Shares[1]	Ordinary Shares	Number of Options over Ordinary Shares
Mr. S Pynt	107,150	333,333	107,150	333,333
Mr. M Scivolo	-	333,333	-	333,333
Mr W Knight	225,000	333,334	175,000	333,334

[1] These options are convertible on the achievement of milestones. Refer to Note 22 (a) for further details

MEETINGS OF DIRECTORS

The number of directors' meetings and the number of meetings attended by each of the directors of the Company during the financial year are:

Director	Number of meetings eligible to attend	Number of meetings attended during the year
Mr. S Pynt	10	10
Mr. M Scivolo	10	9
Mr W Knight	10	10

In addition there were six (6) Circular Resolutions signed by the directors who were eligible to vote.

SHARE OPTIONS

At the date of this report, there were 2,000,000 unlisted performance options over the unissued ordinary shares of the Company. Refer to Note 22 (a) for further details.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

INDEMNIFICATION AND INSURANCE OF OFFICERS

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company (as named above), the company secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor. There have also been no legal proceedings during the year and no application for leave has been made in respect of the Company for proceedings on behalf of the Company.

REMUNERATION REPORT (AUDITED)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of the Company's directors and key management personnel for the financial year ended 30 June 2012. The key management personnel of the Company include the Directors and other officers of the Company. For the purposes of this report "key management personnel" are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company.

The Directors' fees are approved by the Board within the aggregate approved by the shareholders at a general meeting. The fee pool currently stands at $200,000 as approved at the Company's AGM in November 2000. The Company does not provide retirement benefits, however directors may salary sacrifice an element of their total remuneration to superannuation. In addition, the Board seeks shareholder approval for any options that may be issued to directors.

The amount of aggregate remuneration and the manner in which it is apportioned amongst directors is reviewed annually. Shareholder approval is sought where there is a proposed change in the total remuneration paid to non-executive directors. The Board considers the Company's particular circumstances as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Details of the remuneration of each Director and other Key Management Personnel are set out below.

	Short-term employment benefits	Post-employment benefits		Share-based		
2012	Cash salary & fees $	Superannuation benefits $	Other $	Options $	Total $	Value of options as % remuneration
Directors' Fees						
Steven Pynt (Chairman)	36,000	-	-	-	36,000	0%
Michael Scivolo	-	24,000	-	-	24,000	0%
Wayne Knight	-	24,000	20,000	-	44,000	0%
Company Secretary Fees						
Luke Martino	60,000[1]	-	-	-	60,000	0%
Total	**96,000**	**48,000**	**20,000**	**-**	**164,000**	

[1] These fees were paid to a related entity of Mr L Martino for Company Secretary services

Remuneration Report (Continued)

2011	Short-term employment benefits Cash salary & fees $	Post-employment benefits Superannuation benefits $	Share- based Options $	Total $	Value of options as % remuneration
Directors' Fees					
Steven Pynt (Chairman)	36,000	-	3,975	**39,975**	10%
Michael Scivolo	-	24,000	3,975	**27,975**	14%
Wayne Knight	-	24,000	3,975	**27,975**	14%
Company Secretary Fees					
Luke Martino	60,000[1]	-	53,925	**113,925**	47%
Chief Executive Officer					
Rob Hyndes	120,000	-	60,000	**180,000**	33%
Total	**216,000**	**48,000**	**125,850**	**389,850**	

[1] These fees were paid to a related entity of Mr L Martino for Company Secretary services

Relationship between the remuneration policy and company performance

The performance of the Company largely depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors (both executive and non-executive) and executives. The Board of the Company believes that in order to retain quality directors and executives, some incentive to maintain their future services, involvement, commitment and loyalty to the Company, is required on certain occasions over and above nominal Directors' and executive fees and salaries.

The Company did not pay any cash incentives or bonuses or share based incentives to its directors or senior management during the financial year ended 30 June 2012.

The table below sets out summary information about the Consolidated Entity's earnings and movements in shareholder wealth for the five years to 30 June 2012.

	30 Jun 08	30 Jun 09	30 Jun 10	30 Jun 11	30 Jun 12
Revenue	32,699	46,581	126,850	96,555	249,177
Net profit / (loss) before tax	(455,124)	(1,183,732)	(2,015,939)	(3,693,641)	(10,472,456)
Net profit / (loss) after tax	(455,124)	(1,183,732)	(2,015,939)	(3,693,641)	(10,472,456)
Share price at the start of the year (cents)	0.006	0.043	0.17	0.092	0.078
Share price at the end of the year (cents)	0.043	0.17	0.092	0.078	0.050
Dividends	-	-	-	-	-
Basic earnings per share	(0.02)	(0.02)	(2.18)	(2.60)	(6.20)
Diluted earnings per share	(0.01)	(0.02)	(2.18)	(2.60)	(6.20)

Please note that on 26 November 2008, shareholders resolved to consolidate the share capital of the Company on a 1 for 20 basis.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's operations are not regulated by any significant environmental regulation under the Law of the Commonwealth or of a State or Territory of Australia. However, the group's operations in Indonesia are subject to environmental regulations under Indonesian laws. The group has a policy of complying with its environmental performance obligations and at the date of this report, it is not aware of any breach of such regulations.

NON-AUDIT SERVICES

During the year, Grant Thornton Audit Pty Ltd, the Company's auditor, has not provided any non-audit services.

A copy of the lead auditors' independence declaration for the year ended 30 June 2012 has been received and can be found on page 27 of the Annual Report.

Grant Thornton Audit Pty Ltd continues in office in accordance with Section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of the Board of Directors.

Mr Steven Pynt

Director

28 September 2012

Grant Thornton Audit Pty Ltd
ABN 91 130 913 594
ACN 130 913 594

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration
To the Directors of Victory West Metals Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Victory West Metals Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert
Partner - Audit & Assurance

Perth, 28 September 2012

Grant Thornton Audit Pty Ltd
ABN 91 130 913 594
ACN 130 913 594

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report
To the Members of Victory West Metals Limited

Report on the financial report

We have audited the accompanying financial report of Victory West Metals Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Basis for disclaimer of Auditor's opinion
A limitation of scope of our work exists for the reasons described below:

Victory West Metals Limited has a controlling interest in a company incorporated and domiciled in Indonesia, PT Sulawesi Molybdenum Management (PTSMM). Audited financial statements of PTSMM for the year ended 30 June 2012 have not yet been prepared. Given that audited financial statements are not yet available and given it was not practicable for us to perform additional audit procedures to gain an appropriate level of assurance with respect to the financial affairs of this Indonesian subsidiary, we are unable to obtain all the information and explanations we require in order to form an opinion on the financial report of the Consolidated entity for the year ended 30 June 2012.

Disclaimer of auditor's opinion
In our opinion, because of the existence of the limitation on the scope of our work, as described in the preceding paragraph, and the effects of such adjustments, if any, as might have been determined to be necessary had the limitation not existed, we are unable to and do not express an opinion as to whether the financial report of Victory West Metals Limited is in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the Corporations Regulations 2001; and

c complying with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding continuation as a going concern

Without further qualification to the opinion expressed above, we draw attention to Note 1(r) in the financial report which indicates that the Company incurred a net loss from operations of $10,472,456 for the year ended 30 June 2012 and as at balance date, current liabilities exceeded current assets by $3,812,703. These conditions, along with other matters set forth in Note 1(r) indicate the existence of a material uncertainty which may cast significant doubt about the Consolidated entity's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in pages 24 to 25 of the directors' report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Victory West Metals Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J W Vibert
Partner - Audit & Assurance

Perth, 28 September 2012

Directors' Declaration

In accordance with a resolution of the directors of Victory West Metals Limited, I declare that:

1. In the opinion of the Directors:

   a. the financial statements and notes set out on pages 32 to 73 and the remuneration disclosures that are contained in pages 24 to 25 in the Remuneration Report contained in the Directors Report are in accordance with the Corporations Act 2001, including:

      i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and

      ii. complying with Accounting Standards and Corporation Regulations 2001; and

      iii. complying with International Financial Reporting Standards as disclosed in Note 1

   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

   c. the remuneration disclosures that are contained in pages 24 to 25 of the Remuneration Report in the Directors Report comply with Accounting Standard AASB 124 Related Party Disclosures

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial period ending 30 June 2012.

On behalf of the Board

Mr. Steven Pynt

Director

28 September 2012

Statement of Comprehensive Income – For the Year Ended 30 June 2012

	Note	Consolidated Entity	
		2012 $	2011 $
Revenue	4	249,177	96,555
Depreciation and amortisation expense		(6,033)	(4,945)
Project evaluation & exploration costs not capitalised		(495,406)	(776,802)
Listing fees		(49,587)	(124,454)
Personnel, suppliers and consulting expenses	5	(570,258)	(1,499,150)
Insurance		(14,476)	(17,463)
Legal fees		(37,921)	(100,778)
Professional services fees		(70,162)	(163,262)
Travel costs & accommodation		(92,771)	(311,160)
Finance costs	6	(501,877)	(287,897)
Net foreign exchange losses (unrealised)		(844)	(241,071)
Doubtful debts		-	(51,084)
Impairment of financial assets		(2,797)	(832)
Impairment of exploration and evaluation expenditure	14	(8,803,723)	-
Other expenses		(75,778)	(211,298)
Loss before income tax expense		(10,472,456)	(3,693,641)
Income tax expense	7	-	-
Loss for the year		(10,472,456)	(3,693,641)
Loss attributable to:			
Non controlling Interest		(180)	(947)
Members of the parent entity		(10,472,276)	(3,692,694)
		(10,472,456)	(3,693,641)
Other comprehensive income:			
Reversal of impairment loss previously recognised	23(c)	-	(8,492)
Exchange differences on translating controlled entities	23(b)	350,908	(1,439,432)
Total other comprehensive income for the year		350,908	(1,447,924)
Total Comprehensive Income for the year		(10,121,548)	(5,141,565)
Total Comprehensive loss attributable to:			
Non controlling Interest		(180)	(947)
Members of the parent entity		(10,121,368)	(5,140,618)
		(10,121,548)	(5,141,565)
Earnings per share for loss attributable to the ordinary equity holders of the Company:			
		Cents	Cents
Basic earnings per share (loss)	10	(6.20)	(2.60)
Diluted earnings per share (loss)	10	(6.20)	(2.60)

The accompanying notes form part of these financial statements.

Statement of Financial Position - As at 30 June 2012

	Note	Consolidated entity	
		2012 $	2011 $
Current Assets			
Cash & cash equivalents	11	481,060	2,026,863
Trade & other receivables	12	492,728	586,559
Prepayments		102,791	93,642
Total Current Assets		1,076,579	2,707,064
Non Current Assets			
Receivables	13	748,179	49,244
Property, plant & equipment	15	4,272	11,649
Exploration & evaluation expenditure	14	7,238,387	15,435,723
Other financial assets	16	5,595	8,392
Total Non Current Assets		7,996,433	15,505,008
Total Assets		9,073,012	18,212,072
Current Liabilities			
Trade & other payables	18	1,584,850	1,132,471
Short term provisions	19	-	13,337
Borrowings	20	2,769,018	2,580,000
Other current liabilities	21	535,414	492,029
Total Current Liabilities		4,889,282	4,217,837
Non -Current Liabilities			
Borrowings		-	-
Total non -current liabilities		-	-
Total Liabilities		4,889,282	4,217,837
Net Assets		4,183,730	13,994,235
Equity			
Issued capital	22	21,502,323	21,191,223
Reserves	23(a)(b)(c)(d)	(4,730,487)	82,586
Accumulated losses	24	(12,555,549)	(7,247,254)
Parent entity interest		4,216,287	14,026,555
Minority equity interest		(32,557)	(32,320)
Total Equity		4,183,730	13,994,235

The accompanying notes form part of these financial statements.

Statement of Changes in Equity - For the Year Ended 30 June 2012

CONSOLIDATED ENTITY	Note	Issued Capital $	Foreign Currency Translation $	Option Reserve $	Outside Equity Interest $	Acquisition Reserve $	Financial Assets Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2010		13,260,223	(315,813)	4,964,481	(31,487)	-	8,492	(3,554,560)	14,331,336
Loss attributable to members of parent entity	24	-	-	-	-	-	-	(3,692,694)	(3,692,694)
Other comprehensive losses		-	(1,439,432)	-	-	-	(8,492)	-	(1,447,924)
Sub-total		13,260,223	(1,755,245)	4,964,481	(31,487)	-	-	(7,247,254)	9,190,718
Options issued during the period		-	-	223,350	-	-	-	-	223,350
Acquisition of subsidiary minority interest		-	-	-	-	(3,350,000)	-	-	(3,350,000)
Contributions of equity, net of transaction costs		7,931,000	-	-	-	-	-	-	7,931,000
Recognition of outside equity interest		-	-	-	(833)	-	-	-	(833)
Balance at 30 June 2011		**21,191,223**	**(1,755,245)**	**5,187,831**	**(32,320)**	**(3,350,000)**	**-**	**(7,247,254)**	**13,994,235**
Balance at 1 July 2011		21,191,223	(1,755,245)	5,187,831	(32,320)	(3,350,000)	-	(7,247,254)	13,994,235
Loss attributable to members of parent entity	24	-	-	-	-	-	-	(10,472,276)	(10,472,276)
Other comprehensive gain		-	350,908	-	-	-	-	-	350,908
Sub-total		21,191,223	(1,404,337)	5,187,831	(32,320)	(3,350,000)	-	(17,719,530)	3,872,867
Options expired during the period		-	-	(5,163,981)	-	-	-	5,163,981	-
Contributions of equity, net of transaction costs		311,100	-	-	-	-	-	-	311,100
Recognition of outside equity interest		-	-	-	(237)	-	-	-	(237)
Balance at 30 June 2012		**21,502,323**	**(1,404,337)**	**23,850**	**(32,557)**	**(3,350,000)**	**-**	**(12,555,549)**	**4,183,730**

The accompanying notes form part of these financial statements

Statement of Cash Flows - For the Year Ended 30 June 2012

	Note	Consolidated entity	
		2012 $	2011 $
Cash Flows from Operating Activities			
Receipts from customers		65,000	52,167
Payments to suppliers and employees		(549,070)	(1,422,646)
Interest received		2,012	2,633
Payments of deposits		-	(57,478)
Other		26,306	-
Net cash (used in) operating activities	27	(455,752)	(1,425,324)
Cash Flows from Investing Activities			
Payments for exploration and evaluation		(437,727)	(1,824,084)
Purchase of property plant and equipment		-	(10,591)
Loans to shareholders		-	(1,491)
Loans from shareholders		-	51,549
Loans to other entities		(688,544)	(1,815,273)
Loans from other entities		114,017	-
Proceeds from repayment of loans made to other entities		50,000	1,916,195
Loans repaid to other entities		(150,975)	-
Other		-	(1,108)
Net cash (used in) investing activities		(1,113,229)	(1,684,803)
Cash Flows from Financing Activities			
Proceeds from issue of shares		-	3,750,000
Proceeds from borrowings		200,000	1,578,000
Interest paid		(53,217)	(250,495)
Repayment of borrowings		(125,000)	(100,000)
Share issue transaction costs		-	(192,000)
Net cash provided by financing activities		21,783	4,785,505
Net increase/(decrease) in cash and cash equivalents		(1,547,198)	1,675,378
Cash and cash equivalents at the beginning of the financial year		2,026,863	411,526
Effect of exchange rates on cash holdings in foreign currencies		1,395	(60,041)
Cash and cash equivalents at the end of the financial year	11	481,060	2,026,863

The accompanying notes form part of these financial statements.

Notes to and Forming Part of the Accounts

For the Year Ended 30 June 2012

1. Statement of Significant Accounting Policies

The financial report covers the consolidated entity of Victory West Metals Limited and controlled entities (the "Group"). Victory West Metals Limited is a listed public company, incorporated and domiciled in Australia. The financial report was authorised for issue by a resolution of the Board of Directors on 28 September 2012.

Basis of Preparation

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001.*

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

Indonesian Qualification

The Company has not been able to obtain an audited report for its Indonesian subsidiary at the date of this report. This has resulted in the auditors disclaiming their opinion on the consolidated group's financial statements for 30 June 2012. Although the audit of the Indonesian subsidiary has not been received, the Consolidated Financial Statements have been prepared based on management accounts for this company.

We note that it is the Company's policy to have its subsidiaries audited on a six monthly basis with the last audit being undertaken for the period ending 31 December 2011. The Company will endeavor to arrange for the 30 June 2012 audit to be completed with the utmost urgency.

Since 31 December 2011 to 30 June 2012, the Company has lent and additional US$103,460 to its Indonesian subsidiary.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Adoption of New Accounting Standards and Interpretations

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Gascoyne Resources Limited.

Adoption of AASBs and improvements to AASBs 2011 – AASB 1054 and AASB 2011-1

The AASB has issued AASB 1054 *Australian Additional Disclosures* and AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* and made several minor amendments to a number of AASBs. These standards eliminate a large portion of the differences between the Australian and New Zealand accounting standards and IFRS and retain only additional disclosures considered necessary. These changes also simplify some current disclosures for Australian entities and removes others.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

AASB 9 Financial Instruments (effective from 1 January 2015)

The AASB aims to replace AASB 139 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Company. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

Consolidation Standards

A package of consolidation standards encompassing AASB 10 Consolidated Financial Statements, AASB 11 Joint Venture Arrangements, AASB 12 Disclosure of Interests in Other Entities and consequential amendments to AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures, are effective for annual periods beginning or after 1 January 2013. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

AASB 13 Fair Value Measurement

AASB 13 is applicable for annual periods beginning on or after 1 January 2013. The standard clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. The Group's management have yet to assess the impact of these new standards.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 Amendments)

AASB 2011-4 makes amendments to AASB 124 Related Party Disclosures to achieve consistency with the international equivalent (which includes requirements to disclose aggregate (rather than individual) amounts of key management personnel compensation) and remove duplication with the Corporations Act 2011. The amendments are applicable for annual periods beginning on or after 1 July 2013. The Group's management have yet to assess the impact of these amendments.

a. Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of Victory West Metals Limited ("company" or "parent entity") as at 30 June 2012 and the results of all controlled entities for the year then ended. Victory West Metals Limited and its controlled entities together are referred to in this financial report as the "consolidated entity" or "group".

Subsidiaries are all those entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Company.

All inter-Company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

b. Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

c. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

d. Property, Plant & Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Plant & Equipment

The cost of fixed assets constructed within the consolidated entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future consolidated benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Office Furniture	6% - 40%
Office Equipment	12.5% - 40%

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

e. Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

f. Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit and loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised as profit or loss. Classification and Subsequent Measurement

i. <u>Financial assets at fair value through profit and loss</u>

Financial assets are classified at fair value through profit and loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in the statement of comprehensive income in the period in which they arise.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

vi. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

g. Impairment of Non-Financial Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h. Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

i. *the rights to tenure of the area of interest are current; and*

ii. *at least one of the following conditions is also met:*

   a. *the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or*

   b. *exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.*

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

During the year the Company impaired its exploration and evaluation assets by $8.8 million.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

i. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary consolidated environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;

Income and expenses are translated at average exchange rates for the period;

Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

j. Employee Entitlements

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

k. Cash

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of one month or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

l. Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

m. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are expensed in the period in which they are incurred.

n. Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

o. Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

p. Earnings Per Share

- Basic earnings per share: Basic earnings per share is determined by dividing the net loss attributable to equity holders of the Company, by the weighted average number of ordinary shares outstanding during the year.
- Diluted earnings per share: Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

q. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

r. Going Concern

The financial statements for the year have been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Whilst acknowledging the inherent uncertainties of progressing to productive mining operations, the Directors consider this to be appropriate.

During the year the consolidated entity incurred a loss after tax of $10,472,456, net cash outflows from operating activities were $455,752, total cash outflows during the period were $1,547,198 and at 30 June 2012 had a net current asset deficiency of $3,812,703. Included in this net current asset deficiency are the convertible loans and notes of $2.655 million. Subsequent to balance date, the lenders have agreed to extend the convertible loans to 31 December 2012 (refer note 28). The Company is in negotiations with the note holders and is confident that the amounts will be repaid subject to successful capital management initiatives or via the conversion to equity. The Company and Dempsey Resources are in discussions regarding an extension to the note or a modification to the terms of the note.

The company has engaged consultants to assist it with these capital raising initiatives and is in discussions with potential financiers. The capital raising initiatives may include offtake financing, additional capital raisings in future periods or debt funding.

The Directors are developing a capital management program that will provide funding to maximize the potential of its current asset portfolio and the newly announced coal portfolio (subject to completion) and provide a strong base for increasing shareholder value. Whilst continued growth is dependent on the Company successfully obtaining new funding and refinancing of existing facilities in what are challenging capital markets the Directors are confident that the consolidated entity will be able to continue its operations into the foreseeable future.

Based on the forecasts and achieving the future financing, the directors consider the basis of going concern to be appropriate. In particular, given the Company's history of successful raising of capital to date, the Directors are confident of the Company's ability to raise additional funds as and when they are required. In addition, subject to completion, the potential short term development opportunities of the Penajam East Coal interest (part of the SEAE acquisition) to generate cash inflows, with intention to secure off-take agreements, in the later part of the coming financial year should help to strengthen the groups capital management program. The acquisition of SEAE (Penajam East project) is subject to completion of a $3,000,000 capital raising and the granting of the necessary mining operation, production, sales and transportation licences.

On 25 September 2012, Shareholders approved the acquisition of SEAE together with approval for the issue of shares to raise up to a total of $3,000,000. Shareholders are being asked to consider a resolution to approve the issue of up to $6,000,000 in convertible notes on 4 October 2012. The Company is yet to complete the proposed capital raising at the date of this report.

The ability of the consolidated entity to continue as a going concern is also dependent upon the successful exploitation of its mineral tenements and progression of its exploration activities into a successful production stage.

Should the Company be unable to raise the funding referred to above, there is a material uncertainty whether the Company will be able to continue as a going concern, and therefore, whether it will be required to realize its assets and extinguish its liabilities other than in the normal course of business and at amounts different from these stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

s. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

t. Critical Accounting Estimates and Judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical knowledge and experience, best available information and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Exploration and Evaluation Expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recovered or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at reporting date at $7.2m.

Share-based payment transactions:

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black and Scholes model.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black and Scholes formula taking into account the terms and conditions upon which the instruments were granted.

u. Equity-settled compensation

Share-based payments to employees are measured at the fair value of the instruments issued. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

2. Financial Risk Management Policies

The group’s principal financial instruments comprise mainly of deposits with banks, receivables, payables and available for sale investments.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below.

a. Treasury Risk Management

Due to the size of the group, responsibility for identification and control of financial risks rests with the Board of Directors. This includes the use of hedging derivative instruments, credit risk policies and future cash flow requirements. The level of activity during the financial year did not warrant using derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

b. Financial Risk Exposures and Management

The group's activities expose it to financial risks, market risk (including currency risk, fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The level of activity during the financial year did not warrant using derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Where relevant and appropriate, the Company will avail itself of appropriate hedging instruments in future financial years.

c. Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

As a result of significant operations in Indonesia a large purchase of services in United States Dollars (a number of Indonesian contractors use United States Dollars), the Group's balance sheet can be affected significantly by movements in the US$/A$ exchange rates. The Group also has transaction currency exposure. Such exposure arises from purchases by an operating entity in currencies other than the functional currency.

At 30 June 2012, the Group had the following exposure to US$ foreign currency:

	Consolidated entity	
	2012	**2011**
	$	**$**
Financial Assets		
Cash and cash equivalents	20,083	48,649
Loans and receivables	-	49,924
	20,083	98,573
Financial Liabilities		
Trade and other payables	(85,773)	(51,454)
Net exposure	(65,690)	47,119

The Parent has a loan with a controlled entity denominated in US currency. This loan is not expected to be repaid in the foreseeable future and as such effectively forms part of the parent entity investment in that controlled entity.

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date:

At 30 June 2012, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	**Post Tax Profit Higher/(Lower)**		**Equity Higher/(Lower)**	
Consolidated	**2012 $**	**2011 $**	**2012 $**	**2011 $**
AUD/USD +10%	(6,569)	4,865	-	4,992
AUD/USD - 5%	(3,284)	(2,432)	-	(2,496)

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments. The movements are reasonable with reference to the historical exchange rate fluctuations.

d. Fair Value Interest Rate Risk

Refer to (d) below.

e. Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The group did not have any material credit risk exposure to any single debtor or group of debtors at balance date.

f. Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash to fund the group's activities. The directors regularly monitor the Company's cash position and on an on-going basis consider a number of strategic initiatives to ensure that adequate funding continues to be available.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. The undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2012.

Maturity analysis of financial assets and liability based on management's expectation.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of the day to day operations of the group. These assets are considered in the group's overall liquidity risk.

Year ended 30 June 2012	≤ 6 months $	6-12 months $	1-5 years $	> 5 years $	Total $
Consolidated financial assets					
Cash and cash equivalents	481,060	-	-	-	481,060
Loans and receivables	492,728	-	748,179	-	1,240,907
Available for sale financial assets	-	5,595	-	-	5,595
	973,788	5,595	748,179	-	1,727,562
Consolidated financial liabilities					
Trade and other payables	1,399,546	535,414	185,304	-	2,120,264
Borrowings	2,014,018	755,000	-	-	2,769,018
	3,413,564	1,290,414	185,304	-	4,889,282

Liquidity Risk (continued)

Year ended 30 June 2011	≤ 6 months $	6-12 months $	1-5 years $	> 5 years $	Total $
Consolidated financial assets					
Cash and cash equivalents	2,026,863	-	-	-	2,026,863
Trade and other receivables	96,316	490,244	49,244	-	635,804
Available for sale financial assets	-	8,392	-	-	8,392
	2,123,179	498,636	49,244	-	2,671,059
Consolidated financial liabilities					
Trade and other payables	936,129	515,168	173,203	-	1,624,500
Borrowings	2,580,000	-	-	-	2,580,000
	3,516,129	515,168	173,203	-	4,204,500

g. Cash Flow and Fair Value Interest Rate Risk

Due to the Company's significant holding of cash and cash equivalents, the group's income and operating cash flows are materially exposed to changes in market interest rates.

At balance date, the group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	Consolidated entity	
	2012 $	2011 $
Financial Assets		
Cash and cash equivalents	481,060	2,026,863
Net exposure	481,060	2,026,863

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date

At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2012 $	2011 $	2012 $	2011 $
Consolidated				
AUD/USD + 1% (100 basis points)	4,811	20,269	-	-
AUD/USD - .5% (50 basis points)	(2,405)	(10,134)	-	-

The movements in profit are due to higher/lower interest costs from variable rate cash balances. The movements are reasonable with reference to the historical interest rate fluctuations.

h. Price Risk

The Group's exposure to commodity and equity securities price risk is minimal at present.

Equity securities price risk arises from investments in equity securities. The Company has one investment in a listed equity which is publicly traded.

The price risk for both listed and unlisted securities is immaterial in terms of a possible impact on profit and loss or total equity and as such a sensitivity analysis has not been completed.

i. Net Fair Values

The net fair values of:

- Term receivables, government and fixed interest securities and bonds are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value
- Listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment
- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value
- Other assets and other liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

Financial assets where the carrying amount exceeds net fair values have not been written down as the consolidated group intends to hold these assets to maturity.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date.

Assets and liabilities where the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables and payables, have not been adjusted to fair value.

	2012		2011	
	Carrying amount $	Net fair value $	Carrying amount $	Net fair value $
Financial Assets				
Cash and cash equivalents	481,060	481,060	2,026,863	2,026,863
Trade and other receivables	1,233,180	1,233,180	586,559	586,559
Available-for-sale financial assets – listed investments	5,595	5,595	8,392	8,392
	1,719,835	1,719,835	2,621,814	2,621,814
Financial Liabilities at Amortised Cost				
Other payables and amounts due	2,120,264	2,120,264	1,624,500	1,624,500
Borrowings	2,769,018	2,769,018	2,580,000	2,580,000
	4,889,282	4,889,282	4,204,500	4,204,500

Net Fair Values (continued)

2012	Level 1 $	Level 2 $	Level 3 $	Total $
Financial Assets				
Available-for-sale financial assets	5,595	-	-	5,595
	5,595	-	-	5,595

2011	Level 1 $	Level 2 $	Level 3 $	Total $
Available-for-sale financial assets	8,392	-	-	8,392
	8,392	-	-	8,392

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets have been based on the closing quoted bid prices at reporting date, excluding transaction costs.

In valuing unlisted investments, included in Level 2 of the hierarchy, valuation techniques such as those using comparisons to similar investments for which market observable prices are available have been adopted to determine the fair values of these investments.

Derivative instruments are included in Level 2 of the hierarchy with the fair values being determined using valuation techniques incorporating observable market data relevant to the hedged position.

3. Segment Information

Description of segments

The following table presents revenue and profit information and certain asset and liability information regarding the relevant segments for the year ended 30 June 2012 for the group.

The chief operating decision-maker has been identified as the Board of Victory West Metals Limited.

The reportable segments have been identified around geographical areas and regulatory environments. Operating segments have been aggregated where segments are considered to have similar economic characteristics. Specifically PT Sulawesi Molybdenum Management is the Indonesian reporting segment.

The Australian reporting segment derives its revenues from its investments in the entities making up the Indonesian reporting segment and from interest on its cash deposit. It is intended that the Indonesian reporting segment will derive revenue from the commercial exploitation of the exploration assets it currently holds.

Transactions between reportable segments are accounted for in the same manner as transactions with external parties.

Segment performance

Year ended 30 June 2012	Australia	Indonesia	Total
Segment result	**$**	**$**	**$**
Interest revenue	79,496	-	79,496
Other revenue	146,859	-	146,859
Unallocated revenue	-	-	22,822
Total Segment Revenue	226,355	-	249,177
Reconciliation of segment revenue to group revenue			-
Inter-segment elimination	-	-	-
Total group revenue	226,355	-	249,177
Segment net (loss)/ gain before tax	(1,687,967)	(8,784,489)	(10,472,456)
Reconciliation of segment result to group net loss before tax			
Unallocated items			-
Net loss before tax from continuing operations			(10,472,456)

Year Ended 30 June 2012	Australia	Indonesia	Total
Segment assets and liabilities	**$**	**$**	**$**
Segment assets	1,726,273	7,337,239	9,063,512
Unallocated Assets			9,500
Total assets			9,073,012
Segment liabilities	(4,803,509)	(85,773)	(4,889,282)
Unallocated Liabilities			-
Total Liabilities			(4,889,282)

	Australia	Indonesia	Total
Other segment information	**$**	**$**	**$**
Depreciation and amortisation expense	(6,033)	-	(6,033)
Impairment of exploration and evaluation expenditure	-	(8,803,723)	(8,803,723)
Impairment of financial assets	(2,797)	-	(2,797)
	(8,830)	(8,803,723)	(8,812,553)

Segment Performance (continued)

Year ended 30 June 2011	Australia	Indonesia	Total
Segment result	$	$	$
Interest revenue – other persons	44,388	-	44,388
Other revenue	52,167	-	52,167
Total Segment Revenue	96,555	-	96,555
Reconciliation of segment revenue to group revenue			-
Inter-segment elimination	-	-	-
Total group revenue	96,555	-	96,555
Segment net loss before tax	(3,674,704)	(18,937)	(3,693,641)
Reconciliation of segment result to group net loss before tax			
Unallocated items			-
Net loss before tax from continuing operations			(3,693,641)

Year Ended 30 June 2011	Australia	Indonesia	Total
Segment assets and liabilities	$	$	$
Segment assets	2,593,723	15,610,402	18,204,125
Unallocated Assets			7,947
Total assets			18,212,072
Segment liabilities	(4,166,383)	(51,454)	(4,217,837)
Unallocated Liabilities			-
Total Liabilities			(4,217,837)

	Australia	Indonesia	Total
Other segment information	$	$	$
Depreciation and amortisation expense	(4,945)	-	(4,945)
Doubtful debts	(51,084)	-	(51,084)
Impairment of financial assets	(9,324)	-	(9,324)
Share-based payments	(223,350)	-	(223,350)
	(288,703)	-	(288,703)

4. Revenue

	Consolidated entity	
	2012 $	2011 $
Interest received	79,496	44,388
Sundry Income	169,681	52,167
Total revenue	249,177	96,555

Sundry income relates to debts forgiven during the year.

5. Personnel, Suppliers and Consulting Expenses

	Consolidated entity	
	2012 $	2011 $
Salary and wages	94,231	443,432
Employee share/ options performance	-	223,350
Consultancy fees	405,364	735,031
Directors' fees	84,000	84,000
Increase in annual leave provision	(13,337)	13,337
Total personnel, suppliers and consulting expenses	570,258	1,499,150

6. Finance Costs

	Consolidated entity	
	2012 $	2011 $
Interest expense	305,609	287,897
Finance fee	196,268	-
Total finance costs	501,877	287,897

Interest expense includes interest payable on convertible notes.

Finance fee relates to China Guangshou Group Corp (CGGC) commitment fee and interest charge of 10% (see note 21).

7. Income Tax Expense

Reconciliation of income tax expense to prima facie tax payable

	Consolidated entity	
	2012 $	2011 $
Loss from ordinary activities before income tax expense	(10,472,456)	(3,693,641)
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2012: 30%)	(3,141,737)	(1,108,092)
Tax effect of amounts which are taxable (deductible) in calculating taxable income:		
- accrued interest receivable	(23,236)	133
- impairment expenses	839	2,797
- transaction costs on equity issue	(31,164)	(32,901)
- capitalised legal fees	11,377	30,233
- capitalised consulting fees	-	-
- Movement in accruals	31,999	(48,907)
	(3,151,922)	(1,156,737)
Deferred tax assets not recognised	3,151,922	1,156,737
Income tax expense	-	-
Unused tax losses for which no deferred tax asset has been recognised	9,962,505	8,514,096
Potential Tax Benefit at 30%	2,998,752	2,554,229

Income tax benefit due to timing differences not brought to account. Deferred tax liability is reduced to nil by benefits attributable to tax losses not brought to account.

The potential tax benefit will only be obtained if:

i. *The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;*

ii. *The consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and*

iii. *No changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.*

8. Key Management Personnel Disclosures

Names and positions of consolidated and parent entity key management personnel in office at any time during the financial year are:

Key Management Person

Mr Steven Pynt	Chairman, Non-executive Director
Mr Michael Scivolo	Non-executive Director
Mr Wayne Knight	Non-executive Director
Mr Luke Martino	Company Secretary

	Consolidated entity	
a) Aggregate Compensation	**2012 $**	**2011 $**
Short term employee benefits	96,000	216,000
Post Employment Benefits*	68,000	48,000
Share based payments – options	-	125,850
	164,000	**389,850**

**The directors have elected to salary sacrifice their fees to superannuation*

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' Report.
Company Secretarial fees are paid to a related party of Mr Luke Martino.

b) Option holdings

Number of options held by Key Management Personnel

	Balance 1 Jul 11	Received as Compensation	Net Change Other	Lapsed during the year	Balance 30 Jun 12	Vested and Exercisable	Vested During the Year
Mr S Pynt	333,333	-	-	-	333,333	-	-
Mr M Scivolo	333,333	-	-	-	333,333	-	-
Mr W Knight	333,334	-	-	-	333,334	-	-
Mr L Martino	3,216,667	-	-	(2,216,667)	1,000,000	-	-
Total	4,216,667	-	-	(2,216,667)	2,000,000	-	-

	Balance 1 Jul 10	Received as Compensatio n	Net Change Other	Lapsed during the year	Balance 30 Jun 11	Vested and Exercisable	Vested During the Year
Mr S Pynt	-	333,333	-	-	333,333	-	-
Mr M Scivolo	-	333,333	-	-	333,333	-	-
Mr W Knight	-	333,334	-	-	333,334	-	-
Mr L Martino	400,000	2,400,000	416,667[1]	-	3,216,667	2,216,667	1,816,667
Mr R Hyndes	200,000	6,000,000	-	(4,000,000)	2,200,000	2,200,000	2,000,000
Total	600,000	9,400,000	416,667	(4,000,000)	6,416,667	4,416,667	3,816,667

1. These options are presently held via LJM Capital Corporation Pty Ltd and whilst these are held directly by a related entity of Mr Luke Martino, he has no beneficial interest in the same.

c) Shareholdings

Number of Shares held by Key Management Personnel

	Balance 1 Jul 11	Received as Compensation	Net Change Other	Balance 30 Jun 12
Mr S Pynt	107,150	-	-	107,150
Mr M Scivolo	-	-	-	-
Mr W Knight	175,000	-	50,000	225,000
Mr L Martino	1,234,276	-	50,000	1,284,276
Total	1,516,426	-	100,000	1,616,426

	Balance 1 Jul 10	Received as Compensation	Net Change Other	Balance 30 Jun 11
Mr S Pynt	107,150	-	-	107,150
Mr M Scivolo	-	-	-	-
Mr W Knight	175,000	-	-	175,000
Mr L Martino	632,609	-	601,667[1]	1,234,276
Mr R Hyndes	170,000	-	-	170,000
Total	1,084,759	-	601,667	1,686,426

1. Of these shares, 416,667 are presently held via LJM Capital Corporation Pty Ltd and whilst these are held directly by a related entity of Mr Luke Martino, he has no beneficial interest in the same.

9. Auditors' Remuneration

	Consolidated entity	
Remuneration of Grant Thornton Audit Pty Ltd of the parent entity for:	2012 $	2011 $
- Auditing or reviewing of financial reports	42,350	36,259
Remuneration of other auditors of subsidiaries for:		
Remuneration of the auditor of the subsidiary entity for:		
- Auditing or reviewing of financial reports	-	4,040

10. Earnings per share

	Consolidated entity	
	2012 $	2011 $
Loss attributable to ordinary equity holders	(10,472,276)	(3,692,694)
Earnings used to calculate basic and diluted EPS	(10,472,276)	(3,692,694)
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	168,985,348	142,206,859
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	168,985,348	142,206,859

Anti-dilutive options and performance shares have not been used in the EPS calculation. As at 30 June 2012 there were 2.000,000 options outstanding and 10,000,000 performance shares.

11. Cash and Cash Equivalents

	Consolidated entity	
	2012 $	2011 $
Cash at bank and in hand	481,060	2,026,863

Cash at bank is comprised of “at-call” funds attracting a floating rate of interest of between 0.01% and 5.1%.

Reconciliation of Cash

Cash at the end of the financial year as per statements of cash flows is reconciled to items in the balance sheet as follows:

Cash and at bank and in hand	481,060	2,026,863

12. Current Trade and other Receivables

	Consolidated entity	
	2012 $	2011 $
Trade receivables	-	73,670
Other receivables	16,484	22,645
Loan to XS Platinum Ltd	476,244	490,244
Total	492,728	586,559

The loan to XS Platinum Ltd was made on 24th of July 2009 as part of an agreement to merge operations. The agreement was subsequently terminated and repayment of the loan is now due. The Directors are confident that the amount will be recovered in full within the next twelve months.

There are no balances within trade and other receivables that are impaired and are past due. It is expected these balances will be received when due.

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter party. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has significant credit risk exposures in Australia, Singapore and Indonesia given the substantial operations in those regions. The Group's exposure to credit risk for receivables at reporting date in those regions is as follows:

	Consolidated entity	
	2012 $	2011 $
Australia	492,728	554,079
Indonesia	-	8,253
Singapore	-	24,227
	492,728	586,559

13. Non Current Trade and Other Receivables

	Consolidated entity	
	2012 $	2011 $
Other receivables	7,728	49,244
Loan to South East Asia Resources Pte Ltd	740,451	-
	748,179	49,244

The South East Asia Energy Resources Pte Ltd (SEAE) loan is personally guaranteed by one of its directors and the company has the ability to register a fixed and floating charge over the assets of SEAE in Singapore.

Other receivables include a security deposit for Victory West Metals (Singapore) Pte Ltd.

14. Deferred Exploration And Evaluation Expenditure

	Consolidated entity	
	2012 $	2011 $
Opening balance	15,435,723	15,692,457
Increase for expenditure incurred	280,946	1,125,837
Impairment of exploration and evaluation expenditure	(8,803,723)	-
Adjustment for foreign exchange differences on expenditure	325,441	(1,382,571)
Balance at end of the year	7,238,387	15,435,723

The Directors' assessment of the carrying amount for the Group's exploration and development expenditure was after consideration of prevailing market conditions; previous expenditure for exploration work carried out on the tenements; and the potential for mineralisation based on the Group's independent geological reports. The recoverability of the carrying amount of the deferred exploration and evaluation expenditure is dependent on successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.

During the period, the Directors' made an assessment of the carrying value of the exploration and evaluation expenditure and in light of the current commodity market and molybdenum prices and as a matter of prudence, has decided to impair this asset with regards to the expenditure incurred upon acquisition. Following this exercise, an amount of $8.8 million was recognised as an impairment expense in the statement of comprehensive income in the current period.

15. Property Plant & Equipment

	Consolidated entity	
	2012 $	2011 $
Office Equipment at cost	14,505	14,323
Less accumulated depreciation	(12,142)	(8,098)
	2,363	6,225
Computing equipment and software	7,971	7,862
Less accumulated depreciation	(6,062)	(2,438)
	1,909	5,424
	4,272	11,649

	Office Equipment	Computing Equipment and Software	Total
	$	$	$
Balance at 1 July 2010	6,734	1,397	8,131
Additions	4,778	5,813	10,591
Allocation to exploration & evaluation expenditure	-	-	-
Depreciation expense	(3,959)	(986)	(4,945)
Adjustment for foreign exchange movements	(1,328)	(800)	(2,128)
Balance at 30 June 2011	6,225	5,424	11,649
Additions	-	-	-
Allocation to exploration & evaluation expenditure	-	-	-
Disposals	-	-	-
Depreciation expense	(3,026)	(3,007)	(6,033)
Adjustment for foreign exchange movements	(836)	(508)	(1,344)
Balance at 30 June 2012	2,363	1,909	4,272

16. Other Financial Assets

(a) Available-for-sale financial assets comprise

	Consolidated entity	
	2012 $	2011 $
(i) Listed Investments, at fair value		
- Shares in Australian listed corporations	5,595	8,392
Total available-for-sale financial assets	5,595	8,392

The fair value of listed investments are determined in whole by reference to the quoted market bid price at balance date.

17. Controlled Entities

The Consolidated Entity incorporates the assets, liabilities and results of the following companies:

	Country of Incorporation	Class of Shares	Percentage Interest	
			2012 %	2011 %
Victory West Metals Limited (Parent Entity)	Australia	Ordinary		
Advanz International Pte Ltd	Singapore	Ordinary	-	100
Victory West Moly (Singapore) Pte Ltd	Singapore	Ordinary	100	100
Victory West Pty Ltd	Australia	Ordinary	100	100
PT Sulawesi Molybdenum Management#	Indonesian	Ordinary	95	95
PT Inti Cemerlang [1#]	Indonesian	N/A [1]	95	95
PT Era Moreco [1#]	Indonesian	N/A [1]	95	95
PT Indo Surya Moreco [1#]	Indonesian	N/A [1]	95	95
PT Sembilan Sumber Mas [1#]	Indonesian	N/A [1]	95	95
PT Satria Mas [1*]	Indonesian	N/A [1]	95	95
PT Promistis [1#]	Indonesian	N/A [1]	95	95

[1]. Through the process of PMA conversions, Victory West Pty Ltd has a 95% interest in the operations and assets of these companies and has the power to govern the financial and operating policies of these companies.

These companies hold mining tenements in Indonesia

18. Trade and Other Payables

	Consolidated Entity	
	2012 $	2011 $
Unsecured liabilities		
Trade payables	606,944	382,876
Sundry payables and accrued expenses	542,602	304,716
Deferred consideration owing to Victory West Pty Ltd Vendors	250,000	250,000
Other payables	185,304	194,879
	1,584,850	1,132,471

Payables are unsecured.

All other unsecured liabilities are interest free and for an open period.

19. Short Term provisions

Opening balance 1 July 2011	13,337	9,508
Movement in provisions	(13,337)	3,829
Closing balance 30 June 2012	-	13,337

This provision is for unused annual leave.

20. Borrowings

Current borrowings		
Convertible note – secured (a)	1,900,000	2,000,000
Convertible loans – unsecured (b)	755,000	580,000
Short-term borrowings	114,018	-
	2,769,018	2,580,000

(a) The convertible note bears interest at 12% per annum, and has matured. The note is convertible at the higher of 30 cents or the 5-day average market share price. The Company has the option to repay the note within 90 days upon receipt of a conversion notice. The convertible note is secured by a fixed and floating charge over all the assets of the Company and Victory West Pty Ltd. The Company and Dempsey Resources are in discussions regarding an extension to the note or a modification to the terms of the note.

(b) The convertible loans bear interest at 10% per annum, and have a maturity date of 31 December 2012. The loan is convertible at the lower of 5 cents per share or a price equal to 80% of the five (5) day WVAP immediately prior to the Conversion Date. The convertible loans are unsecured.

21. Other current liabilities

	Consolidated Entity	
	2012 $	2011 $
Commitment fee from CGGC	339,146	492,029
Finance fee and interest charge from CGGC	196,268	-
	535,414	492,029

The Company had entered into a Memorandum of Understanding ("MOU") with China Guangshou Group Corp ("CGGC") that, subject to due diligence, CGGC is to acquire a 65% interest in the Malala Molybdenum Project in consideration for committing to sole fund 100% of all funding required to take the Malala Molybdenum Project into large scale commercial production by 2016.

A commitment fee of US$500,000 was received during the year ended 30 June 2011 and is treated as a current liability. The outstanding balance at 30 June 2012 is $US345,000.

During the half year ended 31 December 2011, the necessary letters and recommendations needed to fulfill the above mentioned contract were not obtained and the Company became liable for the US$150,000 finance fee. A further 10% interest charge on outstanding monies at 30 June 2012 has been recorded as a current liability.

22. Contributed equity

	Consolidated entity	
	2012 $	2011 $
173,577,677 (2011: 167,277,677) fully paid ordinary shares	20,902,323	20,591,223
10,000,000 (2011: 10,000,000) performance shares	600,000	600,000
	21,502,323	21,191,223

a) Ordinary Shares

At the beginning of the reporting period	20,591,223	13,260,223
Issue of shares (i)	311,100	2,875,000
Issue of shares	-	1,250,000
Transaction costs	-	(192,000)
Convertible note conversions	-	898,000
Acquisition of subsidiary	-	2,500,000
At reporting date	20,902,323	20,591,223

22. Contributed Equity (Continued)

a) Ordinary Shares (continued)

	No. Shares	No. Shares
At the beginning of reporting period	167,277,677	101,044,344
Share issue (i)	6,300,000	10,416,666
Share issue	-	2,500,000
Share placement	-	20,833,333
Convertible note conversions	-	7,483,334
Acquisition of subsidiary	-	25,000,000
At reporting date	173,577,677	167,277,677

b) Performance Shares

	2012 $	2011 $
At the beginning of the reporting period	600,000	-
Issue of shares (ii)	-	600,000
At reporting date	600,000	600,000

	No. Shares	No. Shares
At the beginning of reporting period	10,000,000	-
Issue of shares	-	10,000,000
At reporting date	10,000,000	10,000,000

i. On 22 December 2011, the Company issued 1,300,000 ordinary shares at a deemed value of $0.047 per share as payment for consultancy services and on 16 April 2012, the Company issued 5,000,000 ordinary shares at a deemed value of $0.05 per share as payment for project evaluation costs.

ii. On 24 February 2011, the Company issued 10,000,000 Performance Shares at a deemed value of $0.06 per performance share. The performance shares are convertible to ordinary shares upon the completion of a 10,000m drilling programme for the Malala Molybdenum Project within 4 years of issue of the Performance Shares.

Ordinary shares have no par value and participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Performance shares do not entitle the holder to any dividends and shall participate in the proceeds of surplus profits or assets on winding up of the parent entity only to the extent of $0.0001 per performance share. Performance shares do not entitle the holder to vote on any resolutions proposed at a general meeting of shareholders.

c) Capital management

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

	Consolidated entity	
	2012 $	2011 $
Total borrowings	4,889,282	4,204,500
Less cash and cash equivalents	(481,060)	(2,026,863)
Net debt	4,408,222	2,177,637
Total equity	21,502,323	21,191,223
Total capital	25,910,545	23,368,860

23. Reserves

Option Reserve

This reserve is used to record the value of options issued over ordinary shares.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange difference arising from the translation of the financial statements of foreign controlled entities.

Acquisition reserve

The acquisition reserve details the difference between the carrying value of the non-controlling interest in Victory West Pty Ltd as at the date of acquisition of $nil and the consideration paid is recognised in equity attributable to the parent. Accordingly, a debit to Acquisition Reserve of $3,350,000 is reflected in the statement of changes in equity.

a) Share Option Reserve

	Consolidated entity	
	2012 $	2011 $
At the beginning of the reporting period	5,187,831	4,964,481
Issue of options during the year	-	223,350
Expired options during the year (i)	(4,418,385)	-
Expired options during the year (iii)	(745,596)	-
At reporting date	**23,850**	**5,187,831**

	No. Options	No. Options
At the beginning of reporting period	111,387,984	90,004,650
Issued during the year	-	5,000,000
Issued during the year	-	12,900,000
Issued during the year	-	7,483,334
Expired during the year (i)	(25,000,000)	(4,000,000)
Lapsed during the year (ii)	(250,000)	-
Expired during the year (iii)	(84,137,984)	-
At reporting date	**2,000,000**	**111,387,984**

(i) On 31 December 2011, 25,000,000 Unlisted Options Expired in accordance with their terms and conditions.

(ii) During the year 250,000 Milestone A Performance Options lapsed in accordance with their terms and conditions.

(iii) On 24 February 2012, 84,137,984 Listed Options (ASX Code "VWMOA") expired in accordance with their terms and conditions.

At 30 June 2012, the Company had the following options on issue:

- 1,000,000 unlisted milestone A performance options with an exercise price of $0.25 and an expiry date of 31 August 2014. Please see below for a summary of these performance options milestones and terms.
- 1,000,000 unlisted milestone B performance options with an exercise price of $0.25 and an expiry date of 31 August 2014. Please see below for a summary of these performance options milestones and terms.

Performance Options

The performance options will lapse if for any reason the Optionholder ends its employment, relationship or engagement with the Company. Also, the conversion of each Performance Option is subject to the completion of the following milestones:

(i) the Company announcing to the ASX (or other recognised stock exchange) a JORC compliant resource of at least 120,000 tonnes (265 million pounds) of contained Molybdenum at a minimum grade of at least 600ppm either within one of the permits or total across all of the permits held at that time by the Company (**"Milestone A"**).

(ii) The company having a market capitalisation of $80,000,000 Australian Dollars for 5 consecutive trading days ("Milestone B").

In order for all Performance Options to be converted both Milestone A and Milestone B must be met by the Company. If only one Milestone is met prior to the expiry date then only those Performance options subject to the milestone which is being met are able to be converted.

The fair value of these performance options have been determined based on binomial and black-scholes valuation models at grant date is set out in the table below:

	Milestone A Performance Option	Milestone B Performance Option
Dividend yield (%)	-	-
Expected volatility (%)	82%	82%
Risk-free interest rate (%)	4.655%	4.655%
Expected life of option (years)	4 years	4 years
Option exercise price ($)	$0.25	$0.25
Share price at grant date ($)	$0.115	$0.115
Hurdle discount (%)	75%	75%

The fair value of the listed options at grant date issued to employees is based on the last quoted price of these options.

A summary of the movement of all company options issues is as follows:

	2012		2011	
	No. Options	Weighted Average Exercise Price	No. Options	Weighted Average Exercise Price
At the beginning of reporting period	111,387,984	0.20	90,004,650	0.20
Issued	-	-	25,383,334	0.21
Exercised	-	-	-	-
Expired	(109,137,984)	0.20	-	-
Lapsed	(250,000)	0.25	(4,000,000)	0.25
At reporting date	**2,000,000**	**0.25**	**111,387,984**	**0.20**

	Consolidated entity	
b) Foreign Currency Translation Reserve	**2012 $**	**2011 $**
	(1,404,337)	(1,755,245)
Balance at the beginning of the financial year	(1,755,245)	(315,813)
Adjustment arising from the translation of the financial statements of foreign controlled entities	350,908	(1,439,432)
Balance at the end of the financial year	(1,404,337)	(1,755,245)

	Consolidated Entity	
c) Financial Assets Reserve	2012 $	2011 $
	-	-
Balance at the beginning of the financial year	-	8,492
Adjustment arising from the revaluation of investments in listed entities	-	(8,492)
Balance at the end of the financial year	-	-

d) Acquisition Reserve	2012 $	2011 $
	(3,350,000)	(3,350,000)
Balance at the beginning of the financial year	(3,350,000)	-
Investment in subsidiary	-	(3,350,000)
Balance at the end of the financial year	(3,350,000)	(3,350,000)

24. Accumulated Losses

	Consolidated Entity	
	2012 $	2011 $
Accumulated losses at the beginning of the financial year.	(7,247,254)	(3,554,560)
Expired options during the year ended 30 June 2012	5,163,981	-
Loss attributable to members of the parent entity	(10,472,276)	(3,692,694)
Accumulated losses at the end of the financial year	(12,555,549)	(7,247,254)

25. Related Party Transactions

Directors and key management personnel

Disclosures relating to directors and key management personnel are set out in Directors' Report and in note 8.

Purchases

Payments of $263,181 (2011: $232,026) were made to Indian Ocean Advisory Group Pty Ltd, an entity which Mr. Luke Martino is a director of for the provision of consulting and administrative services, including rent. These services were provided on normal commercial terms and conditions and at market rates. There was $162,351 outstanding as at 30 June 2012.

Payments of $9,091 (2011: $nil) were made to a related party of Mr Wayne Knight for corporate services provided during the period.

26. Contingent Assets & Liabilities

At balance date the Company is not aware of any additional contingent assets or liabilities.

27. Cash Flow Information

Reconciliation of Loss after Income Tax to Net Cash Outflow from Operating Activities

	Consolidated entity	
	2012 $	2011 $
Loss after income tax	(10,472,456)	(3,693,641)
Adjustment for non-cash items		
Interest receivable	(77,484)	(40,133)
Sundry income	(169,681)	-
Unrealised foreign exchange gains	(1,908)	-
Depreciation	6,033	4,945
Doubtful debts	-	51,084
Share based payments	-	223,350
Impairment of financial assets	2,797	9,324
Impairment of exploration and evaluation expenditure	8,803,723	-
Finance fee and interest expense	196,268	-
Cash flows excluded from loss attributable to operating activities		
Interest expense on convertible note	53,217	250,495
Payments for exploration and evaluation	437,727	-
Changes in operating assets and liabilities *(Increase)/decrease in:*		
Trade and other receivables	34,747	1,414,529
Increase/(decrease) in:		
Trade payables and accruals	731,265	354,723
Net cash outflow from operating activities	(455,752)	(1,425,324)

Unsecured convertible notes

Balance at the beginning of the financial year	580,000	-
Total convertible loans issued during the year	200,000	1,578,000
Less converted to equity	-	(898,000)
Less repaid	(25,000)	(100,000)
Outstanding convertible loans as 30 June 2012	755,000	580,000

28. Events After the Balance Sheet Date

- The Company varied the existing $755,000 convertible loan terms. The facility is on the same terms as previously announced to the ASX, except key variations are as follows:
  - The loans are now convertible at the lower of 5 cents per share; or a price equal to 80% of the five (5) day WVAP immediately prior to the Conversion Date.
  - Repayment date on or before 31 December 2012.

- On 17 July 2012, the Company issued 2,999,600 ordinary shares at a deemed issue price of $0.035 upon the conversion of $100,000 convertible loans plus interest.

- On 18 June 2012 the Company announced the proposed acquisition of South East Asia Energy Resources Pte Ltd (SEAE), a company with a management team experiences in coal exploration and mining in Indonesia, and which holds rights over the Penajam East Project. Full details of the terms of the SEAE Acquisition and SEAE's rights in the Penajam East Project are set out in the Notice of Meeting and Explanatory Statement dated 22 August 2012. Completion of the SEAE Acquisition is subject to the appropriate approvals and mining operation, production, sales and transportation licenses' being granted with respect to the Penajam East Project and the Company raising $3,000,000 before 31 October 2012 (or such other date as mutually agreed by the parties).

  On 25 September 2012, Shareholders approved the acquisition of SEAE together with approval for the issue of shares to raise up to a total of up to $3,000,000. Shareholders are being asked to consider a resolution to approve the issue of up to $6,000,000 in convertible notes on 4 October 2012. The Company is yet to complete the proposed capital raising at the date of this report however, has engaged consultants to assist it with the capital raising and is in discussions with potential financiers.

  Upon completion, the SEAE team will combine with the VWM management and consulting team to create an experienced and extensive team in Indonesia mining operations and engineering that will target significant JORC certifiable resources and production.

  VWM will acquire all of the issued capital of SEAE in consideration for:

  (a) issue to the Vendor (or its nominees) 110,000,000 Class B Performance Shares, which convert to Shares (on a 1 for 1 basis) upon the commercial shipment of 100,000 tonnes of coal from any of SEAE's current coal projects (Milestone 1) within 3 years from completion; and

  (b) issue to the Vendor (or its nominees) 33,000,000 Options (30c exercise price, expiry date 3 years from issue) of which, one-third (1/3rd) will vest respectively upon the achievement of the following three milestones:

  i. the commercial shipment of 100,000 tonnes of coal from any of SEAE's current coal projects (**Milestone 1**).

  ii. SEAE having one or more projects with mines that collectively have:

  – total annualised production ≥ 1.2 Mt (satisfied by 2 consecutive months of production at an annualised rate of 100,000 tonnes per month); and

  – total aggregate JORC inferred resource ≥ 25 Mt (**Milestone 2**).

  iii. SEAE having one or more projects with mines that collectively have:

- total annualised production ≥ 2.4 Mt (satisfied by 2 consecutive months of production at an annualised rate of 200,000 tonnes per month); and
- total aggregate JORC inferred resource ≥ 50 Mt (**Milestone 3**).

(c) pay $750,000 to the Vendor (or its nominees) by no later than 12 months from completion;

Pursuant to the Share Purchase Agreement, VWM will issue the Vendor (or its nominees) the following Shares upon the satisfaction of the following milestones:

(a) 110 million Shares upon Milestone 2 being achieved within 3 years of completion; and

(b) 110 million Shares upon Milestone 3 being achieved within 3 years of completion.

Each of the above Share issues are subject to Shareholder approval to be sought at the time Milestones 2 and 3 are reached. In the event VWM's Shareholders do not approve an issue, VWM will issue the maximum number of Shares it can in accordance with the Listing Rules and pay the Vendor (and its nominees) the value of the Shares in cash equal to the difference between what VWM was obligated to issue and the number that it was able to issue.

29. Parent Entity Disclosures

Parent Entity	2012 $	2011 $
Assets		
Current assets	1,001,189	2,551,056
Non current assets	7,847,865	15,423,046
Total Assets	8,849,054	17,974,102
Liabilities		
Current liabilities	4,665,324	3,979,867
Non current liabilities	-	-
Total Liabilities	4,665,324	3,979,867
Net Assets	4,183,730	13,994,235
Equity		
Issued capital	21,502,323	21,191,223
Reserves	23,850	5,187,831
Accumulated losses	(17,342,443)	(12,384,819)
Total Equity	4,183,730	13,994,235
Financial Performance		
Loss for the year	(10,121,604)	(8,482,959)
Other comprehensive income	-	(8,492)
Total comprehensive Loss	(10,121,604)	(8,491,451)

Contingent Liabilities

Refer to Note 26.

Contractual Commitments

As at 30 June 2012 and 30 June 2011 the Parent Company had no contractual commitments.

Additional Information for Listed Companies

Equity Holder Information

a. Distribution of Shareholders (as at 17 September 2012)

Category (size of holding)	No. of shareholders	No. of shares	%
1 – 1,000	551	225,210	0.1
1,001 – 5,000	288	851,452	0.5
5,001 – 10,000	148	1,170,340	0.7
10,001 – 100,000	406	16,894,306	9.6
100,001 – and over	242	157,435,969	89.1
TOTAL	**1,635**	**176,577,277**	**100.0**

The number of shareholders holding less than a marketable parcel of 15,625 shares ($0.03 on 17 September 2012) is 1,072 and they hold a total of 3,370,977 shares.

b. Twenty Largest Shareholders (as at 17 September 2012)

The names of shareholders that are recorded in the Register of Shareholders (as at 17 September 2012) are as follows:

Name	No. of shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,764,988	4.96
JP MORGAN NOMINEES AUSTRALIA LIMITED	7,753,496	4.39
JUNEDAY PTY LTD	5,950,000	3.37
CINTRA HOLDINGS PTY LTD	5,298,206	3.00
ROGUE INVESTMENTS PTY LTD	4,000,000	2.27
GLENEAGLE SECURITIES NOMINEES PTY LIMITED	3,500,000	1.98
UOB KAY HIAN (HONG KONG) LIMITED	3,043,052	1.72
JOMIMA PTY LTD	3,000,000	1.70
NUTSVILLE PTY LTD	2,999,600	1.70
UNION PACIFIC INVESTMENTS PTY LIMITED	2,865,000	1.62
MR WILLIAM MIAS	2,750,000	1.56
TEXPOINT PTY LTD	2,541,667	1.44
JAXONBRIDGE PTY LTD	2,535,816	1.44
BOND STREET CUSTODIANS LIMITED	2,200,000	1.25
JOHN WARDMAN & ASSOCIATES PTY LTD	2,000,000	1.13
MR RONALD EDWARD JORDISON + MRS KATHRYN ANNE JORDISON	2,000,000	1.13
MR ADRIAN STEPHEN PAUL & MRS NOELENE FAY PAUL	2,000,000	1.13
YELLOWROCK PTY LTD	1,985,673	1.12
MR HARUN ABIDIN	1,854,000	1.05
MR AHMAD FUAD BIN MD ALI	1,561,572	0.88
TOTAL	**68,603,070**	**38.85**

c. Details of Substantial Shareholders (as at 17 September 2012)

There are no substantial shareholders holding more than 5% of the Company's shares.

d. Distribution of Unlisted Performance Shares (as at 17 September 2012)

Category (size of holding)	No. of option holders	No. of Performance Shares	%
1 – 1,000	0	0	0.0
1,001 – 5,000	0	0	0.0
5,001 – 10,000	0	0	0.0
10,001 – 100,000	0	0	0.0
100,001 – and over	2	10,000,000	100.0
TOTAL	**2**	**10,000,000**	**100.0**

These performance shares are convertible to ordinary shares upon the completion of a 10,000m drilling program for the Malala Molybdenum Project before 24 February 2015. Each performance share is converted into one ordinary share on achievement of this milestone. If the milestone is not achieved before 24 February 2015, then all of the performance shares will be automatically redeemed for the sum of $0.000001 per performance share.

e. Distribution of Unlisted Optionholders (as at 17 September 2012)

The distribution schedule of the unlisted performance options (milestone A & B) with an exercise price of $0.25 and expire on 31 August 2014 are detailed below (as at 17 September 2012)

Category (size of holding)	No. of option holders	No. of options	%
1 – 1,000	0	0	0.0
1,001 – 5,000	0	0	0.0
5,001 – 10,000	0	0	0.0
10,001 – 100,000	0	0	0.0
100,001 – and over	4	2,000,000	100.0
TOTAL	**4**	**2,000,000**	**100.0**

f. Voting Rights

Ordinary shares

Subject to any rights or restrictions for the time being attached to any class or classes (at present there are none) at general meetings of shareholders or classes of shareholders:

Each shareholder entitled to vote, may vote in person or by proxy, attorney or representative

On a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote

On a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each Fully Paid Share held, or in respect of which he/she has appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid Shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the Share.

Options

Options do not carry a right to vote.

Performance Shares

Performance Shares do not carry a right to vote.

g. Share Buy-Backs

There is no current on-market buy-back scheme.

h. Registered Office

The address of the registered office in Australia is:

311 Hay Street
SUBIACO WA 6008
Ph: +61 8 9381 5819

i. Securities Register

Registers of Securities are held at the following addresses:

Computershare Investor Services
Level 2, 45 St George's Terrace
PERTH WA 6000
Ph: 1300 557 010 (within Australia)
Ph: +61 8 9323 2033

j. Stock Exchange Listing

The Company's securities are quoted on the Australian Stock Exchange Limited (VWM) and the Frankfurt Stock Exchange.

k. Interest in Mining Tenements

Holder	Exploration IUP	Location	% interest
PT INTI CEMERLANG	188.45/2447/DISPESDAM	Indonesia	95%
PT ERA MORECO	188.45/2448/DISPESDAM	Indonesia	95%
PT INDO SURYA MORECO	188.45/2536/Bag. Ekon	Indonesia	95%
PT SEMBILAN SUMBER MAS	188.45/2446/DISPESDAM	Indonesia	95%
PT PROMISTIS	188.45/2444/DISPESDAM	Indonesia	95%