

Quarterly Activity Report For the period ending 30 June 2012

Victory West Metals Limited (“VWM” or “the Company”) is pleased to provide shareholders with this Quarterly Activities Report for the three (3) months ending 30 June 2012.

Acquisition of South East Asia Energy Resources

During the quarter, 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 receives support to develop major infrastructure and coal mines in South Sumatra
- Acquisition conditional upon legal and geological due diligence and regulatory and shareholder approvals

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. The Notice of Meeting to shareholders is to be despatched to shareholders forthwith.

Overview / South East Asia Energy Resources Pte Ltd

SEAE is a Singapore company which currently holds, and has the ability to secure further, interests in a number of Indonesian thermal and coking coal projects. It currently has an interest in the Penajam East thermal coal project and has identified a number of additional projects for future review.

The acquisition is consistent with VWM’s current stated business objectives of acquiring and developing resources projects in South East Asia.

SEAE’s management are highly experienced in the identification of high quality resource assets in both Indonesia and Australia, and have a well-connected team of local based and expatriate engineers and geologists who work with local and regional mine concession owners on a regular basis. Upon completion, SEAE’s team will combine with VWM’s management team to identify potential mineral, thermal and coking coal assets, review existing assets, and conduct full asset due diligence (legal and technical) with an aim of securing significant JORC Code compliant resources for VWM.

SEAE has an experienced management team with international mining, engineering, infrastructure and equipment experience which is capable of undertaking solutions from exploration, development to full capabilities in Processing, Open Cut, High wall & Underground Mining projects. The team has been working together for the last seven years with a focus in Indonesia, Australia and Mongolia. For the past three years they have focused on identifying projects in Indonesia.

VWM has agreed to, upon SEAE achieving a JORC Code compliant inferred resource of between 50 to 100mt and achieving annual production of 2.4mt within the next three years, and subject to VWM shareholder approval, issue up to a further 220 million Shares to SEAE's vendors and nominees.

SEAE has a mining services agreement with United Asia Energy (UAE) in Singapore. Under the terms of the agreement between PT1 (defined below) and SEAE, UAE may nominate the Indonesian party to conduct mining services with respect to the conduct of mining activities in the concessions.

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 – 10 kms.
- (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

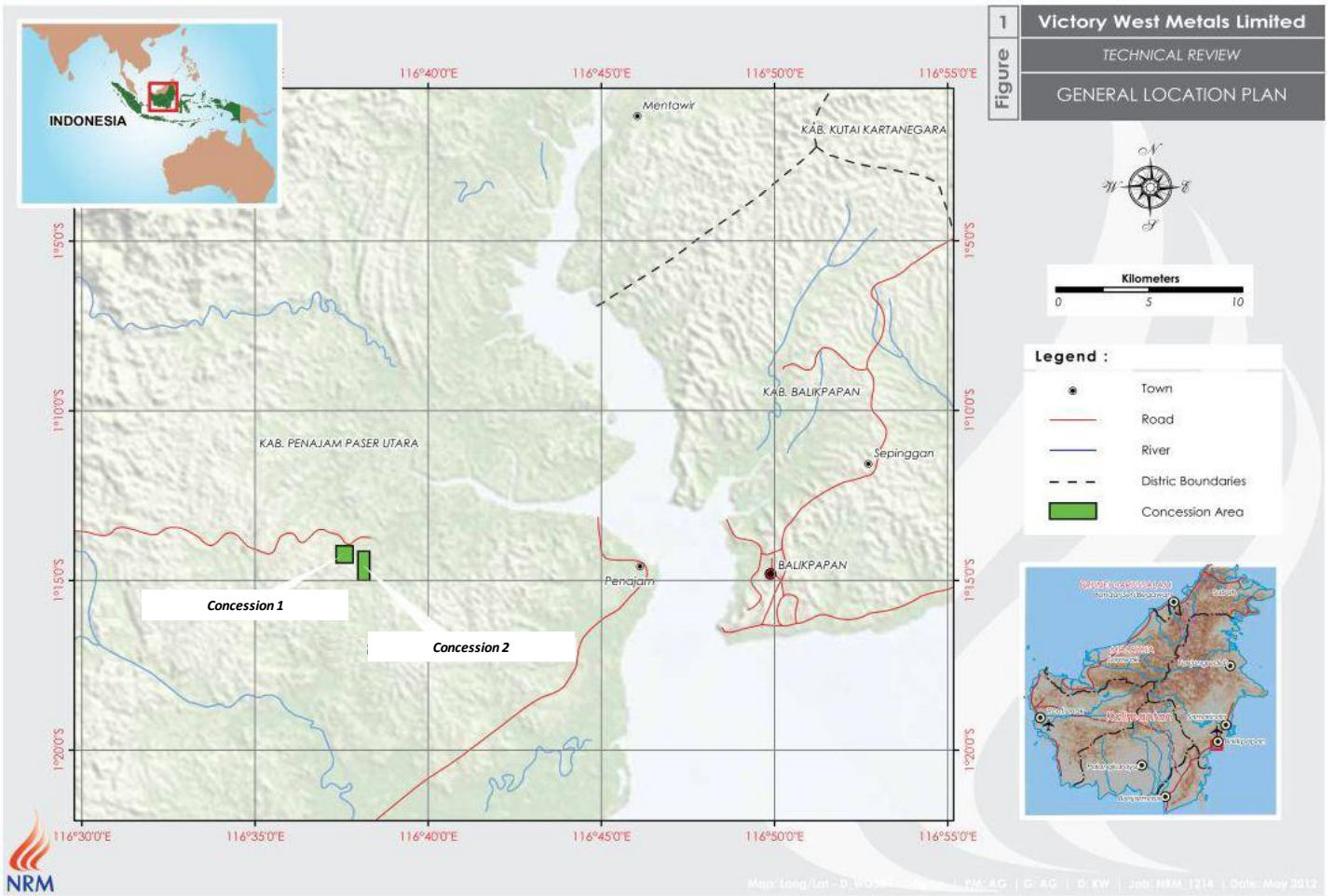


Figure 2: Location of Penjam East project, showing proximity to Balikpapan Coal Terminal

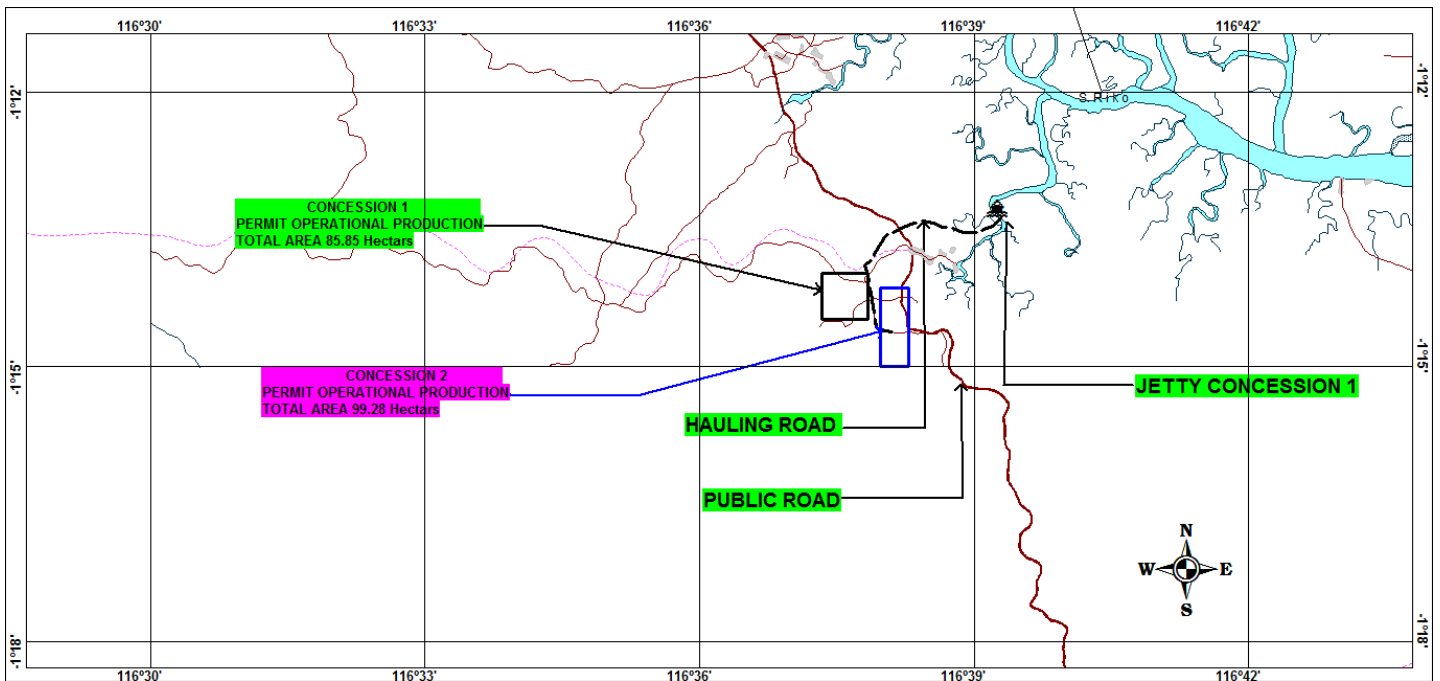


Figure 3: Location of Penjam East project, showing proximity to Jetty

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.

Malala Molybdenum Project, Sulawesi, Indonesia

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

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

¹ *In accordance with Clause 18 of the JORC Code, it is important to note that no JORC Mineral Resources or Ore Reserves have been established on these tenements and any current assessment remains subject to ongoing exploration work and drilling. The current interpretation remains preliminary and is based on exploration, evaluation and resource definition work performed by Rio Tinto, Santos and VWM.*

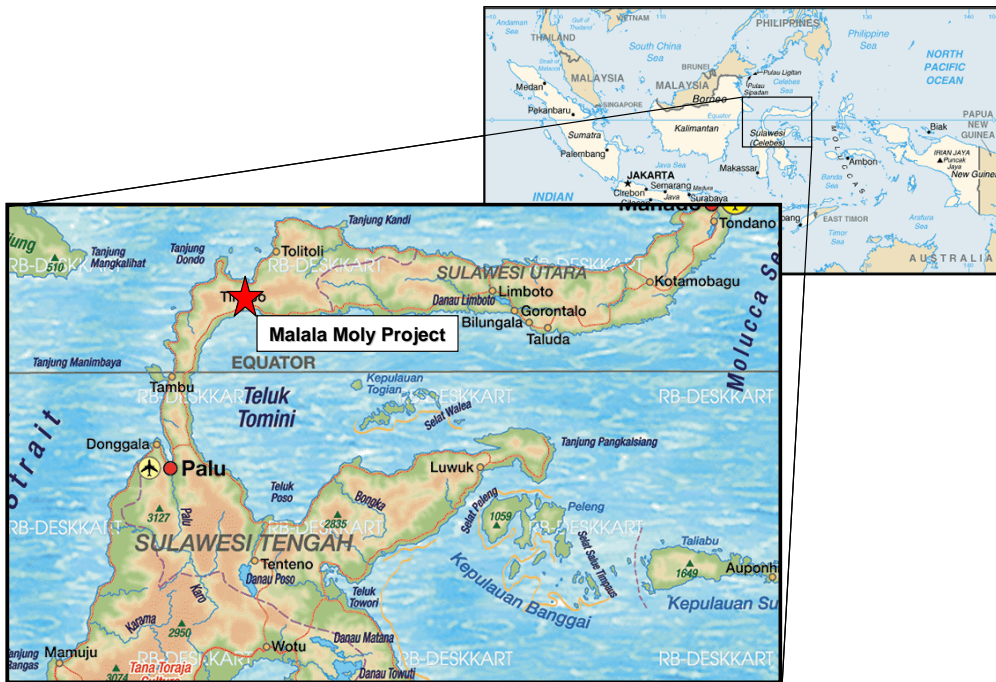


Figure 1 – Location of Malala Molybdenum Project in northern Sulawesi, Indonesia.



Figure 2 – Malala Molybdenum Project area

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

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

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

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 \$100,000 were converted during the period under the above terms.

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

About Victory West

Victory West Metals Ltd is a resource focused exploration company listed on the Australian Securities Exchange (ASX code: VWM) and Frankfurt Stock Exchange (FSE code: R1E), with a vision to find, prove and extract value from world class resource projects in South East Asia. The Company is building a resource portfolio with its cornerstone project Malala Molybdenum Project in the Toli Toli Province in North Sulawesi.

The Company has announced the signing of a Heads of Agreement to acquire 100% of South East Asia Energy Resources Pte Ltd (SEAE), a special purpose company registered in Singapore that has the rights to an 85% interest in the Penajam East coal project in East Kalimantan, Indonesia, with a pipeline of coal projects in Sumatra and East Kalimantan and initial offtake agreements. This agreement is subject to due diligence, completion of final legal agreements, shareholder approval and regulatory approvals if required.

Competent Persons Statement

The data in this announcement that relates to Exploration Results, Resources and Reserves is based on information reviewed and evaluated by Mr. Brett Gunter who is a member of The Australian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr. Gunter is a fulltime employee of GMT Indonesia and he consents to the result as they appear.

*** JORC Exploration Targets**

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

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