



Victorian Gold Mines N.L
ACN 139 255 771 ABN 82 139 255 771
Suite 304, 22 St Kilda Road, St Kilda, VIC 3182
Phone: (03) 9692 7222
Fax: (03) 9529 8057
Email generaladmin@victoriangoldmines.com.au

29th July 2010.

Victorian Gold Mines NL

Announcement: Acquisition of North African Interest

Acquisition of Interest in North African phosphate and base metals exploration and development Company

Victorian Gold Mines NL (ASX Code VGM) is please to announce that it has signed a Heads of Agreement to acquire 100% of all shares in Celamin Limited (Celamin).

Acquisition highlights

- **Large resource and target potential**
- **Favourable Legal and Fiscal Regime**
- **High grade outcropping mineralisation**
- **Adjacent to infrastructure and services**
- **Experienced management team**

Key Terms

Initially each party will have 3 months to conduct mutual due diligence satisfactory to the parties and to execute more detailed and binding transaction documentation.

Subject to the satisfactory outcome of that due diligence VGM will have the call option to acquire, and Celamin the put option to sell 100% of the issued Celamin shares in the following manner:

(a) on satisfactory completion of mutual due diligence VGM shall issue to Celamin Shareholders 2,500,000 shares, 5,000,000 31.03.2014 options and 7,500,000 partly paid shares in consideration for Celamin shareholders transferring 10% of Celamin issued shares to VGM.



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(b) on completion of a pre-feasibility study on the Phosphate Project on the Bir El Afou EP and the delineation of JORC compliant resource of a minimum 25,000,000 tonnes at a minimum grading of 15% P2O5, VGM shall issue to Celamin Shareholders 20,000,000I shares and Celamin Shareholders shall transfer a further 30% of the Celamin issued shares to VGM.

(c) on completion of a bankable feasibility study on the Phosphate Project on the Bir El Afou EP, VGM shall issue 32,500,000 shares to Celamin Shareholders and Celamin Shareholders shall transfer the outstanding 60% of the Celamin Issued shares.

It is currently estimated that completion of a prefeasibility study will take 12 to 15 months and the completion of a bankable feasibility a further 12 to 18 months.

VGM will contribute the necessary funding to complete the prefeasibility and feasibility studies and fund Celamin's exploration and development programmes. It is currently estimated that approximately \$3,000,000 will be required in the coming year and VGM will undertake a capital raising to these objectives.

VGM will appoint a Celamin nominated director to VGM upon the completion of due diligence and may appoint 2 further directors upon the satisfactory completion of step (b).

The transactions are conditional upon VGM and Celamin obtaining all necessary shareholder approvals.

2. Celamin - Overview

Celamin Limited is an Australian incorporated minerals exploration and development Public company.

Celamin aims to build an environmentally sustainable, financially robust, Minerals Exploration and Development Company based in the North Africa Middle East region.

The Celamin team has carefully selected, and identified advanced projects in well understood geological environments. The portfolio includes Phosphate and base and precious metals Projects. These Projects are located in countries where the mining law is clear and the development path well defined. Mining operations have been successfully undertaken in these countries (Tunisia and Algeria) for many years by other Local and Foreign entities.

All the Projects are held with local partners. Celamin believes in working closely with reputable local partners who understand the legal and fiscal environment and have good relationships with the regulators.

Celamin has identified and is working closely with local experts in Tunisia and Algeria. Both jurisdictions have a ready and willing source of high-quality technical workers.



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Celamin plans to develop its Projects through a series of phases from resource delineation, through feasibility studies to financing, design and construction into production. Decision points allow careful consideration of any changes in economic and regulatory circumstances at each stage thereby managing risk.

Celamin will grow through development of the Projects it already holds and by acquisition of carefully evaluated new projects which have potential to be developed.

To date, Celamin has invested significant effort and expense in the acquisition of high quality minerals development projects in Algeria and Tunisia.

The Celamin management has substantial experience in exploration, development and operation of mines, marketing and finance. In addition, experienced people with appropriate skills – especially in the region – have been and will continue to be added to the management of Celamin.

The VGM Directors believe that the North African region has great – but so far largely underexplored – potential for the discovery, delineation and economic production of a variety of minerals and metals including phosphate, gold, silver, platinum group elements, nickel, copper, lead, zinc, and iron.

Celamin has compiled a database of geological information from a wide variety of sources. The database includes significant amounts of geological, geochemical and geophysical information gathered by both public and private sector explorers in the North African region over more than three decades.

Mineral Projects – Overview

Celamin holds a portfolio of quality minerals projects, with strong potential for development. Acquired projects contain known deposits of phosphate, base and precious metal resource and target potential. The resource and target potential have been estimated from previous exploration and drilling data.

In Tunisia, Celamin has an 80% interest in two phosphate Exploration Permits (EPs). These permits cover Phosphate deposits with identified target potential that has been estimated from previous exploration and mining at **230-320 million tonnes at 17-22 percent P2O5**.

In Algeria, Celamin is earning forty nine percent of a granted exploitation permit ('mining lease') at Oued El Kebir with an Inferred Resource of 11.5 million tonnes at 2.6% Pb, 2.1% Zn, 0.7% Cu and 95 g/t Ag by completing a Feasibility Study. The mineralisation also hosts Barite and Gold which has not been included in the resource at this stage.



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In Tunisia, Celamin has signed an Agreement and holds Government Approval and interests in EP's to evaluate and establish re-treatment of identified Base and Precious Metal (Zinc, Lead & Silver) Tailings deposits from past mining. Celamin will hold 50% of this Project after sole-risk spending of the first US\$ 500,000. Stage 1 work is currently focussed on identified target potential of 2.5-3.0 million tonnes at 2.4-2.8% Lead and 2.6-3.0% Zinc in 4 areas;

In Tunisia, Celamin also has the right to earn 55% of a lead and zinc project which is highly prospective based on results of extensive pitting, bulk sampling and past mining..Recent Celamin drilling has confirmed the tenor of mineralisation at one prospect, analytical results are still awaited.

Corporate Objectives

- Advance the exploitation value of each project currently held by the Celamin by delineating JORC Resource on the Phosphate Project(s) and at the Oued El Kebir and the Tunisian metals projects
- Complete a Pre Feasibility study on the Bir El Afou Phosphate project in one EP within 12-15 months.
- Complete a bankable feasibility study on this Phosphate project. Celamin has targeted completing this work by end 2012
- Complete a bankable feasibility study at the Oued El Kebir base and precious metal project
- Complete a feasibility study on the Tailings base metal project
- Explore the Jebel Mghila base and precious metals project:
- Development and exploitation of phosphate
- Development of the base and precious metals assets
- On-going resource acquisition and development

Background on Algeria:

Algeria is the second largest country on the African continent. It lies in Northern Africa bordering the Mediterranean Sea between Morocco and Tunisia. The country achieved independence from France on 05 July 1962 since which the republic has operated under a system based on French and Islamic law.



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Algeria has modern codified Mining law and a very favourable corporate tax rate of 25% with royalties ranging from 1.5%-2%. Celamin is earning an interest into an existing granted exploitation permit ('mining lease') in Algeria.



Background on Tunisia:

Tunisia, the smallest nation of Northern Africa, borders the Mediterranean Sea between Algeria and Libya. The country achieved independence from France on 20 March 1956. Since then, the country has operated under a legal system based on the French civil law system and Islamic law.

Tunisia has a modern codified Mining law and a very favourable investment regime, which includes a tax holiday of 5-years from first production and thereafter at 25% of annual profit. Royalties are charged at the rate of 1% of gross value of ore extracted. In the case of industrial treatment (Tailings Projects) the tax exemptions period is 10-years.. The grant of an exploration permit confers the sole right to the holders for application for a mining concession ('mining lease') subject to an acceptable Feasibility Study and Environmental assessment.



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Project Descriptions

Bir El Afou and Chaketma Phosphate Exploration Permits

Celamin (80%) and its Tunisian partner (20%) were granted two (2) Exploration Permits (EPs) in Northern Tunisia in February 2010 covering the most promising deposits of known phosphate mineralisation not currently held under any title.

A Tunisian Company, Numidia Phosphate SA has been formed to ultimately hold these assets with Celamin and its partner.

The mineralisation is known, has been prospected and mined (in the past). It is a hard, coarse grained, carbonate (dolomite) matrix phosphate

The Bir El Afou EP covers an area of 84 km² and has 4 prospects (including two past mines) with **target potential of 80-120Mt of 17-22% P₂O₅**. The Chaketma EP covers an area of 56 Km² and has four prospects with **target potential of 150-200Mt of 17-22% P₂O₅**. Target Potential was assessed for Celamin by an Independent Expert with more than 30 years experience in Tunisian sedimentary Phosphate geology.

Oued El Kebir Base Metals Exploitation Permit

Celamin has a heads of agreement and is completing a full agreement with an industrial company in Algeria that holds an exploitation permit covering the Oued El Kebir deposit which has an inferred resource (JORC) of 11.5 million tonnes at 2.6 percent lead, 2.1 percent zinc, 0.7 percent copper and 95 grams per tonne silver based on 160 diamond drill holes and sampling from underground development. This agreement entitles Celamin to earn a 49 percent interest in this project by completing a feasibility study. The deposit occurs in a volcanic complex in the Palaeozoic fold belt of northern Algeria. Mineralization occurs as massive sulphide lenses and is described as 'Kuroko-style,' a distinct style of volcanic hosted sulphide deposit(s) with a 'type-area' in Japan.

During the 1980s, the Algerian government engaged Russian investigators to examine the OEK area. These investigators drilled holes numbered 1 to +300. Whilst extensive, data from more than 160 holes has been studied by Celamin. This work delineated C1+C2 reserves (Russian classification) of 11.5 million tonnes at 2.6 percent lead, 2.1 percent zinc, 0.7 percent copper and 95 grams per tonne silver. Celamin has estimated this is equivalent to an Inferred Resource. Gold has been identified in the mineralisation at about 0.5 gram per tonne on average, but this was not formally quantified by the Russians and is not included in the resource. The deposit occurs in a single zone but the mineralisation is stratified within that zone. Some of this zone is up to about 20 meters thick; the average thickness of the resource exceeds 10 metres. In general an upper zone of mineralisation with a Barite-rich 'Pb-Zn' signature is overlain by mineralisation with a lower 'Cu' signature.



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The mineralized zone occurs as a variable, but generally flat-lying, sheet. It outcrops in one place but it is up to 250 meters below the surface. The zone is at least 1.5 kilometres long and 200-400m wide. Drilling is regularly spaced at about 100 metres over most of the deposit; closer spacing occurs near the outcrop.

Sulphide & Oxide Tailings Base Metal

Celamin has completed an agreement with its Tunisian partner to examine tailings from past lead-zinc mining activities with an aim of extracting base and precious metals through re-processing. The agreement entitles Celamin to earn a 50 percent interest in the project by spending the first US\$0.5 million after that the parties contribute equally to all expenditures.

Stage 1 assessment work is progressing focusing on 4 dumps with target potential of 2.5-3.0 million tonnes grading 2.4- 2.8% Pb and 2.6-3.0% Zn.

Jebel Mghila Base Metals EP

Celamin has completed an agreement that gives it the right to earn a 55% interest in the Jebel Mghila base metals (Pb, Zn) EP. Considerable work including mining was done on this project in the early part of the 20th Century, since then the project has languished. The results of this work, including fieldwork undertaken to date by Celamin and its partner, shows that the Project area has potential to host a base metal deposit. Past drilling has provided promising intercepts along approximately 1.5 kilometres of zone centred on an old mine (1930) at El Abeied Quest. Celamin has recently completed a further 6 diamond core drill holes at this prospect. Analytical results are as yet incomplete.

Recent work by Celamin and its partner has identified another Pb-Zn prospect at Ain El Guemame further along the same structure hosting El Abeied Quest.

Development Strategy:

Phosphate – Bir El Afou and Chaketma

Celamin's phosphate strategy is for a Staged development based on market conditions commencing initially with sale of bulk 'phosphate rock'. Celamin has evaluated the EP's and selected a site(s) for initial development of an open cut mining project **targeting production of 1.5 Mtpa of +32% P2O5 (+70% BPL) phosphate rock for shipping along an existing railroad and through an existing port.** Bone Phosphate of Lime (BPL) is an Industry Quality Standard. 1% BPL = 2.1853% P2O5. Modeling has suggested that an initial target potential of 23-27 M tonnes of 17-22% P2O5 ROM phosphate to be delineated as a resource is required to fulfill this Project scope.



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The EP's are located in the Northern Phosphate province of Tunisia with good road and rail access and about 150 kilometres from Tunis. There are export Ports connected by rail to these sites. Preliminary investigations have suggested that power and water supply should be adequate for the initial Project scope.

The EP's were granted for a 3-year term (renewable twice). At Bir El Afou the conditions of grant were for a 3-year work program of surveying, geological mapping, trenching (900m), drilling (3,500m), sampling, mapping and metallurgical test work costing Tunisian Dinar (DT) 1.1M (~A\$1.0M) At Chaketma conditions of grant were for a 3-year work program of surveying, geological mapping, trenching (1,200m), drilling (5,000m), sampling, mapping and metallurgical test work costing DT 1.61M (~A\$1.5M).

There is sufficient target potential mineralisation for incremental staged growth of the project as markets allow once initial Stage 1 production is established.

Celamin has a co-operation agreement with a major European Fertiliser Company for access to expertise and markets. Celamin is currently negotiating a marketing/off take agreement with this company, which includes access for them to equity in the Bir El Afou EP. On completion of negotiation on current terms, Celamin will move to 37.5% in the project on the Bir El Afou permit.

Base Metals – Oued El Kebir

The Oued El Kebir (OEK) exploitation permit ('mining lease') is held by a private Algerian company.

Celamin will hold 49% equity instead of the originally planned 50% due to a recent passing of a Finance Law amendment, However, control will be equal between the two main Parties and include sole risk provisions and claw back of 1% if the law is amended.

OEK is located in northern Algeria close to the coast. The portal for the underground workings is 2 kilometres from the Coast Road between Algiers and Annaba. The nearest port, at Jijel, is about 20 kilometres away. The project is held under an Exploitation Permit for Small or Medium Scale Mining over 152 hectares (1.52 square kilometres).

Oued El Kebir is an advanced exploration/development project that Celamin intends to advance rapidly to Feasibility. The first step under the agreement is to undertake due diligence work including drilling. This will be followed by a more detailed resource delineation drilling. It is then planned to undertake Feasibility Studies into a development concept incorporating a conventional open cut/underground mine with a concentrator to produce a saleable product or product(s) that may be exported through nearby Port(s).

Celamin and its partner also intend to apply for an exploration permit for the highly prospective area immediately surrounding Oued El Kebir and, if granted, to explore and develop this



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prospect. Celamin and its partner have also agreed to examine jointly and, if merited, acquire other projects in Algeria with both parties contributing to the expenditures.

Base Metals – Sulphide & Oxide Tailings

Celamin's Tunisian partner holds concessions over a number of tailing storages. The Tunisian government has approved Celamin and its partner to undertake studies into the potential for reprocessing of tailings from a number of specified sites.

Tunisia has a long-history of mining, in particular base metals (lead, zinc and silver) from the time of the Phoenicians through the Romans to the French. Hundreds of mines have produced lead, zinc, phosphate, iron, mercury, fluorite, barytes and industrial minerals. Exploitation of the many base metal deposits has over time left many sites with varying quantities of waste rock from mining and processing in both oxide and sulphide forms. This residual rock is collectively known as tails or tailings.

Celamin plans access modern technology to extract the residual metals and assist in the environmental clean-up of the tailing sites.

To date study work has resulted in the selection of 4 sites (out of 9) for studying a potential Stage 1 development. These Stage 1 studies are now ongoing and include systematic sampling, analyses and mineralogy. Further potential exists in the other Tailings sites.

Base Metals – Jebel Mghila

The Jebel Mghila exploration permit hosts an old Pb mine at El Abeied Quest as well as recently discovered prospect Ain El Guemame. In the early part of the 20th Century shallow underground mining at El Abeied Quest (<100m) extracted about 1,400 tonnes of lead metal at a grade of ~25% Pb. The mine was reportedly abandoned owing to flooding. Intermittent exploration took place in the 1970's and 1980's culminating in some exploratory drilling by an Italian Company (Aquater).

The results of this work demonstrated mineralised intercepts in two zones along a major thrust structure (Sbiba fault). Disseminated galena is widespread at surface and grab sampling by Celamin produced excellent assays of 3.77 percent lead and 5.26 percent zinc.

Celamin has subsequently completed a multi-disciplinary exploration program (geology, geophysics, geochemistry) and 6 diamond core drill holes (950.3m), which intersected similar mineralisation to Aquater. Analyses are pending from core samples.

Further exploration work is planned to assess the potential in the rest of this 124 Km² EP.



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Celamin Directors and technical advisors

Mr Tim Regan, Director (Company Secretary)

Tim Regan is an Australian qualified lawyer who has been Legal Counsel of an Arab National Oil Company, Legal Counsel and Company Secretary of an Irish and London listed Resources Company and has been a member of senior management at a Bank in Bahrain. He has experience in Corporate, Governance, Compliance and Financial transactions, including project financing in the Middle East and Central Asia. He has extensive experience in the Middle East having advised Australian and International companies on a range of issues across the region.

Mr. David Regan, Director (CEO)

Mr. Regan is a lawyer by training and has been working in the resources industry in Papua New Guinea, Australia, North America and the North Africa Middle East region for over thirty years in various senior corporate roles. During this period he worked for Rio Tinto, BHP Billiton, Atlantic Richfield (Anaconda Minerals, Arco Coal and Arco International) in a variety of roles including legal, corporate planning, economic evaluation, marketing, joint venture management and business development. Mr. Regan has worked in the North Africa Middle East region for over ten years where he led teams that put together over \$3 billion of resource investments. Mr.

Regan is an independent director of ASX-listed Citadel Resource Group (CGG) and a founding director of Celamin.

Mr. Ralph Stagg, Technical Director.

Mr. Stagg has thirty-eight years of experience in economic geology including project generation, exploration planning, reserves estimations, valuations, experts' reports and technical studies and in management of listed and unlisted exploration, mining and engineering companies. He has carried out this work over a wide range of projects focused on precious metals, metalliferous minerals and industrial minerals in Australia, Southeast Asia, the United Kingdom, Africa and Arabia. In recent years, Mr. Stagg has been involved primarily in project and operations management, feasibility studies, project evaluation and development, as well as client advice. Most recently he was a founder and director of Citadel Resource Group (CGG) in the Kingdom of Saudi Arabia. He is currently a founding director of Celamin.



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Nadir Sekfali, Principal Adviser

Mr. Sekfali has over thirty-five years of experience in the international energy sector as a senior executive with Sonatrach, the Algerian national oil and gas company, and as an international energy consultant in France. Throughout his career at Sonatrach, Mr. Sekfali held positions of increasing responsibility within the planning and economics departments whereby he acquired extensive experience in the commercial, legal and financial side of the energy industry, particularly in the areas of political, economic and fiscal advice on hydrocarbon law and fiscal policy and in the negotiation of petroleum contracts. Since 1986, Mr. Sekfali was instrumental in the revision of the country's hydrocarbon law. Since 1994, Mr. Sekfali has consulted to the energy industry. Presently he is the founding director of IBDC, an independent business development-consulting firm. He has also held directorships of the Algerian National Bank, the Société de Services Financiers et d'Investissements, the Sonatrach Petroleum Investment Company, Holland, and Sonatrach Petroleum Investment Company, Ireland.

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Ralph Stagg who is a Fellow of the Australasian Institute of Mining and Metallurgy. Ralph Stagg is a Director of Celamin Ltd. Ralph Stagg has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the type of activity 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". Ralph Stagg consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Yours Sincerely,

Kevin Nichol
Chairman, Victorian Gold Mines NL