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VICTORY MINES^{LTD.}

and its controlled entities
ABN 39 151 900 855

HALF YEAR REPORT

FOR THE HALF YEAR ENDED
31 DECEMBER 2018

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Directors

Mr David Sanders – Non-Executive Director (Appointed 31 January 2019)

Mr Alec Pismiris – Non-Executive Director (Appointed 31 January 2019)

Mr Rohan Dalziell – Non-Executive Director (Appointed 31 January 2019)

Mr Terence Clee – Executive Director (Resigned 31 January 2019)

Mr James Ellingford – Non-Executive Chairman (Resigned 31 January 2019)

Mr Matthew Perrot – Non-Executive Director (Resigned 31 January 2019)

Company Secretary

Dr Dane Etheridge

Registered Office and Principal Place of Business

Ground Floor, 16 Ord Street

West Perth WA 6005

Auditors

Bentleys Audit and Corporate (WA) Pty Ltd

Level 3, 216 St Georges Terrace

Perth WA 6000

Share Registrars

Automatic Registry Services

Level 2, 267 St Georges Terrace

Perth WA 6000

Stock Exchange Listing

Australian Securities Exchange

Code: VIC, VICOA

Your Directors submit the financial report of Victory Mines Limited ('Company') and its wholly owned subsidiary Cobalt Prospecting Pty Ltd (100% owned) (together referred to hereafter as "the Consolidated Entity") for the period ended 31 December 2018.

In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

1. Directors

The names of the Directors who held office during or since the end of the period and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated:

David Sanders	Non-Executive Director (Appointed 31 January 2019)
Alec Pismiris	Non-Executive Director (Appointed 31 January 2019)
Rohan Dalziell	Non-Executive Director (Appointed 31 January 2019)

James Ellingford	Non-Executive Chairman (Resigned 31 January 2019)
Terence Clee	Executive Director (Resigned 31 January 2019)
Mathew Perrot	Non-Executive Director (Resigned 31 January 2019)

2. Results

The consolidated loss after tax for the half year ended 31 December 2018 attributable to equity holders of the parent was \$11,580,156 (2017: \$2,265,182).

3. Review of Operations

COBALT PROSPECTING

Since acquiring Cobalt Prospecting Pty Ltd, there has been a severe deterioration in the cobalt price, which has been partially reflected in the company's stock price. In this context, the Board has decided to be prudent and to fully impair the investment in Cobalt Prospecting Pty Ltd (note 4). Between 16 March 2018, when Victory Mines Ltd announced to the ASX that the deal was to be completed, and 31 December 2018, cobalt prices fell by approximately 39%. Due to the high fixed cost nature of the mining industry, the value of a resource is not a linear function of price. As such, the severe fall in commodity price can be expected to have had a disproportionately greater impact on the value of the Company's cobalt assets. The economic impact of the fall in Cobalt price has been reflected in the company's share price. Shares issued as consideration for Cobalt Prospecting were reported in the accounts at a fair value of \$0.02, the Company's current share price is \$0.003, a decrease of 85%.

Despite the deterioration in the cobalt market, the Board believes that the tenements acquired in this acquisition are highly prospective and looks forward to beginning an exploration program, as outlined below.

Husky and Malamute

The Company conducted community engagement and landholder liaison sessions in order to progress the inaugural drilling campaign in 2019, on key properties in the project areas. A drilling contractor was short-listed as the preferred party to the inaugural drilling campaign at the Malamute exploration areas. Site visits were made to liaise directly with the landholders, resulting in 16 land access agreements being negotiated to ensure the drilling program will progress smoothly with the full cooperation of the respective property owners.

The inaugural drilling program for the Malamute and Husky prospects has been designed for early confirmation of lateritic targets, with a staged progression to allow for expansion of the potential deposit and the potential discovery of a JORC (2012) compliant Mineral Resource.

Laverton (E38/3075)

The Company conducted a review of the geophysical data acquired and commenced research into determining a combination of drilling targets and areas for further work, including newer geophysical techniques that may be able to directly image zinc mineralisation. The Company has since decided to seek to divest the Laverton asset outright to maximise shareholder value.

Bonaparte Project (E80/4901 and E80/4965)

The Company undertook thorough desktop reviews of the Bonaparte project which included an analysis of the historical exploration and known geology. The outcome of this review was the formulation of an exploration drilling program for the Bonaparte project and the initiation of a search for a strategic investor to form a joint-venture to develop the Bonaparte project.

Galah Well E29/1023 and Peperill Hill E29/1024

The Company undertook a desktop review of aeromagnetic imagery and began planning for a drill program which is expected to commence shortly after the Galah Well tenement is granted.

Bolivia

The Company reviewed the Bolivian Tin project, developed an investor presentation, and established a data room. Discussions have commenced with an interested party for the disposal of the asset in Bolivia. The assets are currently under a care and maintenance program. Victory is working towards divesting the Bolivian Tin project to generate shareholder value.

Whilst the Bolivian Tin project has solid fundamentals, its geographic proximity to Australia, where Victory's six other projects are located, was the reason for the Company's strategic reorientation towards its Australian assets.

4. Corporate

At the end of the period the Consolidated Entity had \$77,579 in cash and the Company had the following securities on issue:

- 1,225,916,246 fully paid ordinary shares on issue;
- 600,000 unquoted options exercisable at \$0.05 on or before 25 November 2019;
- 1,100,000 unquoted options exercisable at \$0.05 on or before 27 November 2020; and
- 604,352,013 quoted options exercisable at \$0.02 on or before 28 December 2020.
- 142,857,143 performance shares expiring 15 January 2021.

5. Changes in State of Affairs

On 7 September 2018, the Company entered in to a trading halt and was ultimately suspended from official quotation on the ASX for the remainder of the period. The Company was re-admitted to official quotation on the 27 February 2019.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Consolidated Entity that occurred during the period under review not otherwise disclosed in this report or in the financial report.

6. Events Subsequent to Reporting Period

On 25 January 2019, Ms Aida Tabakovic resigned as Company Secretary of the Company. Dr Dane Etheridge was appointed as the new Company Secretary.

On 31 January 2019, Mr Terence Clee, Mr James Ellingford, and Mr Matthew Perrot each resigned as directors and were replaced by Mr Rohan Dalziell, Mr Alec Pismiris, and Mr David Sanders.

On 27 February 2019, the Company was reinstated to official quotation on the ASX.

On 27 February 2019, the Company announced it had received commitments for short term loan funding of \$200,000 that will convert to equity at a conversion price of 0.3 cents per share on lodgement by the Company of a Prospectus. At the date of this report, the Company has received \$150,000 of the \$200,000 in short term funding.

7. Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, Bentleys, to provide the Directors of the Group with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 6 and forms part of this Directors' Report for the period ended 31 December 2018.

This report is signed in accordance with a resolution of the Board of Directors, made pursuant to s306(3) of the Corporations Act 2001.



Alec Pismiris
Non-Executive Director

Dated this 15 March 2019

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AUDITOR'S INDEPENDENCE DECLARATION



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(WA) Pty Ltd
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Perth WA 6000

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To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit Partner for the review of the financial statements of Victory Mines Limited for the period ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- ▶ the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- ▶ any applicable code of professional conduct in relation to the review.

Yours faithfully


BENTLEYS
Chartered Accountants


MARK DELAURENTIS CA
Partner

Dated at Perth this 15th day of March 2019



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- ▶ Advisors
- ▶ Accountants
- ▶ Auditors

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**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

	Note	31 December 2018 \$	31 December 2017 \$
Revenue			
Interest revenue		1,155	17,086
Expenses			
Accounting and audit fees		(12,084)	(11,211)
Compliance fees		(37,221)	(36,994)
Directors remuneration		(224,150)	(212,800)
Consulting fees		(28,498)	(279,282)
Employee expenses		(9,514)	(20,193)
Finance costs		(1,649)	(1,132)
Promotion, marketing and public relations		(84,005)	(296,133)
Share based payments		-	(893,088)
Written off pre-acquisition costs		-	(302,573)
Other expenses	(3)	(128,741)	(228,862)
Impairment of exploration expenditure	(4)	(11,053,914)	-
Depreciation		(1,535)	-
Total Expenses		(11,580,156)	(2,265,182)
Loss before income tax expenses		(11,580,156)	(2,265,182)
Income tax expense		-	-
Loss after income tax for the half-year		(11,580,156)	(2,265,182)
Other comprehensive income for the half-year			
Other comprehensive income for the half-year, net of income tax		-	-
Total comprehensive loss for the half-year		(11,580,156)	(2,265,182)
Basic and Diluted Loss per share (cents per share)		(0.94)	(0.45)

The accompanying notes form part of this financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Consolidated 31 December 2018 \$	Consolidated 30 June 2018 \$
ASSETS			
Current Assets			
Cash and cash equivalents		77,579	818,553
Trade and other receivables		50,808	26,253
Other assets		21,142	15,972
Total Current Assets		149,529	860,778
Non-Current Assets			
Plant and equipment		7,513	5,019
Exploration and evaluation expenditure	(4)	1,342,364	12,218,338
Total Non-Current Assets		1,349,877	12,223,357
Total Assets		1,499,406	13,084,135
LIABILITIES			
Current Liabilities			
Trade and other payables	(5)	319,392	323,965
Total Current Liabilities		319,392	323,965
Total Liabilities		319,392	323,965
Net Assets		1,180,014	12,760,170
EQUITY			
Issued capital	(6)	20,283,761	20,283,761
Reserves	(7)	9,457,715	9,457,715
Accumulated losses		(28,561,462)	(16,981,306)
Equity attributable to the owners		1,180,014	12,760,170
Total Equity		1,180,014	12,760,170

The accompanying notes form part of this financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Non- controlling interest \$	Total Equity \$
Balance at 1 July 2017	15,122,728	509,733	(13,978,877)	(262,920)	1,390,664
Comprehensive income					
Loss for the period	-	-	(2,265,182)	-	(2,265,182)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period	-	-	(2,265,182)	-	(2,265,182)
Transaction with owners, in their capacity as owners, and other transfers					
Options Issued	-	-	-	-	-
Share based payment	-	786,988	-	-	786,988
Shares issued during the period (net of costs)	2,731,402	-	-	-	2,731,402
Balance at 31 December 2017	17,854,130	1,296,721	(16,244,059)	(262,920)	2,643,872
Balance at 1 July 2018	20,283,761	9,457,715	(16,981,306)	-	12,760,170
Comprehensive income					
Loss for the period	-	-	(11,580,156)	-	(11,580,156)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period	-	-	(11,580,156)	-	(11,580,156)
Transaction with owners, in their capacity as owners, and other transfers					
Options Issued	-	-	-	-	-
Share based payment	-	-	-	-	-
Shares issued during the period (net of costs)	-	-	-	-	-
Balance at 31 December 2018	20,283,761	9,457,715	(28,561,462)	-	1,180,014

The accompanying notes form part of this financial report.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

	Note	31 December 2018 \$	31 December 2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(500,093)	(1,054,861)
Payments for exploration and evaluation expenditures	4	(238,006)	(683,554)
Interest received		1,155	16,316
Net cash used in operating activities		(736,944)	(1,722,099)
CASH FLOWS FROM INVESTING ACTIVITIES			
Pre-acquisition exploration and evaluation costs		-	(202,573)
Purchase of Property, plant and equipment		(4,030)	(7,523)
Net cash used in investing activities		(4,030)	(210,096)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	2,200,000
Payment for cost of issue of securities		-	(262,998)
Net cash provided by financing activities		-	1,937,002
Net decrease in cash and cash equivalents		(740,974)	4,807
Cash and cash equivalents at the beginning of the half year		818,553	1,702,585
Cash and cash equivalents at the end of the half-year		77,579	1,707,392

The accompanying notes form part of this financial report.

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1. Basis of Preparation of Half Year Financial Report

(a) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

(b) Going Concern

The half year financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Consolidated Entity incurred a loss for the period ended 31 December 2018 of \$11,580,156 (2017: \$2,265,182) and net cash outflows from operating activities of \$736,944 (2017: \$1,722,099), and as at that date had a working capital deficiency of \$169,863 (June 2018: \$536,813). These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern.

The ability of the Consolidated Entity to continue as a going concern is principally dependent upon the ability of the Company successfully raising additional capital and managing cash flow in line with available funds. To that end, the Company announced on 27 February 2019 that it had received commitments for short term loan funding of \$200,000 that will convert to equity at a conversion price of 0.3 cents per share on lodgement by the Company of a Prospectus and that the Company would also undertake a Rights Issue to raise approximately \$1.2 million before costs. At the date of this report, the Company had received \$150,000 in deposits towards the short-term loan funding.

The directors have prepared a cash flow forecast, which indicates that the Consolidated Entity will have sufficient cash flows to meet all commitments and working capital requirements for the 12-month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Company's history of raising capital to date, the directors are confident of the Company's ability to raise additional funds as and when they are required.

Should the Company be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

(c) Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2018 annual financial report for the financial year ended 30 June 2018, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

In the current period, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current half-year.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to the Company's accounting policies.

(d) Comparative figures

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

(e) Application of new and revised Accounting Standards

New and revised AASBs affecting amounts reported an/or disclosures in the financial statements

In the half-year ended 31 December 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2018.

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* (2014) became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of financial statements. The Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and therefore no material change is necessary to Company's accounting policies.

Any new or amended standards and interpretations that are not yet mandatory have not been early adopted.

The financial report was authorised for issue on 15 March 2019 by the board of directors.

2. Financial Instruments

The Consolidated Entity's financial instruments consist of those which are measured at amortised cost including trade and other receivables and trade and other payables. The carrying amount of these financial assets and liabilities approximate their fair value.

3. Other expenses

	Consolidated 31 December 2018 \$	Consolidated 31 December 2017 \$
Corporate Advisory Services		
Insurance	8,998	770
Legal fees	56,161	12,470
Meeting & Conference expenses	-	774
Communication costs	5,665	18,197
Other expenses	6,917	65,509
Total Other expenses	128,741	228,862

4. Exploration and evaluation expenditure

	Consolidated 31 December 2018 \$	Consolidated 30 June 2018 \$
Costs carried forward in respect of Exploration and Evaluation Expenditure:		
Exploration at cost		
Balance at beginning of period	12,218,339	46,780
Costs capitalised during the period	177,039	809,810
Impairment of exploration expenditure*	(11,053,914)	(473,303)
Acquisition and fair value of Bonaparte tenements	-	904,500
Acquisition and fair value of Cobalt Prospecting Pty Ltd	-	10,930,551
Balance at end of period	1,342,364	12,218,338

* The Company assessed its exploration projects for impairment as at 31 December 2018 in accordance with AASB 6 *Exploration and Evaluation of Mineral Resources* and determined an impairment loss of \$11,053,914 (30 June 2018: \$473,303). The impairment relates predominantly to the carrying value of the acquisition of Cobalt Prospecting Pty Ltd which occurred in the year ended 30 June 2018. Since acquiring Cobalt Prospecting Pty Ltd, there has been a severe deterioration in the cobalt price, which has been partially reflected in the company's stock price. In this context, the Board has decided to be prudent and to fully impair the investment in Cobalt Prospecting Pty Ltd. Between 16 March 2018, when Victory Mines Ltd announced to the ASX that the deal was to be completed, and 31 December 2018, cobalt prices fell by approximately 39%. Due to the high fixed cost nature of the mining industry, the value of a resource is not a linear function of price. As such, the severe fall in commodity price can be expected to have had a disproportionately greater impact on the value of the Company's cobalt assets. The economic impact of the fall in Cobalt price has been reflected in the company's share price. Shares issued as consideration for Cobalt Prospecting were reported in the accounts at a fair value of \$0.02, the Company's current share price is \$0.003, a decrease of 85%.

Victory maintains its interest in the Australian projects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

5.	Trade and other payables	Consolidated 31 December 2018	Consolidated 30 June 2018
	Current	\$	\$
	Sundry payables and accrued expenses	319,392	323,965
	Total Trade and other payables	319,392	323,965

6.	Issued Capital	Consolidated 31 December 2018	Consolidated 30 June 2018
		\$	\$
	Opening contributed equity	20,283,761	15,122,728
	Shares issued during the year for cash	-	2,200,000
	Shares issued as consideration for acquisitions	-	2,740,000
	Share based payments for services rendered	-	553,300
	Share based payments to Directors	-	1,100
	Less: Share Issue Costs	-	(333,367)
	Closing contributed equity	20,283,761	20,283,761

(a) Issued Capital

	31 December 2018	30 June 2018
	Number	Number
On issue at 1 July	1,225,916,246	413,656,247
Shares issued during the year for cash	-	314,285,714
Shares issued as consideration for acquisitions	-	391,428,571
Share based payments for services rendered	-	105,945,714
Share based payments to Directors	-	600,000
Balance at end of the period	1,225,916,246	1,225,916,246

(b) Share options

At the end of the period, the following options over unissued ordinary shares were outstanding:

- 600,000 unquoted options expiring 25 November 2019 at an exercise price of \$0.05 each.
- 1,100,000 unquoted options expiring 27 November 2020 at an exercise price of \$0.05 each.
- 603,752,013 quoted options expiring 28 December 2020 at an exercise price of \$0.02 each.
- 46,668 unquoted options exercisable at \$0.45 expired on 30 November 2018.

No options have been exercised between the end of the period and the date of this report.

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(c) Earnings per share

	31 December 2018 Cents per share	31 December 2017 Cents per share
Basic and diluted loss per share	(0.94)	(0.45)

The loss and weighted average number of ordinary shares used in this calculation of basic and diluted loss per share are as follows:

	\$	\$
Loss	(11,580,156)	(2,265,182)
	Number	Number
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	1,225,916,246	507,091,941

As the Company is in a loss position the options outstanding at 31 December 2018 have no dilutive effects on the earnings per share calculation.

7. Reserves

	Consolidated 31 December 2018 \$	Consolidated 30 June 2018 \$
(a) Option Reserves		
Opening reserves	9,457,715	509,733
Fair value assessment - equity issued during the period	-	5,455,214
Fair value assessment - options issued during the period	-	1,605,916
Fair value assessment - performance shares issued during the period	-	2,000,000
Foreign Exchange Translation	-	(113,148)
Closing reserves	9,457,715	9,457,715

7. Reserves (continued)

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b) Performance Shares issued

Grant Date	Vesting Date	Expiration Date	Number of rights issued	Fair Value per Right at Grant Date
15 January 2018	Satisfaction of milestone	3 years from the issue date	142,857,143	\$0.02

Performance share value at grant date was determined using the performance milestone summarised in the table above. Each performance share will vest as one (1) Share (with one VICOA Option being issued for every two (2) Shares held) upon the announcement to the ASX by the Company that one 4m intersection with an average grade of 300ppm scandium (Sc) or 600ppm cobalt has been achieved from a drilling program on the tenements within three (3) years of their issue. The Board maintain the 70% likelihood of the milestone being achieved, consistent with that of 30 June 2018.

8. Subsequent Events

On 25 January 2019, Ms Aida Tabakovic resigned as Company Secretary of the Company. Dr Dane Etheridge was appointed as the new Company Secretary.

On 31 January 2019, Mr Terence Clee, Mr James Ellingford, and Mr Matthew Perrot each resigned as directors and were replaced by Mr Rohan Dalziell, Mr Alec Pismiris, and Mr David Sanders.

On 27 February 2019, the Company was reinstated to official quotation on the ASX.

On 27 February 2019, the Company announced it had received commitments for short term loan funding of \$200,000 that will convert to equity at a conversion price of 0.3 cents per share on lodgement by the Company of a Prospectus. At the date of this report, the Company has received \$150,000 of the \$200,000 in short term funding.

9. Commitments

Exploration commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the relevant authorities. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report.

	31 December 2018	30 June 2018
	\$	\$
Not Longer than 12 months	395,000	395,000
Between 12 months and 5 years	506,219	745,233
Over 5 years	-	100,000
	901,219	1,240,233

10. Contingent Assets and Liabilities

The directors are not aware of any changes to contingent assets or liabilities during the period.

11. Financial reporting by segments

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Consolidated Entity is managed on the basis of two geographical segments being Australia and Bolivia, and two business segments being mineral exploration and development and treasury.

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Consolidated Entity.

Inter-segment transactions

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Consolidated Entity as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Head office and other administrative expenditure

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

11. Financial reporting by segments (continued)

Period Ended 31 December 2018	Exploration Australia	Exploration South America	Treasury	Total
	\$	\$	\$	\$
Segment revenue	-	-	1,155	1,155
Segment results	(11,053,914)	-	-	(11,053,914)

Amounts not included in segment results but reviewed by Board:

Consulting, marketing & promotional fees	(174,507)
Directors' remuneration	(224,150)
Share based payments	-
Other expenses	(128,740)

Loss before income tax **(11,580,156)**

Period Ended 31 December 2017	Exploration Australia	Exploration South America	Treasury	Total
	\$	\$	\$	\$
Segment revenue	-	-	17,086	17,086
Segment results	(303,269)	-	-	(303,269)

Amounts not included in segment results but reviewed by Board:

Compliance fees	(575,415)
Directors' remuneration	(212,800)
Share based payments	(893,088)
Other expenses	(297,696)

Loss before income tax **(2,265,182)**

11. Financial reporting by segments (continued)

Segment assets and liabilities

As at 31 December 2018	Exploration Australia \$	Exploration South America \$	Treasury \$	Total Operations \$
Segment assets				
- Cash and cash equivalents	-	-	77,579	77,579
- Exploration expenditure	1,342,364	-	-	1,342,364
<i>Reconciliation of segment assets to total assets</i>				
Trade and other receivables				50,808
Plant and equipment				7,513
Other assets				21,142
Total assets				1,499,406
Segment liabilities				
<i>Reconciliation of segment liabilities to total liabilities</i>				
Trade and other payables	-	-	(319,332)	(319,332)
Total liabilities				(319,332)
30 June 2018	Exploration Australia \$	Exploration South America \$	Treasury \$	Total Operations \$
Segment assets				
- Cash and cash equivalents	-	-	818,553	818,553
- Exploration expenditure	12,218,338	-	-	12,218,338
<i>Reconciliation of segment assets to total assets</i>				
Trade and other receivables				26,253
Other assets				20,991
Total assets				13,084,135
Segment liabilities				
<i>Reconciliation of segment liabilities to total liabilities</i>				
Trade and other payables	-	-	(323,965)	(323,965)
Total liabilities				(323,965)

12. Interests in controlled entities

The consolidated financial statements incorporate the assets, liabilities and the results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Country of incorporation	Class of share	Equity holding	
			31 December 2018	30 June 2018
Cobalt Prospecting Pty Ltd	Australia	Ordinary	100%	100%
Andean Tin Mining S.R.L.	Bolivia	Ordinary	-(1)	99%

(1) On 18 September 2018, Company de-registered its 99% owned subsidiary in Bolivia, Andean Tin Mining S.R.L.

13. Transactions with related parties

Matt Perrot Consultant Geologist, a company which former Director Matt Perrot is director and shareholder, was paid \$770 for geological services rendered during the period. In the corresponding period last year there were no payments to Matt Perrot Consulting Geologist.

EverBlu Capital Pty Ltd charged the company \$116,950 for advisory and lead manager services during the period. In December 2018 ASX advised the Company that in its opinion EverBlu Capital Pty Ltd was a party whose relationship with the Company was such that the Company could not issue securities to that party without shareholder approval. EverBlu Capital Pty Ltd's mandate was terminated on 18 January 2019 and EverBlu Capital Pty Ltd has no ongoing relationship with the Company. In the corresponding period last year, EverBlu Capital Pty Ltd charged the company a total of \$255,598 for advisory and lead manager services \$85,800, capital raising fees \$138,600 and research report writing including other reimbursement costs of \$11,948.

During the period, two directors received payment for consulting services, payments outside of their engagement as directors. James Ellingford was paid \$58,150 plus \$5,524 in superannuation. He was also paid \$5,058 in reimbursements made to him. In the corresponding period last year, Mr Ellingford was paid \$32,800 for consulting services. Terence Clee was paid \$61,000 for consulting services relating to the Malamute and Husky projects, new project scoping, the Bolivia project and closure, and various other duties. In the corresponding period last year, Mr Clee was paid \$49,000 for consulting services.

DIRECTORS' DECLARATION

In the opinion of the directors of Victory Mines Limited ("the Consolidated Entity"):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its performance for the half year then ended.
2. There are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s305(5) of the Corporations Act 2001.



Alec Pismiris
Non-Executive Director

Dated this 15 March 2019



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Independent Auditor's Review Report

To the Members of Victory Mines Limited

We have reviewed the accompanying financial report of Victory Mines Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the period.

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 control as the directors determine 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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- ▶ Advisors
- ▶ Accountants
- ▶ Auditors

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Independent Auditor's Review Report
To the Members of Victory Mines Limited (Continued)



Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Victory Mines Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its performance for the period ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$11,580,156 during the half year ended 31 December 2018. As stated in Note 1(b), these events or conditions, along with other matters as set forth in Note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

BENTLEYS
Chartered Accountants

MARK DELAURENTIS CA
Partner

Dated at Perth this 15th day of March 2019

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