

# ASX ANNOUNCEMENT

Date: 24 April 2014



## QUARTERLY REPORT MARCH 2014

### Highlights

- **Victory Mines to acquire Bolivian focused tin project development company South American Tin Limited**
- **Geochemical soil sampling programme completed at Laverton project with anomalies for gold, nickel and copper identified.**

**Victory Mines Limited (ASX: VIC – “Victory” or “the Company”)** is pleased to present the Quarterly Report for the period ending 31 March 2014

### South American Tin Bolivia

On 5 March 2014 Victory announced that it had entered into an agreement with unlisted Australian public company South American Tin Limited (“SAT”) whereby Victory will acquire 100% of SAT in exchange for 1,000,000,000 Victory shares being issued to SAT’s shareholders. These shares will be held in escrow (as determined by ASX).

Features of the agreement include:

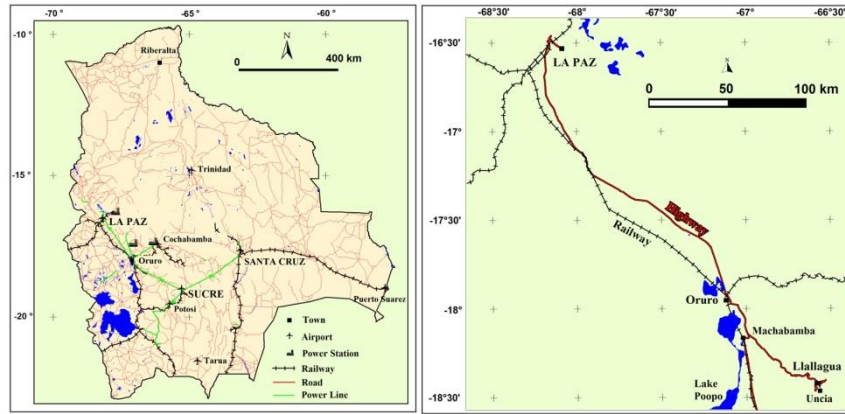
- South American Tin (“SAT”) holds seven contracts over some of the world’s largest under-developed hard rock and tailings tin projects located at Siglo XX and Catavi in Bolivia
- The Siglo XX Mine has a historic production estimate of >1Mt of tin metal over a +100 year life
- Low cost start-up – near term cash flow opportunity through small-scale processing facility planned for first project to produce tin/zinc/silver concentrates
- South American Tin aims to replicate small-scale processing plants at multiple sites
- Turnkey operation in Bolivia staffed with an experienced mining, social and exploration team
- Over \$2 million invested to-date by South American Tin
- Strong community and political connections in Bolivia – a well-regarded operator. SAT has taken a strategic decision to work exclusively with Mining Cooperatives, a very powerful political movement in Bolivia
- Tin one of the best performing metals in 2013/14 – currently trading ~US\$23,000/t with forecast of US\$26,000/t in 2014 and \$US30,000/t in 2015 according to Barclays
- All scrip transaction – Victory Mines (“VIC”) to issue 1,000,000,000 new shares to SAT shareholders.

SAT owns 80% of a local Bolivian entity that holds contracts over seven large-scale tin hard rock, tailings and alluvial tin projects located in the North of Potosi region of Bolivia (see **Figure 1**). Historically Bolivia has been one of the world’s main tin producing countries. It is currently the world’s No 4 tin producer.

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**Figure 1 - Project Location Maps (Maps Courtesy of David Jones)**

SAT has been working since 2011 to secure tenure over a portfolio of tin projects including:

- A near-term development project through small-scale mining and processing operations working with the Juan del Valle Mining Cooperative at its tin/zinc/silver hard rock underground mine. This project will also see the mining and treatment of surface stockpiles and old tailings. It has been identified as SAT's first project and has considerable local community support;
- Develop the world's largest tin tailings processing operation from three tailings dumps. One project is already contracted to SAT, El Kenko, again with a local Mining Cooperative. This project has a small inferred tin resource estimated in 2005 that is compliant with the Canadian NI43-101 reporting requirements. SAT's work, which includes some drilling, is aiming to upgrade this resource so that it is compliant with the 2013 JORC Code;
- The opportunity to redevelop what was one of the world's largest hard rock tin deposits, the Siglo XX Mine, ("Siglo XX" means the "Twentieth Century" in Spanish). Contracts have been signed with the Dolores, Siglo XX and XX de Octubre Mining Cooperatives that have exclusive contractual rights to the old mine from COMIBOL, Bolivia's State mining company. The mine is located between the small cities of Lllallagua and Uncia. Two of the tailings stockpiles are located at Catavi; 10 minutes from Lllallagua (see **Figure 2** which shows the individual project elements).
- The Siglo XX Mine orebody is a tin-porphyry with a diameter of approximately 1,000 metres. The porphyry is part of a hill that has been worked to a depth of approximately 800 metres below the peak. Mineralisation in the porphyry is predominantly cassiterite, the principal tin-bearing mineral. The Juan del Valle Mining Cooperative area is located in the sediments surrounding the porphyry. The mineralisation in the sediments differs to the porphyry. It consists of tin plus zinc, silver, lead, antimony and other metals. (See **Figure 3** which shows old workings at the top of the Siglo XX Mine and **Figure 4** which shows a north-south long section through the Siglo XX Mine).
- Multiple additional alluvial (Rio Andavillque and Rio Centenario) and hard rock (Pucro) projects that have small-scale and large-scale development potential.

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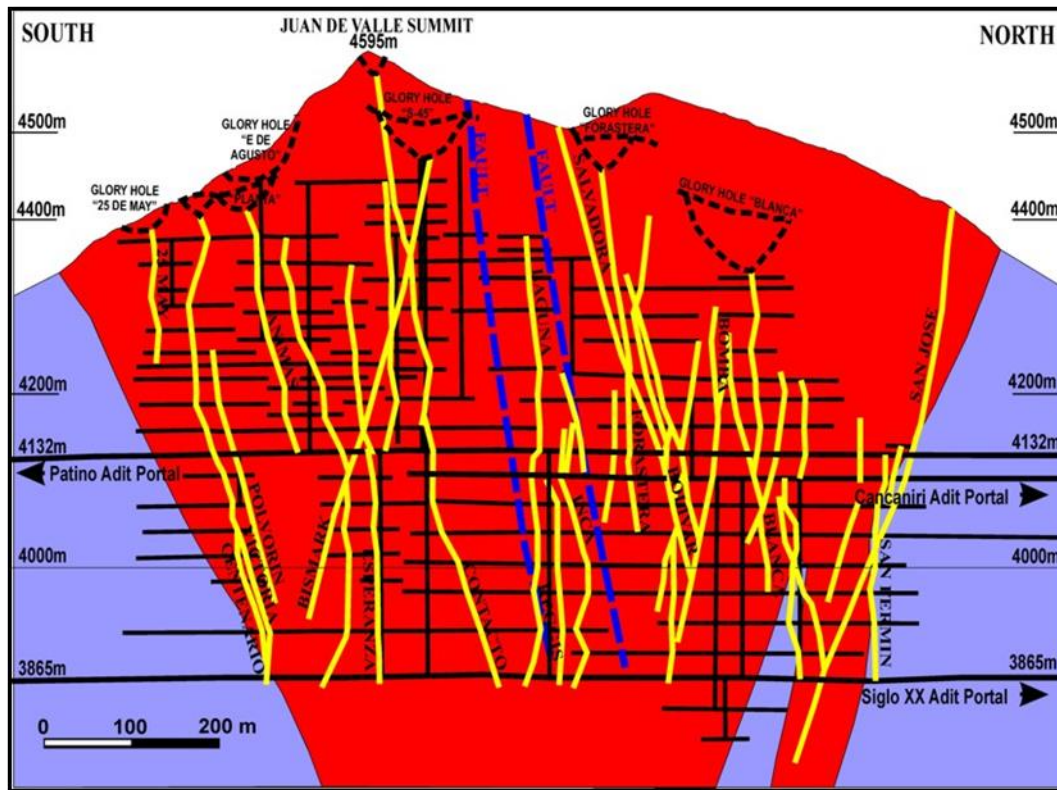
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**Figure 2 - Specific Projects Contracted to SAT**



**Figure 3 – A Large Glory Hole in the Porphyry at the Top of the Siglo XX Mine, with Members of the Juan del Valle Mining Cooperative**



**Figure 4 - North-South Long Section from the Siglo XX Mine (Courtesy of David Jones)**

SAT's projects are supported by excellent infrastructure including sealed roads, power, water, available workforce and near-by tin smelting operations.

In April 2012, respected Australian geologist, Mr David Jones, finalised an Independent Geologist's Report after visiting SAT's projects in 2011 and valued SAT's 80%-share at AUD\$53 million. Since this report was completed, SAT has improved its technical understanding of the various projects, which presents further potential upside value.

SAT has invested considerably in Bolivia to ensure that it has the support of local communities that are undertaking small-scale mining at its projects. All are supportive of SAT. SAT has a team of 20 staff and contractors in Bolivia covering technical, social/health and administration areas with more than half of these from the Catavi/Llallagua/Uncia area. SAT is also working closely with FENCOMIN, Bolivia's peak Mining Cooperative body, the Mining Cooperative Federation of the North of Potosi, which is affiliated with FENCOMIN, and with the Vice Minister for Mining Cooperatives. The Company has excellent political and government connections which have been established over 8+ years by SAT's in-country Managing Director.

To-date SAT has invested over \$2 million securing and advancing its projects in Bolivia with a small drilling programme, underground and surface channel sampling and mapping, pilot plant metallurgical test work for two tailings projects and having the first phase of an environmental licence study completed. (See **Figure 5** which shows SAT's contract drill rig at El Kenko).

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**Figure 5 – Setting Up the Drill at El Kenko. The Light-Coloured Areas at the Top of the Hill to the Right of the Drill are Old Workings at the Siglo XX Mine**

Victory’s Non-Executive Chairman Dr James Ellingford commented: “The Board has reviewed a number of opportunities to expand Victory’s portfolio beyond Western Australia and we have concluded that the opportunity presented by SAT was the most compelling and represents a far superior opportunity for our shareholders.

“In the current investment climate for the junior resources sector, we are attracted to SAT’s strategy of developing small-scale ore processing operations, which if successful, can generate cash flows which will underpin the Company’s future growth and give SAT the flexibility to re-develop tin projects that may rank among the largest in the world.

“The Board is also encouraged by SAT’s local community and government links and social expertise which we recognise are essential to operating successfully in Bolivia. The fact that the company is led by an experienced Australian mining engineer who has been working in Bolivia for eight years, and is supported by an experienced local team, gives us further confidence.

“We also remain committed to the exploration of our Western Australian asset portfolio and we are assessing opportunities for them.”

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SAT's Managing Director Mr John Kelly, who will be nominated to join the Board of Victory at the completion of the transaction, added: "This is a great opportunity for SAT and Victory. We are confident that we can add considerable value to our World Class portfolio of projects and position Victory as a world-leading tin company.

"Our immediate objective is to work constructively with Victory's team to conclude this transaction then focus on advancing our small-scale mining and processing opportunity so that we reach the cash generation phase as quickly as possible. Further metallurgical test work and exploration work will be undertaken in the Juan del Valle area in the coming months. SAT has also been in negotiations with other parties regarding potential debt financing for its small-scale processing plants in Bolivia, and the Company will continue to advance these negotiations whilst we work to conclude this transaction with Victory.

"SAT is very focused on maintaining an active political/community/social programme which is crucial for operating successfully in Bolivia and gaining the necessary support for mining project development. The development of good local and national relationships is a crucial mitigating factor to any risk and SAT puts a priority on this work.

"Foreign mining companies that are successful in Bolivia have committed social, community and political engagement programmes. The biggest of these, Sumitomo of Japan, spent US\$300M on capital at its giant San Cristobal Mine in 2013, a clear sign of Sumitomo's confidence in Bolivia. Coeur Mining Inc. is another successful operator in Bolivia having previously invested US\$240 million to construct a large silver mine. SAT is confident it has the right team and strategy to achieve similar success as it advances its projects in Bolivia."

This transaction has been approved by the ASX and is subject to the completion of satisfactory due diligence by both parties, and shareholder approval by Victory. A Notice of Meeting is expected to be sent to Victory shareholders in the coming weeks.

### **Laverton Project, Western Australia**

During the quarter the analytical results for the auger geochemical survey the Laverton Project (E38/2374) were received.

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**Figure 6 – Laverton Project Location**

At the Laverton project, some 20km north of Laverton in the eastern Goldfields, the auger geochemical survey consisted of 1,239 samples collected every 50 metres on lines spaced 400 metres apart. The sampling covered major structural features as well as associated splays which were defined from an aerial magnetic and radiometric survey which was flown in 2012.

The auger samples (which were approx. 1kg in size) were sent to ALS Laboratories where they were fine ground so that 95% of the sample was <75 micron. The pulps were then subject to analysis by a Niton XL3t XRF analyser. The device was calibrated in “soil” mode. The anomalous copper and nickel areas (as shown in Figures 3 and 4) were defined by concentrations detected by the Niton XRF device.

The pulps were then analysed by ALS for gold using their method Au TL43, which is a method using Aqua Regia digest followed by ICP MS finish using a 25 g sample. The gold anomalous areas (Figure 2) relied on results using this analytical method.

All anomalies were defined using the 95<sup>th</sup> percentile (i.e. the top 5% of the results).

The gold anomalies are shown as Figure 2 with the underlying geology shown. The most northern anomaly is open along strike and across strike. The other 2 anomalous regions are up to 1km in length.

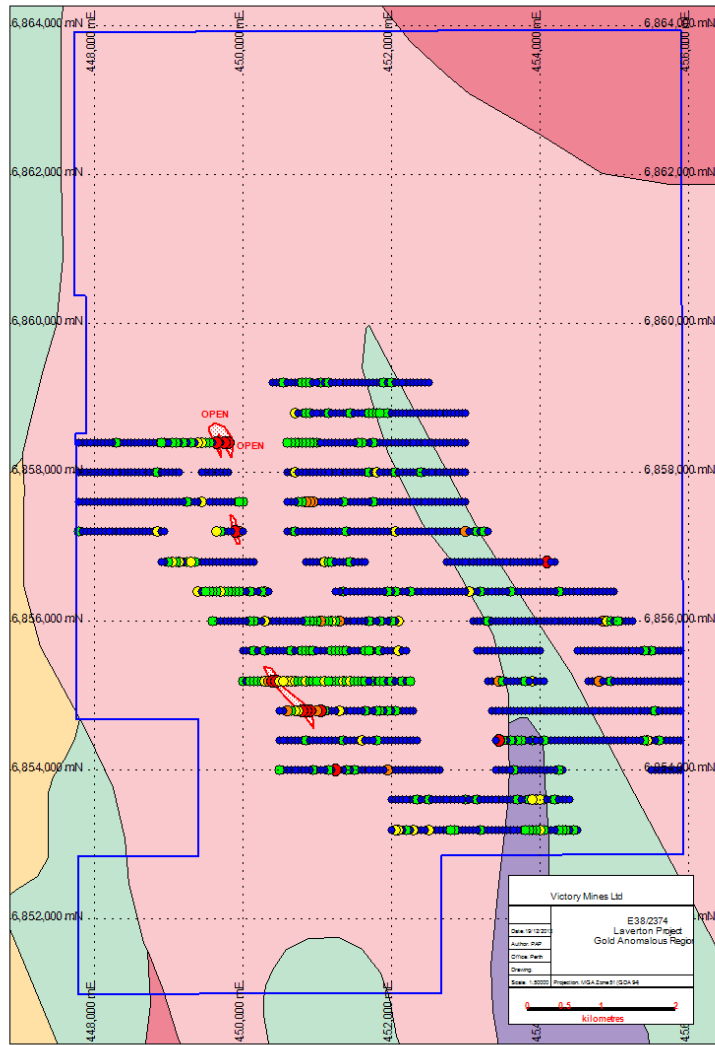
The nickel anomalies are shown as Figure 3, draped over the underlying geology. There is a large anomaly defined in the south of the tenement, but this may simply reflect the underlying geology, which consists of ultramafics (mauve colour) where elevated nickel values are to be expected. The other anomalies to the west and to the north are significant as they are not underlain by ultramafic lithologies.

The copper anomalies are shown as Figure 4, with the largest anomaly being over mafic (pale green) and the ultramafics where elevated copper values can be expected. However the other anomalous regions are significant as they too are not underlain by the mafic/ultramafic rock types.

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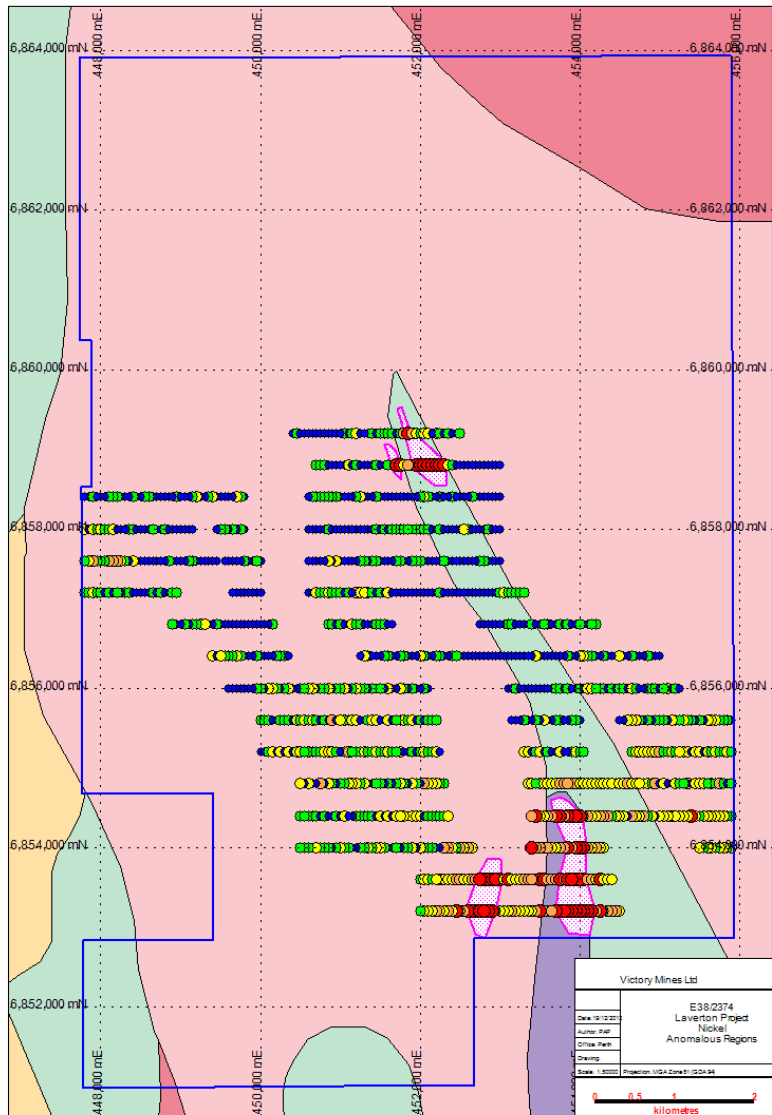
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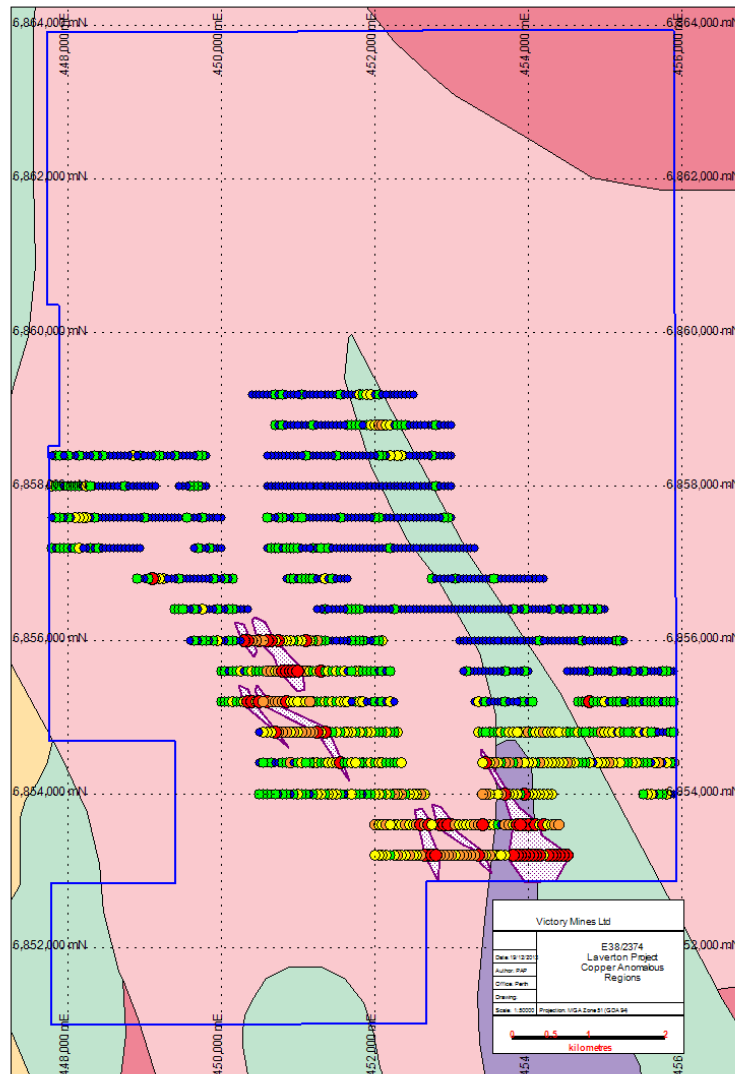


**Figure 7 – Gold Anomalous Regions**





**Figure 8 – Nickel Anomalous Regions**



**Figure 9 – Copper Anomalous Regions**

The full disclosure was originally reported in an ASX announcement dated 2 January 2014 (Revised Exploration Update). The reader should refer to this announcement for full JORC Compliance Table information.

The results from the auger programme are very encouraging and the Company is very much looking forward to conducting further exploration. Having anomalies in respect to gold, nickel and copper is viewed as being significant in a tenement that is very much “under-explored”.

The Laverton project is joint venture of which Victory is the manager and operator and in which Victory owns 70% of the project.

Planned follow up work will be to expand the auger geochemical programme to

1. Infill the areas already defined on a closer spaced pattern to more clearly define the anomalies

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2. Extend the auger programme to areas that have not yet been sampled to assist in define further areas of interest.

### **Jungle Well Project, Western Australia**

At Jungle Well (E29/679) no field work was conducted, but an infill auger geochemical programme is being planned for the next quarter.

### **Station Bore Project, Western Australia**

At the Company's Station Bore project (E69/2872) no field work was conducted during the quarter due to very heavy rain in the region in December and January but will undergo planned exploration during the next quarter. This will take the form of an ground scintillometer survey to explore the uranium anomalies defined earlier as well as an auger geochemical sampling programme to cover the entire licence.

The Company presents the following information in line with ASX Listing Rule 5.3.3

| Location     | Tenement No | Interest Held at 31 December 2013 | Interest Acquired /disposed of | Interest Held at 30 March 2014 |
|--------------|-------------|-----------------------------------|--------------------------------|--------------------------------|
| Jungle Well  | E29/679     | 70%                               | N/A                            | 70%                            |
| Laverton     | E38/2374    | 70%                               | N/A                            | 70%                            |
| Station Bore | E69/2872    | 70%                               | N/A                            | 70%                            |

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Peter Peebles who is a Member of The Australasian Institute of Mining and Metallurgy and a Member of the AIG. Mr Peebles is employed by Darlington Geological Services Pty Ltd and is also the Technical Director of Victory Mines Ltd. Mr Peebles has sufficient experience which is 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Peebles consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

### **About Victory Mines Limited**

Victory Mines Limited is a Perth-based exploration company with a portfolio of copper, base metals, rare earth elements, uranium, gold and platinum group element prospects throughout Western Australia. The company listed on the ASX in October 2012 and is seeking to maximise shareholder wealth through the successful exploration of its prospects.

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