



VICTORY METALS LIMITED

(FORMERLY VICTORY GOLDFIELDS LIMITED)

ABN 12 124 279 750

FINANCIAL REPORT

HALF YEAR ENDED 31 DECEMBER 2022

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by Victory Metals Limited (formerly Victory Goldfields Limited) during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Directors' Report

Your directors present their report on the Group consisting of Victory Metals Limited (formerly Victory Goldfields Limited) (the 'Company') and controlled entities at the end of, or during, the period under review from 1 July 2022 to 31 December 2022.

Directors

The following persons were directors of the Company during the period under review and up to the date of this report:

Mr Trevor Matthews Non-Executive Chairman
Mr Brendan Clark Executive Director
Mr James Bahen Non-Executive Director & Joint Company Secretary

Operating Results

The Company has incurred a net loss after tax for the half-year ended 31 December 2022 of \$538,762 (2021: \$3,295,564).

Principal activities

Victory Metals Limited is an exploration company focused on the exploration and development of its Rare Earth Element (REE) and Scandium discovery in the Cue region. These assets are located in the Midwest Region of Western Australia, approximately 665km from Perth. Victory's Ionic clay REE discovery is rapidly evolving with the system demonstrating high ratios of Heavy Rare Earth Oxides and Critical Magnet Metals NdPr + DyTb.

REVIEW OF OPERATIONS

North Stanmore Rare Earth Element Project

The North Stanmore project is situated approximately 10km North from the town of Cue, Western Australia and is bordered to the East by the Great Northern Highway.

Victory has continued to progress with its exploration activities through harsh climatic conditions on time and within budget. Victory has completed a combined AC/RC drilling program of approximately 20,000m at the North Stanmore project (figure 1). Fusion ICPMS assays continue to demonstrate REE mineralisation (>500ppm total REYO) present in the majority of the drill holes with very significant contents of the valuable heavy rare earths Dysprosium and Terbium (DyTb) as well as Scandium.

Upon receiving significantly elevated pXRF analyses from RC hole NSTRC071, the Company expedited samples to the laboratory for analysis with the initial RC assays returned including 1m at 1.08% (10,829ppm) TREO from 39m. The Company has completed over 3,000m of RC drilling for inclusion in a maiden JORC (2012) mineral resource estimate, with assays pending.

Subsequent to the reporting period, the Company received final assay results from the air core (AC) drill program. Final assay results have extended the Total Rare Earth Oxides (TREO) area to 34km² with mineralisation open in all directions.

The average grade from an impressive data set of 1m samples across 192 holes received by the Company (cut-off greater than 500ppm TREO) across the mineralised area is 992ppm TREO with a valuable Heavy Rare Earth Oxide (HREO) ratio of 34% and a very valuable NdPr + DyTb ratio of 24.02% of TREO.

Assays from the latest AC drilling program are now 100% reported with the recent RC drilling program anticipated to be reported in late April 2023 with the data to be incorporated into the mineral resource estimate (JORC 2012). Notable intersections from North Stanmore included:

- **32m at 1047ppm** TREO from 36m (NSTAC004) including,
 - **12m at 2038ppm** TREO, and
 - **8m at 2467ppm** TREO
- **16m at 2155ppm** TREO from 21m (NSTAC032) including,
 - **6m at 4683ppm** TREO, and
 - **2m at 9681ppm** TREO

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- 12m at 1316ppm TREO from 24m (MAFAC019)
- 11m at 958ppm TREO from 17m (NSTAC097)
- 10m at 1490ppm TREO from 32m (NSTAC181)
 - 5m at 2130ppm TREO
- 10m at 1012ppm TREO from 29m (NSTAC028)
- 10m at 1130ppm TREO from 28m (NSTAC170)
- 10m at 1658ppm TREO from 32m (NSTRC071) including,
 - 1m at 1.08% TREO
- 9m at 1151ppm TREO from 21m (NSTAC098)
- 7m at 1381ppm TREO from 49m (NSE012)
- 6m at 1203ppm TREO from 27m (NSTAC320)
- 5m at 2050ppm TREO from 51m (NSTAC131)
- 2m at 3976ppm TREO from 52m(NSE013)

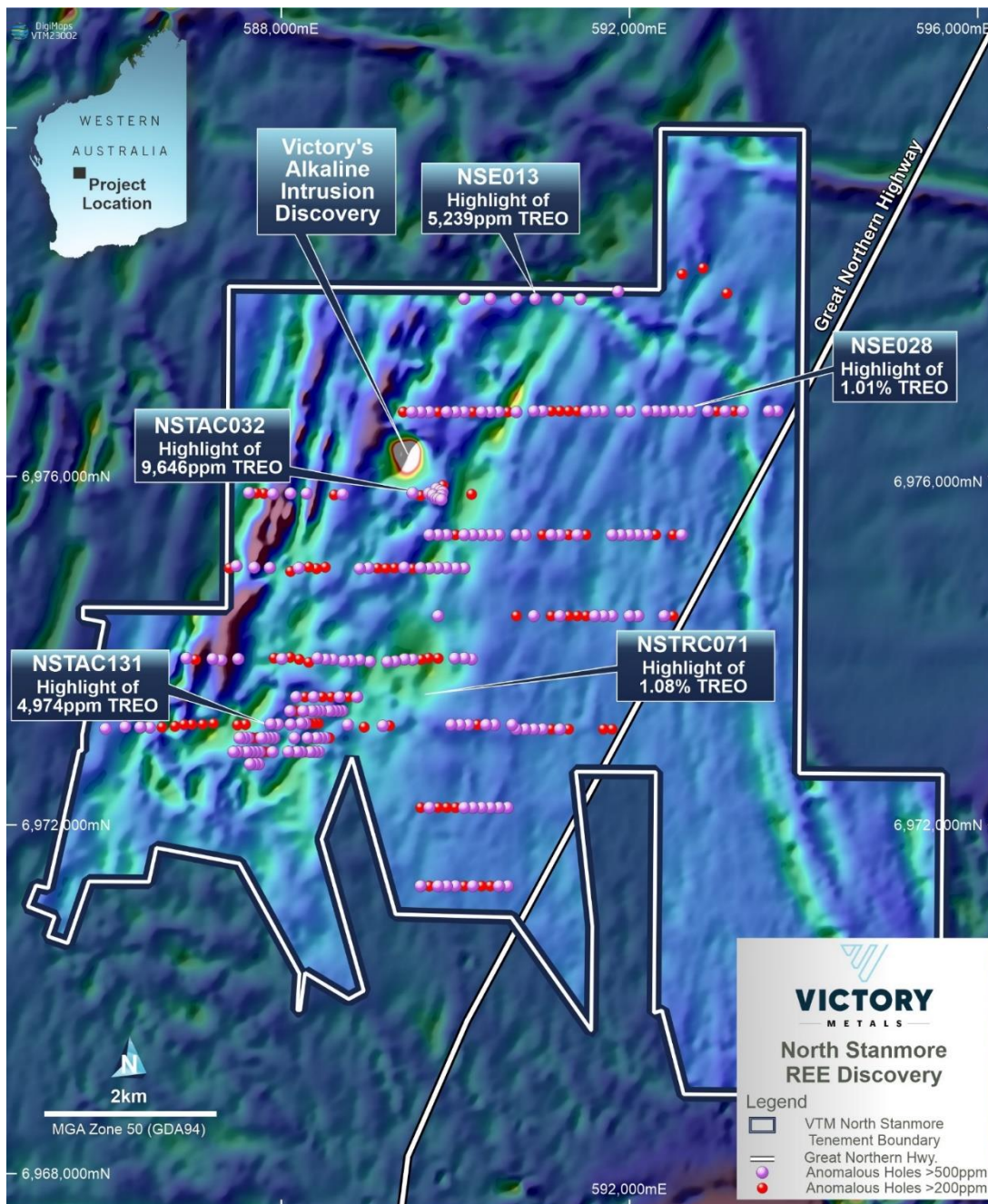


Figure 1 - Victory Metals map showing the location of the AC drill holes with anomalous rare earth elements >200ppm and the wide distribution of highlighted assays.

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The Company recently announced an additional part of the North Stanmore discovery that identified high grade rare earth mineralisation at depth in the bedrock (saprock) below the clay component of the system totaling 1.01% (10,100ppm) Total Rare Earth Oxides (TREO) with a significant Heavy Rare Earth Oxide (HREO) to TREO ratio of 79%.

Diamond Drilling at Alkaline Intrusion

Victory announced positive results for combined magnetic and gravity survey data and undertook a follow up diamond drilling program at the Company's alkaline intrusion prospect.

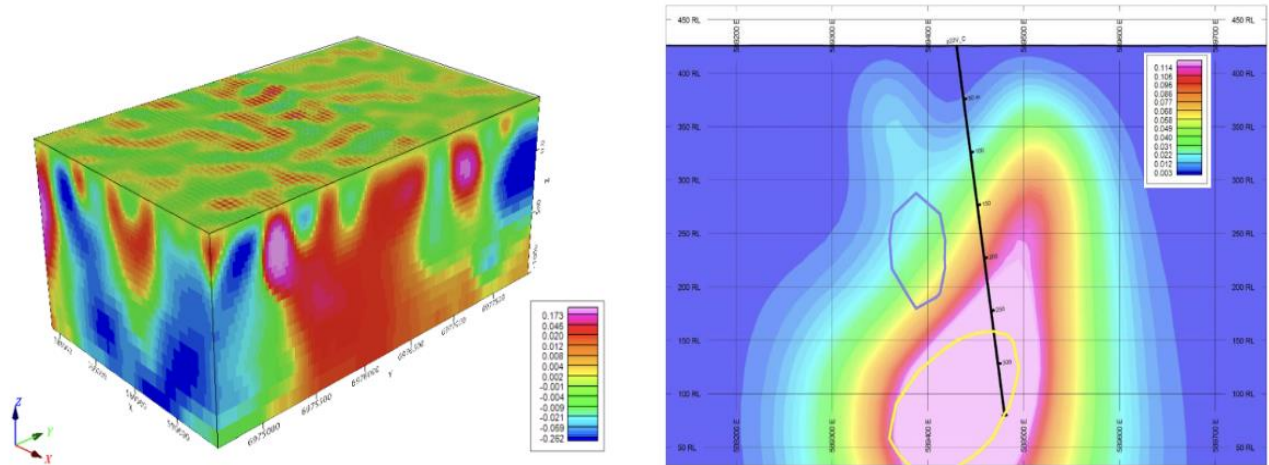


Figure 2 - Image 1 showing 3D Inversion at North Stanmore & Image 2 showing one of three proposed drill hole locations proposed to intercept a deeper section of the susceptibility inversion.

Victory's technical team believe that the Company's ionic clay rare earth discovery is likely to be related to the alkaline intrusion as geochemical data from the initial diamond hole has confirmed similar ratios of HREE/TREE as that found in recent drilling of the North Stanmore project. In addition, both systems have similar elevated Niobium/Tantalum (Nb/Ta) ratios typical of mantle plume magmas.

To assess the extent of country rock alteration adjacent to the intrusion, angled drill holes are planned to recover samples of the fenite that are altered rocks occurring adjacent to alkaline intrusions which commonly also host REE and critical metal mineralisation.

Ground gravity and low flying aerial magnetic data was supplied to Southern Geoscience Consultants (SGS) for processing, image generation and 3D inversion.

Further interpretation and review of the low flying aerial magnetic and gravity survey data over Victory's substantial tenement package in the Cue region of Western Australia is ongoing to identify further exploration prospects.

Tenement Acquisitions

During the Period, the Company expanded its land holding footprint surrounding the Company's REE discovery at North Stanmore by entering into several separate agreements to acquire Tenements E20/1016, E51/1939, E51/2102, P20/2402 and P20/2403.

Processing Plant

Victory commenced due diligence investigations for the acquisition of a former gold CIP/CIL processing plant (Plant) situated approximately 4km west of Cue. The Plant includes a crushing circuit, tailings storage facility (TSF), accommodation, storage and outbuildings along with a former CIP/CIL processing plant that has been in care and maintenance.

Victory's due diligence investigations were focused on timeframes around the construction of a processing plant and TSF, environmental approvals already in place, stakeholder and community engagement and cash flow saving benefits with owning accommodation and storage facilities over the remaining rental period.

Following a period of due diligence, the Company exercised its option to acquire the processing plant and surrounding infrastructure.



Figure 3 - Former gold CIP/CIL processing plant and TSF in the background

Competent Person Statement

The historical exploration activities and results contained in this report is based on information compiled by Michael Busbridge, a Member of the Australian Institute of Geoscientists and a Member of the Society of Economic Geologists. He is a consultant to Victory Goldfields Pty Ltd. He has sufficient experience which is relevant to the style of mineralisation and types of deposits 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 (the JORC Code). Michael Busbridge has consented to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Statements contained in this report relating to Rare Earth exploration results, scientific evaluation, and potential, are based on information evaluated by Professor Ken Collerson. Professor Collerson (PhD) Principal of KDC Consulting, and a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM), is a geochemist/geologist with sufficient relevant experience in relation to rare earth element and critical metal mineralisation being reported on, to qualify as a Competent Person as defined in the Australian Code for Reporting of Identified Mineral resources and Ore reserves (JORC Code 2012). Professor Collerson consents to the use of this information in this report in the form and context in which it appears.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements in relation to the exploration results. The Company confirms that the form and context in which the competent persons findings have not been materially modified from the original announcement.

Capital Raise

The Company completed a Placement to raise \$2,000,000 (before costs) from professional and sophisticated investors through the issue of 10,000,000 fully paid ordinary shares at \$0.20 per share plus 5,000,000 unlisted options with an exercise price of \$0.30 and a maturity date 24 months from the date of issue (with each investor to receive one option for every two shares subscribed for under the Placement).

Annual General Meeting

All resolutions were passed by deed poll at a general meeting of Victory shareholders held on 9 November 2022.

Changes in the state of affairs

Change of Company Name

The Company formally changed its name from 'Victory Goldfields' to 'Victory Metals' following Shareholder approval. The name change was completed by the Australian Securities and Investment Commission and took effect on the ASX from commencement of trading on Thursday, 24 November 2022, at which time the ASX code migrated to VTM.

ASX ANNOUNCEMENTS

This Report contains information extracted from ASX market announcements reported in accordance with the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (2012 JORC Code). Further details (including 2012 JORC Code reporting tables where applicable) of exploration results referred to in this Interim Report can be found in the following announcements lodged on the ASX:

13/03/2023	34Km ² Rare Earth Element Footprint Confirmed
27/02/2023	High Grade REEs in Basement Rock below Clay Hosted REE
13/02/2023	1.08% High Grade TREO Assay from recent RC Drilling
16/01/2023	High Grade Rare Earth Extension confirmed by Assays
20/12/2022	Latest Assays Strengthen Victory's REE Discovery
23/11/2022	Change of Company Name
22/11/2022	Positive P-XRF Observations in Current Drilling
17/11/2022	Follow up Drilling to Commence at the Alkaline Intrusion
15/11/2022	Assays Confirm High Grade Ionic Clay REE Extension
11/10/2022	North Stanmore Exploration and Drilling Update
21/09/2022	Strong Demand for Placement to Advance REE Exploration
19/09/2022	Rare Earth System Emerging 3km From Existing Discovery
13/09/2022	9,000m Aircore Drilling Program to Commence
06/09/2022	Widespread Rare Earth Element System Confirmed
31/08/2022	Strategic Tenement Adjoining REE Discovery
10/08/2022	Major Alkaline Igneous Complex Discovered
20/07/2022	High Value Critical Rare Earth Element Discovery
05/07/2022	Significant Gold & Yttrium Anomalies Identified

Events After the Reporting Date

The Company issued 1,300,000 ordinary shares as part of the acquisition for the gold processing plant.

Other than the above, no other matter of circumstance has arisen since the reporting date that has significantly affected the Consolidated entity's operations, results or state of affairs.

Auditor's Independence Declaration

In accordance with the Audit Independence requirements of the *Corporations Act 2001*, the Directors have received and are satisfied with the "Audit Independence Declaration" provided by the Company's external auditors BDO Audit Pty Ltd. The Audit Independence Declaration is attached to this financial report.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

For and on behalf of the Directors



Trevor Matthews
Non-Executive Chairman
Perth, 14 March 2023

Auditor's Independence Declaration



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DECLARATION OF INDEPENDENCE BY L G MYLONAS TO THE DIRECTORS OF VICTORY METALS LIMITED

As lead auditor for the review of Victory Metals Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Victory Metals Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'L G Mylonas', is written over a horizontal line.

L G Mylonas
Director

BDO Audit Pty Ltd

Brisbane, 14 March 2023

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

		Consolidated 31 Dec 2022	Consolidated 31 Dec 2021
Revenue			
Interest Income		6,135	-
Expenses			
General and administrative expenses	4	(333,640)	(271,650)
Amortisation and depreciation expenses		(157,359)	(29,033)
Listing expense recognised on acquisition		-	(2,629,780)
Share-based payment expense	10	(30,366)	(232,176)
Finance expense		-	(9,847)
Other expense		(23,532)	(123,078)
Loss before income tax		(538,762)	(3,295,564)
Income tax (expense)/benefit		-	-
Loss from continuing operations after related income tax expense for the half year attributable to members of Hughes Drilling Limited		(538,762)	(3,295,564)
Other comprehensive income		-	-
Total comprehensive loss for the period attributable to members of Hughes Drilling Limited		(538,762)	(3,295,564)
Earnings per share for loss attributable to ordinary equity holders of the company – cents/share			
- Basic loss per share	13	(1.01)	(7.89)
- Diluted loss per share	13	(1.01)	(7.89)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Consolidated 31 Dec 2022	Consolidated 30 June 2022
CURRENT ASSETS			
Cash and cash equivalents	5	2,243,534	1,895,098
Prepayments		50,499	73,919
Other receivables		133,312	86,040
Other assets		50,000	2,000
TOTAL CURRENT ASSETS		2,477,345	2,057,057
NON-CURRENT ASSETS			
Capitalised exploration and evaluation	6	3,716,276	1,717,167
Property, plant & equipment		475,814	18,164
Right of use asset		-	451,805
Other assets		-	50,000
TOTAL NON-CURRENT ASSETS		4,192,090	2,237,136
TOTAL ASSETS		6,669,435	4,294,193
CURRENT LIABILITIES			
Trade and other payables	7	1,139,005	497,338
Lease liabilities	8	-	189,908
TOTAL CURRENT LIABILITIES		1,139,005	687,246
NON-CURRENT LIABILITIES			
Lease liabilities	8	-	197,948
TOTAL NON-CURRENT LIABILITIES		-	197,948
TOTAL LIABILITIES		1,139,005	885,194
NET ASSETS		5,530,430	3,408,999
EQUITY			
Contributed equity	9	10,108,964	7,479,137
Reserves	10	518,785	488,419
Accumulated losses		(5,097,319)	(4,558,557)
TOTAL EQUITY		5,530,430	3,408,999

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Contributed equity	Reserves	Accumulated losses	Total
Balance 1 July 2021	276,251	-	(587,262)	(311,011)
Loss for the period	-	-	(3,295,564)	(3,295,564)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Loss for the year	-	-	(3,295,564)	(3,295,564)
Proceed from share issue	7,656,886	-	-	7,656,886
Share issue costs	(454,000) ¹	-	-	(454,000)
Issue of options	-	232,176	-	232,176
Balance at 31 December 2021	7,479,137	232,176	(3,882,826)	3,828,487
Balance 1 July 2022	7,479,137	488,419	(4,558,557)	3,408,999
Loss for the period	-	-	(538,762)	(538,762)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Loss for the year	-	-	(538,762)	(538,762)
Proceed from share issue (refer to note 9)	2,769,390	-	-	2,769,390
Share issue costs (refer to note 9)	(139,563)	-	-	(139,563)
Issue of options (refer to note 10)	-	30,366	-	30,366
Balance at 31 December 2022	10,108,964	518,785	(5,097,319)	5,530,430

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

	Note	Consolidated 31 Dec 2022	Consolidated 31 Dec 2021
CASH FLOW FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(466,760)	(560,062)
Interest received/(paid)		6,135	220
GST paid		-	(158,312)
Net cash (used in) operating activities		(460,625)	(718,155)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(130,060)	(29,523)
Payments for exploration expenditure		(1,449,026)	(1,294,148)
Payments for lease deposit		-	(50,000)
Payments for lease option		-	(30,000)
Cash consideration on acquisition		-	5,000,940
Net cash (used in)/generated by investing activities		(1,579,086)	3,597,269
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue	9	2,527,710	(331,500)
Payments for share issue expenses	9	(139,563)	-
Payments for lease liabilities including interest		-	(166,666)
Repayment of borrowings		-	(26,000)
Net cash (used in)/generated by financing activities		2,388,147	(524,166)
Net (decrease)/increase in cash and cash equivalents		348,436	2,354,948
CASH AT THE BEGINNING OF THE HALF YEAR		1,895,098	4,024
CASH AT THE END OF THE HALF YEAR	5	2,243,534	2,358,972

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

VICTORY METALS LIMITED (FORMERLY VICTORY GOLDFIELDS LIMITED)
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1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This condensed financial report for the half-year reporting period ended 31 December 2022 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This condensed half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by Victory Metals Limited (formerly Victory Goldfields Limited) during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

a) Going Concern

For the half-year ended 31 December 2022, the Consolidated entity made a loss of \$538,762 and incurred operating cash outflows of \$460,625. As at 31 December 2022 the Consolidated entity has a net current asset position of \$1,338,340 and net asset position of \$5,530,430.

The ability of the Consolidated entity to continue as a going concern is dependent on securing additional funding through debt or equity issues as and when the need to raise working capital arises. These conditions indicate a material uncertainty that may cast a significant doubt about the Consolidated entity's ability to continue as a going concern and, therefore, that it may be unable to discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the Consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The fact that future expenditures are generally discretionary in nature and may be slowed or suspended as part of the management of the Consolidated entity's working capital and other forecast commitments.
- The company ability to secure additional funding
- The Company has 5,575,000 unlisted options ex \$0.20 which expire on before 21 July 2023 (currently in the money). If these are exercised the company will receive \$1,115,000 of capital/funding before cost.

Should the Consolidated entity not be able to continue as a going concern, it may be required to discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Consolidated entity not continue as a going concern. No adjustments have been made in relation to the recoverability of assets and classification of liabilities that might be necessary should the Consolidated entity not continue as a going concern.

b) New and amended standards adopted by the consolidated entity

In the half-year ended 31 December 2022, the Consolidated entity has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for reporting periods beginning on or after 1 July 2022. There is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business.

c) Impact of standards issued but not yet applied

Standards issued but not applied by the Consolidated entity will not have any significant impact on the financial statements of the Consolidated entity.

2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

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2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 10 for further information.

3. SEGMENT REPORTING

Reportable segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The Consolidated entity currently operates predominantly in one segment. The primary financial statements reflect this segment.

4. EXPENSES

	<u>31 Dec 2022</u>	<u>31 Dec 2021</u>
Director fees	110,963	128,003
Professional and legal fees	40,150	95,496

5. CASH AND CASH EQUIVALENTS

	<u>31 Dec 2022</u>	<u>30 June 2022</u>
Cash at bank and on hand	2,243,534	1,895,098
Balance as per consolidated statement of cash flows	2,243,534	1,895,098

6. CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

	<u>31 Dec 2022</u>	<u>30 June 2022</u>
Capitalised Exploration and Evaluation Expenditure – at cost	3,716,276	1,717,167
Opening balance	1,717,167	
Tenements acquired	256,320	
Exploration and evaluation expenditure capitalised	1,742,789	
Total	3,716,276	

7. TRADE AND OTHER PAYABLES

	<u>31 Dec 2022</u>	<u>30 June 2022</u>
Trade and other payables	731,505	432,995
Accrued expenses	407,500	64,343
	1,139,005	497,338

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8. RIGHT OF USE ASSET AND LEASE LIABILITY

	Consolidated 31 Dec 2022	Consolidated 30 June 2022
<u>Right of use asset</u>		
Right of use asset	-	451,805
<u>Lease liability</u>		
Lease liability - Current	-	189,908
Lease liability – Non-Current	-	197,948
	-	387,856
<u>Lease liability reconciliation</u>		
Lease liability reconciliation	-	387,856

The Group leases plant and equipment at the camp site of the exploration tenement under an agreement for three years with an option to extend for a further three years. The Group in the previous period had paid a security deposit of \$50,000 and a non-refundable option fee of \$30,000, for the option to purchase the leased equipment. During the period, the Group exercised the option to purchase the plant and equipment which resulted in \$520,000 being recognized as property, plant and equipment. \$130,000 has been paid as at 31 December 2022 with \$390,000 settled subsequent to the period end.

9. CONTRIBUTED EQUITY

	Number of shares	Value	Attributable Costs	Net
Balance 1 July 2022	47,034,431	7,933,137	(454,000)	7,479,137
Placement	10,000,000	2,000,000	-	2,000,000
Consideration of acquisition of tenements	1,272,000	241,680	-	241,680
Option Exercised	2,638,550	527,710	-	527,710
Share issue costs	-	-	(139,563)	(139,563)
On issue at 31 December 2022	60,944,981	10,702,527	(593,563)	10,108,964

Options

31 December 2022

Number of options

Balance at 1 July 2022	19,925,000
Option Exercised during the period	(2,638,550)
Option Expired during the period	(7,111,450)
Recognition of \$2m placement options	5,000,000*
Balance at end of 31 December 2022	15,175,000

* Options were issued on the 10,000,000 ordinary share placement on a 2:1 basis free attaching. Each unlisted option is exercisable at \$0.30 and expiring 24 months from date of issue.

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10. EQUITY BASED PAYMENTS

Equity based payments expensed are detailed below: -

	31 Dec 2022
	\$
Opening balance	488,419
Options/performance right vesting	30,366
Total	518,785

Director Incentive Options

During the current period, the Consolidated entity issued 500,000 Director performance rights to Brendan Clark. The fair value per performance Right and the following inputs were used in the Hoadleys Hybrid Model below.

	Tranche 1	Tranche 2
Assumptions:		
Grant date	9 November 2022	9 November 2022
Expiry date	8 November 2027	8 November 2027
Share price at grant date	\$0.175	\$0.175
Target Share price	\$0.30	\$0.50
Performance measurement period	5 years	5 years
Risk free rate	0.14%	0.14%
Expected Volatility	110%	110%
Indicative value per performance right	\$0.152	\$0.136
Number of Director Incentive Options	250,000	250,000
Total Value of Director Incentive Options	\$38,000	\$34,000
Amount recognised as equity-based payment expenses for the period ended 31 December 2022	\$1,083	\$969

Vesting Conditions of the performance rights is below:

- Tranche 1- The VWAP of the Company shares over 20 consecutive trading days (on which Shares have actually traded) reaching \$0.30 at any time prior to the expiry date.
- Tranche 2 - The VWAP of the Company shares over 20 consecutive trading days (on which Shares have actually traded) reaching \$0.50 at any time prior to the expiry date.

	31 Dec 2022
	No.
Opening balance	-
Performance Rights issued during the period	500,000
Total	500,000

Other shared based payment vesting during the period, which correspond to previous issues of equity instruments amounted to \$28,314.

11. COMMITMENTS

	31 Dec 2022	31 Dec 2021
	\$	\$
The exploration commitments are as follows: -		
No longer than 1 year	492,200	408,100
Longer than 1 but not longer than 5 years	1,241,752	1,011,840
Longer than 5 years	2,037,222	1,560,200
Total	3,771,174	2,980,140

Exploration commitments consist of annual rents payable and minimum expenditure requirements on mineral tenements.

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VICTORY METALS LIMITED (FORMERLY VICTORY GOLDFIELDS LIMITED)
Interim Report for the Six Months Ended 31 December 2022

12. CONTINGENCIES

The Directors are not aware of any material contingent assets or liabilities that would require disclosure.

13. EARNINGS PER SHARE

Options and performance rights are considered potential ordinary shares. Options and performance rights issued are not presently dilutive and were not included in the determination of diluted loss per share for the period. Earnings per share are calculated based on the following:

	Consolidated 31 Dec 2022	Consolidated 31 Dec 2021
Profit/(loss) for period	(538,762)	(3,295,565)
	No's	No's
Weighted average shares	53,185,808	41,769,078
Basic/Diluted EPS (cents per share)	(1.01)	(7.89)

14. RELATED PARTIES

The Consolidated entity has not entered into any new related party transactions during the reporting period, other than entering into a consulting agreement with a Company to provide accounting services where by James Bahen is a Director. Total fees incurred during the period for the service total \$18,000. The agreement has been based on commercial rates. Total amounts outstanding and owed to the related party was \$15,988.

15. EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to reporting date the following events have occurred:

The company issued 1,300,000 ordinary shares as part of the acquisition for the gold processing plant.

Other than the above, no other matter of circumstance has arisen since reporting date that has significantly affected the Consolidated entity's operations, results or state of affairs.

Directors' Declaration

The directors of Victory Metals Limited (formerly Victory Goldfields Limited) declare that:

- (a) in the directors' opinion the financial statements and notes set out on pages 11 to 17, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance, for the financial half-year ended on that date, and
 - (ii) Complying with Accounting Standard AASB 134: Interim Financial Reporting, The Corporations Regulations 2001 and other mandatory professional reporting requirements.
- (b) subject to note 1(a), 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.

Signed in accordance with a resolution of the directors.



Trevor Matthews
Non-Executive Chairman
Perth, 14 March 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Victory Metals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Victory Metals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

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Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 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*.

A review of a half-year 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.

BDO Audit Pty Ltd

BDO


L G Mylonas

Director

Brisbane, 14 March 2023

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