



VICTORY METALS LIMITED

ABN 12 124 279 750

FINANCIAL REPORT

HALF YEAR ENDED 31 DECEMBER 2023

Contents

	Page
Directors' Report	3
Auditors declaration of independence	8
Condensed Consolidated Statement of profit or loss and other comprehensive income	9
Condensed Consolidated Statement of financial position	10
Condensed Consolidated Statement of changes in equity	11
Condensed Consolidated Statement of cash flows	12
Notes to the Condensed Consolidated financial statements	13
Directors' declaration	17
Independent Auditor's Review Report	18

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 2023 and any public announcements made by Victory Metals 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 (the 'Company') and controlled entities at the end of, or during, the period under review from 1 July 2023 to 31 December 2023.

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 2023 of \$2,018,158 (2022: \$538,762).

Principal activities

Victory Metals Limited is an exploration company focused on the exploration and development of its North Stanmore Rare Earth Element (REE) Project in the Cue region. This asset is located in the Midwest Region of Western Australia, approximately 665km from Perth. The North Stanmore Project 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

Victory announced initial Inferred Mineral Resource Estimate at the Company's North Stanmore Rare Earth Element Project in Cue, Western Australia during the period. At a 400 ppm TREYO cut-off, the Inferred Mineral Resource stands at 250Mt at 520ppm TREYO and contains HREO/TREO ratios of 33%, and significant ratios of Dy and Tb (DyTb) totaling 4.2% TREYO.

Mineral Resource Estimate Summary

A total Inferred Mineral Resource for the North Stanmore Project of 250Mt of REE-bearing saprolite at 520ppm TREYO for 130,000t on contained TREYO has been estimated by RSC using a cut-off of 400ppm TREYO (**Error! Reference source not found.** and **Error! Reference source not found.**).

Table 1: North Stanmore Inferred Mineral Resource summary for TREYO, MREO, HREO and NdPr.

	Cut-off (TREYO ppm)	Mt	TREYO (ppm)	MREO (ppm)	HREO (ppm)	NdPr (ppm)	TREYO (t)
Inferred	400	250	520	110	170	90	130,000

Notes:

1. Mineral Resource is classified in accordance with the JORC Code (2012).
2. Estimates are rounded to reflect the level of confidence in the Mineral Resources at the time of reporting.

Table 2: North Stanmore Inferred Mineral Resource individual REO grades.¹

	La ₂ O ₃ (ppm)	CeO ₂ (ppm)	Pr ₆ O ₁₁ (ppm)	Nd ₂ O ₃ (ppm)	Sm ₂ O ₃ (ppm)	Eu ₂ O ₃ (ppm)	Gd ₂ O ₃ (ppm)	Tb ₄ O ₇ (ppm)	Dy ₂ O ₃ (ppm)	Ho ₂ O ₃ (ppm)	Er ₂ O ₃ (ppm)	Tm ₂ O ₃ (ppm)	Yb ₂ O ₃ (ppm)	Lu ₂ O ₃ (ppm)	Y ₂ O ₃ (ppm)
Inferred	80	160	20	70	10	5	10	2	20	3	10	1	9	1	110

Notes:

¹ Refer to ASX announcements dated 15 May 2023, 17 April 2023, 13 February 2023, 15 November 2022, 11 October 2022 for full details including JORC tables.

VICTORY METALS LIMITED
Interim Report for the Six Months Ended 31 December 2023
Directors' Report

1. Reported above a 400 ppm TREYO cut-off. TREYO (Total Rare Earth Oxide including yttrium) = $\text{La}_2\text{O}_3 + \text{CeO}_2 + \text{Pr}_6\text{O}_{11} + \text{Nd}_2\text{O}_3 + \text{Sm}_2\text{O}_3 + \text{Eu}_2\text{O}_3 + \text{Gd}_2\text{O}_3 + \text{Tb}_4\text{O}_7 + \text{Dy}_2\text{O}_3 + \text{Ho}_2\text{O}_3 + \text{Er}_2\text{O}_3 + \text{Tm}_2\text{O}_3 + \text{Yb}_2\text{O}_3 + \text{Lu}_2\text{O}_3 + \text{Y}_2\text{O}_3$.
2. Estimates are rounded to reflect the level of confidence in the Mineral Resources at the time of reporting. Differences may occur in totals due to rounding.

Table 3: North Stanmore Inferred Mineral Resource summary for TREYO, MREO, HREO and NdPr presented at various TREYO cut-off grades.

	Cut-off (TREYO ppm)	Mt	TREYO (ppm)	MREO (ppm)	HREO (ppm)	NdPr (ppm)	TREYO (t)
Inferred	300	306	490	100	160	85	150,000
Inferred	400	250	520	110	170	90	130,000
Inferred	500	127	590	130	200	105	75,000

Notes:

1. Reported at various cut-off grades as specified.
2. Estimates are rounded to reflect the level of confidence in the Mineral Resource at the time of reporting. Differences may occur in totals due to rounding.

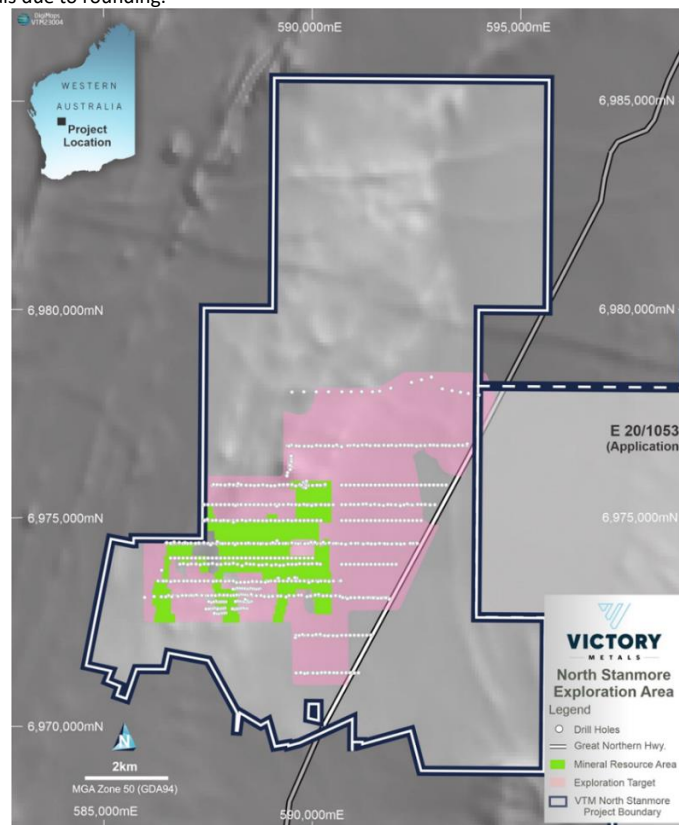


Figure 1: Map showing Victory Metals' 100% owned North Stanmore tenement package and pending tenements, with the MRE and exploration target areas highlighted.

An Exploration Target of 700 – 1,100Mt at a grade range of 300 – 500ppm TREYO, representing the potential extension of North Stanmore, was also estimated by RSC (Table 4). The potential quantity and grade of the Exploration Target is conceptual in nature; there has been insufficient exploration completed to estimate a mineral resource estimate and it is uncertain if further exploration will result in the estimation of further Mineral Resources at North Stanmore.

The Exploration Target is based on Exploration Results that have been previously reported, including assays from a mix of aircore ('AC') and reverse circulation ('RC') drillholes. Drill hole spacing varies, but the widest, regular spacing is 250 m x 1,250 m (Figure 1).

VICTORY METALS LIMITED
Interim Report for the Six Months Ended 31 December 2023
Directors' Report

The Exploration Target was estimated within a 150 ppm TREYO grade shell, restricted within the saprolite layer. A density of 2 g/cm³ was assumed for the density of the saprolite. Drill hole spacing varies across the Exploration Target and therefore weighted averages were used to estimate the TREYO grade.

Table 4: North Stanmore Exploration Target.

	TREYO Grade (range) ppm	Tonnage (range) Mt
Exploration Target	300 – 500	700 – 1,100

Following on from the initial Inferred Mineral Resource Estimate, the Company commenced a major infill resource definition drill program and exploration program at North Stanmore. The assays from an initial 237 samples from 36 holes confirm long intersections and Total Rare Earth Oxide (TREO) grades up to 4,484ppm, an average grade of 763ppm (TREO) and a Heavy Rare Earth Oxide (HREO)/(TREO) ratio of 34% and the following significant intersections.

- **21m @ 1015ppm TREO from 17m (IF184)**
- **11m @ 1640ppm TREO from 41m (IF208) including:**
- **4m @ 3189ppm TREO**
- **2m @ 4257ppm TREO**
- **9m @ 1015ppm TREO from 17m (IF166)**

Mixed Rare Earth Carbonate (MREC) Product

Victory successfully produced a mixed rare earth carbonate (MREC) test product from clay samples taken from the North Stanmore Rare Earth Element Project.

Using conservative prices for rare earth oxides from Strategic Metals Invest, Statistica, Argus and Metal.com², the indicative basket price for the North Stanmore mixed rare earth test product is estimated to be USD73.56 /kg REO or AUD114/kg REO (Table 5).

The attractive indicative basket price together with the successful production of the MREC test product and metallurgical testing demonstrates the potential value of North Stanmore and provides compelling evidence for further development of the project.

REO	Price/Kg USD	Value USD	Value AUD
La ₂ O ₃	\$1.31	\$0.01	\$0.016
CeO ₂	\$4.89	\$0.05	\$0.079
Pr ₆ O ₁₁	\$106.81	\$0.34	\$0.533
Nd ₂ O ₃	\$111.35	\$0.98	\$1.527
Sm ₂ O ₃	\$3.00	\$0.02	\$0.026
Eu ₂ O ₃	\$28.00	\$0.09	\$0.140
Gd ₂ O ₃	\$24.82	\$0.44	\$0.681
Tb ₄ O ₇	\$1,893.00	\$13.67	\$21.242
Dy ₂ O ₃	\$336.00	\$18.06	\$28.069
Ho ₂ O ₃	\$531.00	\$10.22	\$15.890
Er ₂ O ₃	\$46.00	\$3.10	\$4.818
Tm ₂ O ₃	\$1,893.00	\$13.67	\$21.242
Yb ₂ O ₃	\$14.00	\$0.76	\$1.187
Lu ₂ O ₃	\$656.04	\$7.37	\$11.452
Y ₂ O ₃	\$6.60	\$4.77	\$7.409
	Basket Price per Kg REO	\$73.56	\$114.31

Table 5: Estimate rare earth oxide price per tonne.

Notes to Table 5:

1. *based on 2025 forecast by Statistica from information available at 6 November 2023.
2. source of prices are from Strategic Metals Invest, Statistica, Argus and www. metal.com/Rare Earth Oxides
3. 1 USD = 1.53 AUD source of currency exchange by xe.com.
4. Basket price excludes Au, Co, Cu & Ni potential by-products

² <https://www.argusmedia.com/en/metals/argus-rare-earths-analytics>; <https://strategicmetalsinvest.com/current-strategic-metals-prices/>; <https://www.statista.com/topics/1744/rare-earth-elements/#topicOverview>; www.metal.com/RareEarthOxides.

Low-Cost Recovery

A diagnostic leach program was completed by Core Metallurgy to evaluate the leach performance variability on North Stanmore pulp samples. The aim of the leach program was to refine geometallurgical parameters used to evaluate resource areas for amenability to leaching Heavy Rare Earth Elements using magnesium sulphate with pH adjusted using sulphuric acid.

23 pulp air-core drilled samples were leached at pH 1 with sulphuric acid for 4h at ambient temperature (average 23°C), using 25 wt% solids³.

The results reported include rare earth extraction, acid consumption rate, impurity (iron and aluminium) co-extraction and deleterious element (thorium and uranium) co-extractions.

Results for the 23 samples achieved:

- Low average acid consumption rate of 25 kg/t H₂SO₄ (as low as 9 kg/t)
- Low average impurity co-extraction of 5% Aluminium (Al) and 8% Iron (Fe)
- Very low deleterious element co-extraction of 1.2 g/t Thorium (Th) and 0.4 g/t Uranium (U)

Low co-extraction results demonstrates the improved separation and removal of impurities and deleterious elements from the rare earth elements during the acid leach process.

At a price of 235/t for 98% H₂SO₄⁴ (concentrated sulphuric acid), an average acid consumption rate of 24.5 kg/t represents an acid input to the leach of \$5.77/t of feed ore. Industry experts have noted that typical acid consumption rates at pH 1 for clay REE ore are in the range of 50-100 kg/t⁵. It should be noted that the acid consumption rate measured does not account for any reduction in acid consumption due to beneficiation of the feed ore, or acid carry over to the downstream circuit.

Average Aluminium (Al) impurity co-extraction of 5% at 4.8 wt% Al head grade represents a modelled magnesia addition in impurity removal of 5.4 kg/t MgO to precipitate solubilised Al. Similarly, average Fe impurity co-extraction of 8% at 3.8 wt% Fe head grade represents a modelled magnesia addition in impurity removal of 3.3 kg/t MgO. At a magnesia reagent cost of \$800/t⁶, the modelled magnesia addition in downstream impurity removal for Al and Fe precipitation would equate to approximately \$6.96/t feed ore.

Competent Person Statement

Professor Ken Collerson

Statements contained in this report relating to exploration results, scientific evaluation, and potential, are based on information compiled and 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.

Mr. Michael Busbridge

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. Michael is a consultant to Victory Metals Limited. Michael 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.

³ Refer to Appendix 1 (Drill hole Collars) in ASX announcement dated 2 August 2023 titled "NORTH STANMORE INITIAL MINERAL RESOURCE ESTIMATE" for drill hole collars.

⁴ Ausenco Engineering Chile Limitada. (2021). NI 43-101 Technical Report Preliminary Economic Assessment for Penco Module Project

⁵ Beer, G. (2023, May 4). Economic and technical challenges of non-Chinese clay hosted rare earth deposits [Conference presentation]. ALTA 2023 Convention, Perth, Australia.

⁶ QMAG Pty Ltd, Indicative Bulk EMAG75 Pricing, January 2024, Ex-Works

VICTORY METALS LIMITED
Interim Report for the Six Months Ended 31 December 2023
Directors' Report

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.

Change of Auditor

On 4 January 2024, the Company advised Hall Chadwick WA Audit Pty Ltd has been appointed as auditor of the Company. The appointment follows the resignation of the Company's previous auditor, BDO Audit Pty Ltd, in accordance with section 329(5) of the Corporations Act.

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:

6/02/2024	North Stanmore Ascends as Prominent Heavy Rare Earth Project
4/01/2024	Change of Auditor
5/12/2023	Significant REE Intersections and Grades Identified
6/11/2023	High Value Mixed Rare Earth Carbonate Produced
12/09/2023	Major Infill and Exploration Drill Program Commenced
02/08/2023	North Stanmore Initial Minerals Resource Estimate
21/07/2023	Additional Funding, Heritage Survey & JORC Resource

Events After the Reporting Date

No 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 Hall Chadwick WA 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, 8 March 2024

To the Board of Directors

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead audit Director for the review of the financial statements of Victory Metals Limited for the half year ended 31 December 2023, 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,

Hall Chadwick
HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis
MARK DELAURENTIS CA
Director

Dated this 8th day of March 2024
Perth, Western Australia

VICTORY METALS LIMITED
Interim Report for the Six Months Ended 31 December 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Consolidated 31 Dec 2023	Consolidated 31 Dec 2022
Revenue		
Interest Income	44,469	6,135
Expenses		
General and administrative expenses	(538,649)	(333,640)
Amortisation and depreciation expenses	(104,394)	(157,359)
Share-based payment expense	7 (837,915)	(30,366)
Exploration expenditure written off	4 (524,845)	-
Other expense	(56,824)	(23,532)
Loss before income tax	(2,018,158)	(538,762)
Income tax (expense)/benefit	-	-
Loss from continuing operations after related income tax expense for the half year attributable to members of Victory Metals Limited	(2,018,158)	(538,762)
Other comprehensive income	-	-
Total comprehensive loss for the period attributable to members of Victory Metals Limited	(2,018,158)	(538,762)
Earnings per share for loss attributable to ordinary equity holders of the company – cents/share		
- Basic loss per share	(2.51)	(1.01)
- Diluted loss per share	(2.51)	(1.01)

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

VICTORY METALS LIMITED
Interim Report for the Six Months Ended 31 December 2023

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	Consolidated 31 Dec 2023	Consolidated 30 June 2023
CURRENT ASSETS			
Cash and cash equivalents		1,815,580	3,118,524
Prepayments		42,071	63,982
Other receivables		181,382	68,651
Other assets		35,000	25,000
TOTAL CURRENT ASSETS		2,074,033	3,276,157
NON-CURRENT ASSETS			
Capitalised exploration and evaluation	4	6,646,029	5,025,036
Property, plant & equipment		392,034	482,158
TOTAL NON-CURRENT ASSETS		7,038,063	5,507,194
TOTAL ASSETS		9,112,096	8,783,351
CURRENT LIABILITIES			
Trade and other payables	5	1,104,108	511,550
TOTAL CURRENT LIABILITIES		1,104,108	511,550
TOTAL LIABILITIES		1,104,108	511,550
NET ASSETS		8,007,988	8,271,801
EQUITY			
Contributed equity	6	14,555,349	13,513,919
Reserves	7	1,289,725	576,810
Accumulated losses		(7,837,086)	(5,818,928)
TOTAL EQUITY		8,007,988	8,271,801

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

VICTORY METALS LIMITED
Interim Report for the Six Months Ended 31 December 2023

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Contributed equity	Reserves	Accumulated losses	Total
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	2,769,390	-	-	2,769,390
Share issue costs	(139,563)	-	-	(139,563)
Issue of options	-	30,366	-	30,366
Balance at 31 December 2022	10,108,964	518,785	(5,097,319)	5,530,430
Balance 1 July 2023	13,513,919	576,810	(5,818,928)	8,271,801
Loss for the period	-	-	(2,018,158)	(2,018,158)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Loss for the year	-	-	(2,018,158)	(2,018,158)
Proceed from share issue	935,228	-	-	935,228
Share issue costs	(18,798)	-	-	(18,798)
Issue of options and performance rights	-	837,915	-	732,915
Conversion of performance rights	125,000	(125,000)	-	-
Balance at 31 December 2023	14,555,349	1,289,725	(7,837,086)	8,007,988

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

VICTORY METALS LIMITED
Interim Report for the Six Months Ended 31 December 2023

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Note	Consolidated 31 Dec 2023	Consolidated 31 Dec 2022
CASH FLOW FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(726,715)	(466,760)
Interest received/(paid)		44,469	6,135
Net cash used in operating activities		(682,246)	(460,625)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(14,270)	(130,060)
Payments for exploration expenditure		(1,482,858)	(1,449,026)
Net cash used in investing activities		(1,497,128)	(1,579,086)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue		895,225	2,527,710
Payments for share issue expenses		(18,795)	(139,563)
Net cash generated by financing activities		876,430	2,388,147
Net (decrease)/increase in cash and cash equivalents		(1,302,944)	348,436
CASH AT THE BEGINNING OF THE HALF YEAR		3,118,524	1,895,098
CASH AT THE END OF THE HALF YEAR		1,815,580	2,243,534

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

VICTORY METALS LIMITED
Interim Report for the Six Months Ended 31 December 2023
Notes to the Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This condensed financial report for the half-year reporting period ended 31 December 2023 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 2023 and any public announcements made by Victory Metals 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 2023, the Consolidated entity made a loss of \$2,018,158 (31 December 2022: \$538,762) and incurred operating cash outflows of \$682,246 (31 December 2022: \$460,625). As at 31 December 2023 the Consolidated entity has a net current asset position of \$969,925 (30 June 2023: \$2,764,607).

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's ability to secure additional funding

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 2023, 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 2023. 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.

VICTORY METALS LIMITED
Interim Report for the Six Months Ended 31 December 2023
Notes to the Condensed Consolidated Financial Statements

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. CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

	<u>31 Dec 2023</u>	<u>30 June 2023</u>
Capitalised Exploration and Evaluation Expenditure – at cost	6,646,029	5,025,036
Opening balance	5,025,036	
Expenditure written-off ¹	(524,845)	
Exploration and evaluation expenditure capitalised	2,145,838	
Total	6,646,029	

¹ Exploration assets were written off due to tenements being relinquished during the period.

5. TRADE AND OTHER PAYABLES

	<u>31 Dec 2023</u>	<u>30 June 2023</u>
Trade and other payables	1,059,108	454,982
Accrued expenses	45,000	56,568
	1,104,108	511,550

6. CONTRIBUTED EQUITY

	<u>Number of shares</u>	<u>Value</u>	<u>Attributable Costs</u>	<u>Net</u>
Opening balance	76,229,343	14,302,569	(788,650)	13,513,919
Placement	194,175	40,000	-	40,000
Option Exercised	4,476,138	895,228	-	895,227
Conversion of Performance Rights	500,000	125,000	-	125,000
Share issue costs	-	-	(18,797)	(18,797)
Total	81,399,656	15,362,797	(807,447)	14,555,349

VICTORY METALS LIMITED
Interim Report for the Six Months Ended 31 December 2023
Notes to the Condensed Consolidated Financial Statements

Options	31 December 2023	30 June 2023
	Number of options	Number of options
Opening balance	14,441,686	19,925,000
Option Exercised during the period	(4,476,138)	(3,734,912)
Option Expired during the period	(298,882)	(6,815,068)
Options issued in the period *	4,166,667	5,000,000
Tenement Acquisition Options	-	66,666
Balance at end of reporting date	<u>13,833,333</u>	<u>14,441,686</u>

* 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.

7. EQUITY BASED PAYMENTS

Equity based payments expensed are detailed below: -

	31 Dec 2023 \$	30 June 2023 \$
Opening balance	576,810	488,419
Options/performance right vesting from the previous period	837,915	88,391
Conversion of Performance Rights	(125,000)	-
Total	<u>1,289,725</u>	<u>576,810</u>

During the previous period, the Consolidated entity mutually agreed with the Directors to issue 3,000,000 Director performance rights, subject to shareholder approval. In addition, the Consolidated entity agreed to provide 500,000 performance rights to consultants with the same term. The performance rights were initially measured at \$0.22 and have been remeasured to its fair value of \$0.25 on the 6th of July 2023 (shareholder approval date). It was noted that 500,000 performance rights were converted during the year due to vesting conditions being met, with the remainder still to be converted.

Performance right reconciliation	31 Dec 2023 No.	30 June 2023 No.
Opening balance	4,000,000	-
Performance Rights issued during the period	-	4,000,000
Conversion of Performance Rights	(500,000)	-
Total	<u>3,500,000</u>	<u>4,000,000</u>

VICTORY METALS LIMITED
Interim Report for the Six Months Ended 31 December 2023
Notes to the Condensed Consolidated Financial Statements

8. COMMITMENTS

There has been no significant changes to the commitments disclosed in the most recent financial report.

9. CONTINGENCIES

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

10. RELATED PARTIES

The Consolidated entity has not entered into any new related party transactions during the reporting period.

11. EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to reporting date the following events have occurred:

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 declare that:

- (a) in the directors' opinion the financial statements and notes set out on pages 9 to 16, 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 2023 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, 8 March 2024

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF VICTORY METALS LIMITED

Conclusion

We have reviewed the accompanying half-year financial report of Victory Metals Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2023, 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 summary of significant accounting policies and other selected explanatory notes, 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 half-year financial report of Victory Metals Limited and Controlled Entities does not comply with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *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* that are relevant to our 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 in the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1a in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$2,018,158 during the half year ended 31 December 2023. As stated in Note 1a, these events or conditions, along with other matters as set forth in Note 1a, 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.

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 control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and 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 Consolidated Entity's financial position as at 31 December 2023 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.

Hall Chadwick
HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis
MARK DELAURENTIS CA
Director

Dated this 8th day of March 2024
Perth, Western Australia