

VICTORY WEST MOLY LIMITED

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The Manager
Company Announcements Office
Australian Securities Exchange Limited
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Dear Shareholders

Victory West Moly to acquire a majority interest in highly prospective DSO Nickel Project in South Sulawesi, Indonesia.

Key Highlights

- The project is located in Malili East Luwu in South Sulawesi, Indonesia covering approximately 1,608 hectares
- Prolific nickel laterite province with several existing major operations nearby including Rio Tinto's 162Mt project and PT Inco's Sorowako 161Mt project.
- Initial exploration target of 35-45Mt at 1.2% to 1.6% Ni*
- Historical exploration work indicates potential low stripping ratio with well developed mineralisation at surface. Significant upside through additional exploration
- Close to port site (~3km's)
- Potentially low cost and rapid ramp-up to commercial production and cash flow
- Initial production targeted of 100,000 t/mth by end Q2 2011 with a target operating margin of approx \$8+/t, (subject to required Indonesian regulatory approvals)
- Feasibility and Environmental Studies in progress for Production and Operational IUP (Exploitation) concession application.
- Robust market for Direct Shipping Ore (DSO) nickel ore and continued strong nickel demand from key Asian markets
- Technical and legal due diligence in progress – expected to be completed within 6-8 weeks.

Transaction Summary

Victory West Moly Limited (ASX: VWM FSE: R1E) ("VWM" or the "Company") is pleased to announce that it has entered into a binding agreement (the "Agreement") with Oceantide Investments Pty Ltd ("Oceantide") for the right to acquire within the next 60 days, subject to due diligence, Oceantide's rights to a highly prospective DSO Nickel Project in South Sulawesi, Indonesia (either through the acquisition of 100% of Oceantide's equity capital or 100% of Oceantide's rights to the project).

Oceantide has secured the right to acquire 70% equity interest in a prospective nickel exploration IUP concession held by Indonesian entity PT. Primara Utama Lestari (“PT PUL”) through making certain payments in a combination of cash and scrip and sole funding the project to production. To date, Oceantide has helped fund PT PUL’s operational commitments and has undertaken initial legal and title due diligence as well as undertaken a preliminary scoping study assessment of the project.

The IUP concession area covers approximately 1,608 hectares and is located in Malili East Luwu in South Sulawesi (the “Luwu Nickel Project”) (see Figure 1).

In consideration for the rights to acquire Oceantide’s right in relation to the Luwu Nickel Project, the Company has loaned Oceantide US\$100,000 on commercial terms. The proceeds from the Loan have been applied for working capital for the Luwu Nickel Project.

Negotiation of final commercial terms and conditions of the acquisition are progressing in parallel with due diligence currently being undertaken. In the event a transaction is not consummated in 60 days, this loan is to be repaid in full by Oceantide.

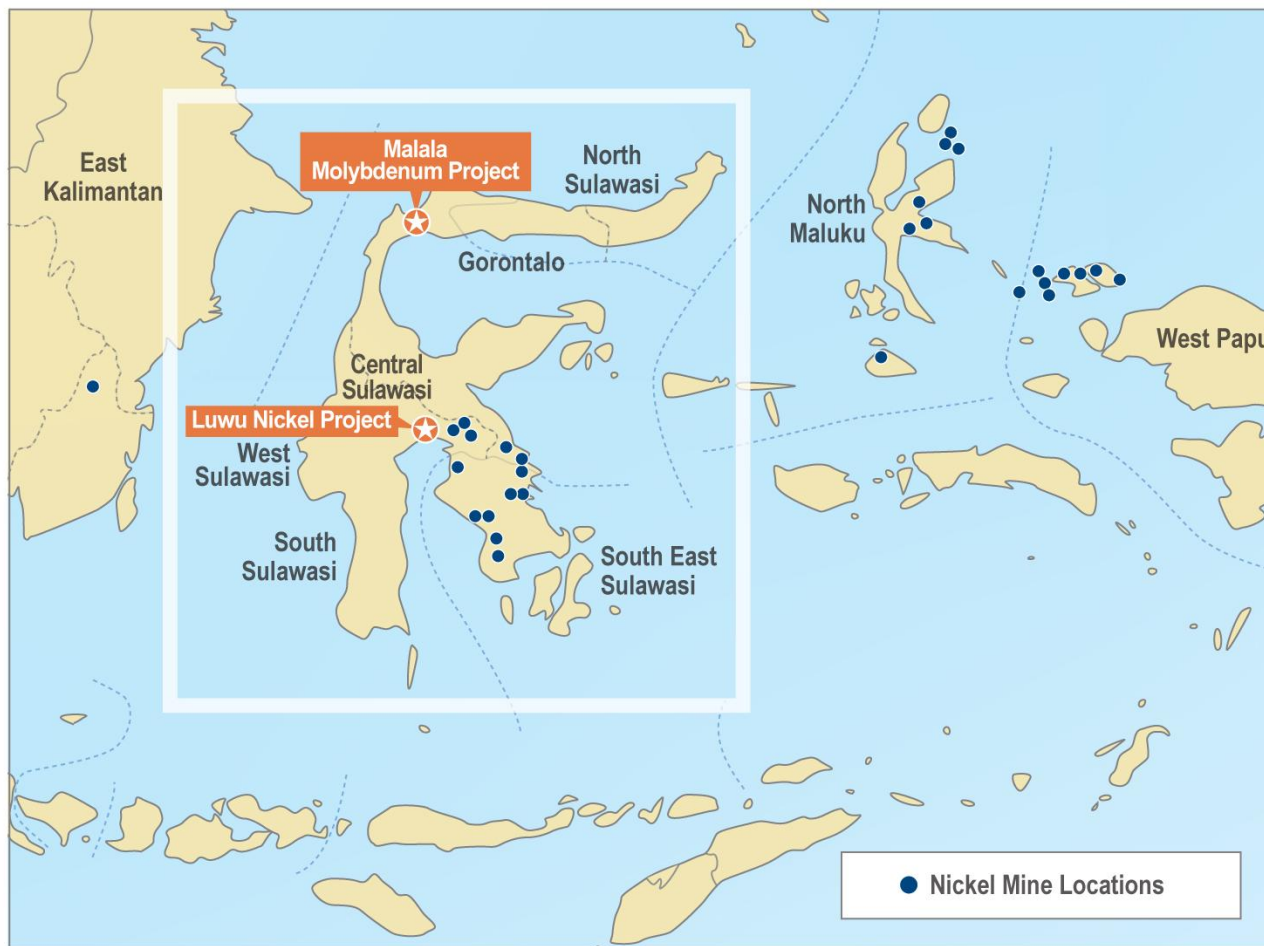


Figure 1: Location map of Luwu Nickel Project and the Company’s cornerstone Malala Molybdenum Project.

VWM's CEO, Mr. Robert Hyndes, said *“the Luwu Nickel Project opportunity is in line with the Boards’ intention to source, secure and extract value from metal projects in South East Asia, that have the potential to add significant market appeal and shareholder value.*

Initial due diligence has identified that the Luwu Nickel Project has the potential to develop into a producing nickel mining operation in the very near term. The historic exploration data indicates the project is underpinned by robust economics and a favourable geographic position given its close proximity to the coast. Expectations of very low cap-ex assist in turning this opportunity into a developing mine within a short time frame providing significant and steady cash flows over a period of several years.”

“We look forward to finalising our due diligence and, subject to it meeting our investment criteria, taking a majority interest in the project and moving it into production within the coming 12 months”.

“In parallel, the Company will continue to develop its flagship Malala Molybdenum Project as well as seeking additional high-value projects with the intention of building shareholder value”.

Strengthened Management Team

To assist in the completion of due diligence on the Project, the Company has engaged Mr. Rohan Erwin a mining engineer with significant Indonesian experience and a track record in establishing green-field mining assets and building mining projects.

Upon completion of the acquisition Mr. Erwin will be appointed to lead and manage the Project to production and will work closely with the Company’s Indonesia partner to deliver the project on time and on budget.

Luwu Nickel Project Summary

The Luwu Nickel Project concession area covers approximately 1,608 hectares in size and is located in Malili East Luwu in South Sulawesi, Indonesia. The concession area is easily assessable by sea and land transportation and is only 15 minutes drive from Malili, the capital of East Luwu Regency.

The geological formation is a typical example of tropical nickel laterite located within known nickel province. It is closely located to a number of established laterite nickel projects and deposits, such as PT Inco’s 161 million tonne Sorowako project, and Rio Tinto’s 162 million project as detailed in Figure 2.



Figure 2: Location map of Luwu Nickel Project in location to other current nickel projects.

The concession was formally held by PT Inco (“Inco”) as part of a large regional nickel laterite holding. Inco have been mining and processing lateritic nickel near Sorowako for more than 30 years and are one of the world’s largest nickel producers. (See Figure 2 above). The project concession area is well located within 3km of an identified port site. The concession has previously been logged with limited secondary re-growth.

Local Team

PT PUL has assembled an experienced local team including senior operational, geological and mining engineering personnel with specific regional nickel laterite experience. The majority of these personnel were trained by and had successful careers with Inco.

Geology

The geology is a typical tropical lateritic nickel deposit containing both limonite (lower-grade) and saprolite (higher-grade) mineralised material which has been developed over ultramafic rock units. The area is part of a larger mineralised province containing several significant lateritic nickel deposits and active mines (see Figure 2).

Historic Work

Since 2008, PT PUL has undertaken various exploration work programs including drilling 85 shallow holes at 200m x 200m spacing as well as various trenching and test pitting programs. Results of this work have allowed PT PUL to report an initial Exploration Target of **35-45Mt @ 1.2% to 1.6% Ni*** in both the limonite and saprolite zones. Exploration to date has covered less than 50% of the concession, therefore further exploration is expected to generate significant upside.

As part of its due diligence, the Company has retained PT GMT Indonesia (“GMT”) a leading Indonesian geological consulting firm that services clients to international standard, to undertake a comprehensive technical review of the project and historic exploration data to form a view on resource potential and provide a detailed exploration program for the project moving forward. The review is expected to be completed within the next 6-8 weeks.

Development and Production

Topography of the proposed mining area is undulating and considered to provide no significant access issues for mining machinery. The proposed haul road from the concession to the proposed port area is approximately 3km in length through primarily flat to sloping terrain. The port area is situated on river flats fronting a wide river approximately 10km from the river mouth to the Gulf of Boni. Loaded barges will transport the nickel ore for trans-shipment onto mother vessels anchored in the Gulf of Boni.

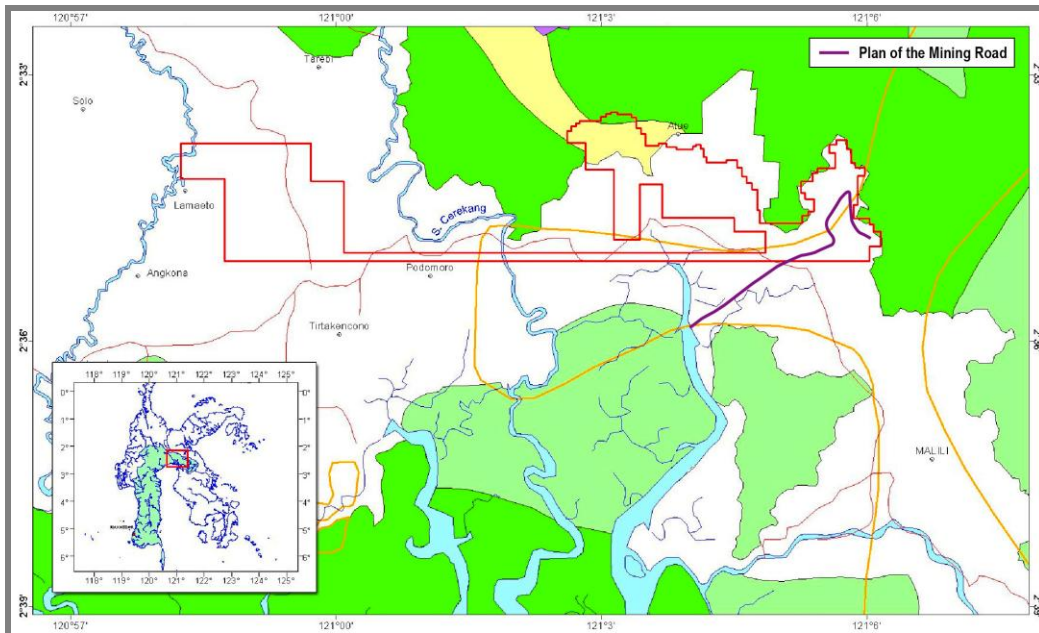


Figure 3 – Location of the eastern part of the Luwu Nickel Project showing the proposed haul road to the port site

It is expected the nickel laterite material is free-dig and can be easily mined using conventional truck and shovel open pit mining techniques. No drilling or blasting is required. Topsoil (1 - 5m) can be economically moved to recoverable topsoil dumps for subsequent use in rehabilitation in both mine and construction areas.

The Company aims to increase the commercial grade DSO nickel laterite product grading through simple crushing and screening beneficiation, followed by blending.

Preliminary assessment and scoping studies have identified commercial scale mining operations can be developed for a relatively low capital cost estimated between US\$7-8million. PT PUL expects initial operations to ramp up to 100,000 tonnes per month within six months of start-up. Further production expansions will be assessed and evaluated upon successful commissioning and achieving target capacity. PT PUL aims to generate an operating margin of approximately US\$8-10 per tonne, with further upside possible as production is increased and economies of scale are realised.

Subject to the timely receipt of the required approvals (for exploitation) it is anticipated the project could move into production by end Q2 2011 and provide early cash flows that can fund further exploration and/or expand production.

In addition the Company will look at various strategies of commercializing the lower grade limonite resource for increased economic returns.

About the DSO Nickel Market

The DSO laterite nickel ore market is a well-established international market, with the bulk of material predominantly exported from Indonesia, Philippines and New Caledonia and sold to Japan, Europe and China. The lower grade (<1.8%) material is commonly used as feedstock for blast furnaces to produce nickel pig iron for sale to domestic stainless steel producers. The higher grade ore (>1.8%) is commonly used for smelting to ferronickel or matte.

Pricing for lateritic nickel material is a function of nickel price on London Metals Exchange, ore grade, moisture, iron content, recovery and contained deleterious (penalty) elements.

Yours sincerely

LUKE MARTINO

Company Secretary

*** Notes on Exploration Targets**

In accordance with Clause 18 of the JORC Code, it is important to note that no JORC Mineral Resources or Ore Reserves have been established on these concessions and any current assessment remains subject to ongoing exploration work, drilling and evaluation. The current interpretation remains preliminary and is based on exploration, evaluation and resource definition work performed by the current owners.

Competent Persons Statement

The data in this report that relates to Exploration Results, Resources and Reserves is based on information reviewed and evaluated by Mr Brett Gunter who is a member of The Australian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience 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 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr Gunter is a fulltime employee of GMT Indonesia and he consents to the inclusion in the report of the Exploration Results and/or Mineral Resource and/or Reserve in the form and context in which they appear.