



Victorian Gold Mines N.L.
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Market Update: Production Fast Tracked.

The Company;

Victorian Gold Mines N.L.(VGM) which listed on the ASX 17.12.09 has been developing three Victorian based projects with the objective of producing high grade gold bearing ore. The company is pleased to provide the following maiden update report on its activities.

The Wedderburn Project;

The Wedderburn project, located 75 kilometres from Bendigo has gone through a redevelopment phase. Over the last few months the main shaft has been re timbered and sunk deeper to be in contact with the main reef system. VGM has prepaid expenses for the electricity grid to be extended to the site. This will soon reduce the cost of production by replacing the need for diesel-fired power. The electricity is now on site and will be commissioned over the next couple of days.

Now that the re timbering of the main shaft has been completed, the three man mining team are pressing ahead with their drive along the known reef system that VGM has targeted as potentially holding profitable gold mineralisation. This drive is currently 35 metres below the surface. It is anticipated to intersect the target mineralisation in the next two weeks.

Over 100 tonnes of low-grade material has already been stockpiled since listing, ready for blending once high grade mineralised material has been intersected. The work team are currently extracting approximately 8 tonne off material per day. VGM has decided to continue to fund the current works plan for the next 2 months before any decision can be made to expand or contract operations on this tenement. Geological survey and analysis work supports this view

Sheep's Head Project;

The Sheep's Head project, located 10 kilometres southeast of Bendigo has progressed quickly. The shaft has been re timbered and the 2 man mining team is expected to be into the mineralised quartz reef in the next 8 days. VGM will fund the current mine works plan till the end of March in order to allow the mine the best opportunity to become profitable.

Expenditure has been kept to a conservatively lower cost range. A plant that is owned by the company is operational on site and will be used to process gold bearing ore once the mine delivers economic grade production.

The Bright Project;

The Bright project is approximately 200 kilometres north east of Melbourne. VGM is planning to initially extend the audit where government approvals would take a minimum of six to eight weeks. Trial mining should be feasible within the first six months from the completion of the approvals.



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Over the last six weeks, the company has carried out a clean up and sampling exercise and has, through that process, exposed a gold bearing reef system that is accessible to the company for immediate trial mining via the current access audit. Work plan approvals still need to be completed which will take 6 to 8 weeks. This gold bearing system is an extension of the Victoria reef.

The Victoria reef was historically mined at a grade exceeding one ounce per tonne. The initial expenses to have the electrical grid extended to the site have been already prepaid using the seed money raised before listing. Environmental studies are complete and a processing solution exists. VGM will fast track and bring trial mining forward on material in the exposed reef. The company will continue its plan and extend the current audit allowing further mineralization to be accessed.

VGM is keen to develop and expand the Bright project area and will keep shareholders informed as results come to hand.

Mobile Plant;

VGM own one fixed gold processing plant and has an option over one mobile processing plant. The company also rents another plant and is in discussions with future ownership of that plant. VGM are considering repairing and re commissioning a concentrate plant on its Bright lease as one possible solution to its production requirements.

New Projects/Cash Position;

VGM has been in discussions with other parties concerning the possible acquisition of other projects that will fit into the company's corporate philosophy. The company has not purchased or entered into any new arrangements at this point.

After capital raising costs, payment to vendors, acquisition of plant and equipment, wages & expenses: cash at bank is \$1,900,000.00.

Kevin Nichol, Chairman
Victorian Gold mines N.L.

Alan Svenosio
Consulting Geologist

The information in this report that relates to exploration results is based on information compiled by Mr Alan Svenosio, who is a Member of the Australian Institute of Geoscientists. Mr Svenosio has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity to 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". Mr Svenosio consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.