VICTORIAN GOLD MINES NL
ABN 82 139 255 771

Annual Financial Report
For the period ended 30 June 2010

CORPORATE DIRECTORY

Board of Directors

Kevin Nichol (Chairman)
Michael Trifunovic (Executive Director)
Peter Avery (Non-Executive Director)

Company Secretary

Michael Trifunovic

Registered Office

Victorian Gold Mines NL
Suite 304, 22 St Kilda Road
ST KILDA VIC 3182
Telephone: (03) 9692 7222
Facsimile: (03) 9529 8057

Place of Business

Victorian Gold Mines NL
Suite 304, 22 St Kilda Road
ST KILDA VIC 3182

Auditor

Andrew Frewin Stewart
61-65 Bull Street
Bendigo, Victoria 3550

Solicitor

Hemming + Hart Lawyers
Level 2, 307 Queen Street
BRISBANE QLD 4000

Share Registry

Advanced Share Registry Ltd
150 Sterling Highway,
NEDLANDS, Western Australia 6009
Telephone: (08) 9389 8033

Stock Exchange Listing

Home Exchange is Melbourne
ASX Code Shares: VGM
ASX Code Options: VGMO

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CHAIRMAN'S REVIEW

The company has been listed for only 6 months and in that time, the founding management did not produce any gold. In April, a management change occurred and the direction of the company also changed. The board took the view that if the company was to grow, an appropriate move into a larger scale of operations was to be pursued. The philosophy of scale as an operational nexus to base the companies move forward is a practical essential element for growth.

The company firstly spent two months researching and analysing the potential of gold and platinum in West Africa. A two man team was then initially sent to Ghana and then on to Sierra Leone to investigate and if possible acquire potential precious metal leases. The ground team has had substantial success in meeting Government and private interest groups and policy makers. Several potential leases are currently being negotiated and those negotiations have continued past the end of the reporting period.

Further African projects in the north of that continent are currently being assessed with the view to establish large scale mining operations over the next three years. The company is currently negotiating phosphorous, base and precious metal projects held by experienced operators. Ideally, these technical specialists would add to a corporate team that will allow natural growth of the company's management.

Scale and management, personnel and projects that is what the board is concentrating on developing. The board is planning and taking a longer term view to effectively manage its assets that if managed efficiently will obviously give more opportunity for a successful growth path.

The pace of development of the Victorian assets have been slowed with the emphasis on commercial objectives rather than short term unplanned activity. The Bright project certainly has potential to become a small scale mine, however, the company must manage the cost approach to potential development while considering and fully understanding local constraints. A solution exists to manage a mine and work within the requirements of the local community. This project is still under an exploration licence.

The Wedderburn project is awaiting the completion of a small drilling program to give results that will hopefully generate the required geological information for a properly planned gold extraction process to begin. A plant is available nearby and local miners can be sourced. Of the Victorian assets, the Wedderburn project is the most likely project to generate the quickest and most profitable success, especially that it under a current mining licence.

Corporate activity has been concentrated on assessing dozens of potential projects over the last few months. The work that has gone into this due diligence will hopefully start to show benefits. We will all know by the time of the annual meeting later this year as to whether success has been achieved.

In the period since listing, those shareholders that have stuck with their original holding have been offered options and partly paid shares.
If shareholders took up their allocation, their breakeven point on their initial investment is several cents below the original 20 cent purchase price. On a share price price movement above 20 cents, the leverage on their initial investment is multiplied and shareholders would benefit at a greater rate than if they just held ordinary shares.
The board applied this policy to give Victorian Gold Mines NL shareholders greater leverage on any potential success without paying large amounts via other less popular and commonly used alternatives.

Mr Kevin Nichol
Chairman

REVIEW OF OPERATIONS

Current Australian Projects

During the financial period Victorian Gold Mines acquired rights to a number of mineral exploration tenements in Australia. They have assembled a majority interest in several mineral properties at three locations in Victoria; Bright situated in the eastern Victorian Tabberabbera Zone and Wedderburn and Moliagul located in the Central Victorian Bendigo-Ballarat Zone of the Lachlan Fold Belt. Central Victoria is a recognised world-class orogenic gold province. These projects include sites of past alluvial and bedrock reef gold production.

Bright Project Victoria EL 5188

The company is awaiting approval of a works program that was submitted by previous management. The new management (established since 01.04 10) of Victorian Gold Mines NL (VGM) will continue its exploratory exercise, enabling more detail and confidence before expending money on development. The management of VGM believe that a more detailed feasibility analysis including drilling and further rock chip samples will need to occur before actual mining commences. VGM is in a good position with so many old adits and exposure to reefs running across the tunnels and adit system. Further results will be forthcoming before a final decision to mine.

Moligal MIN 5371

No work was carried out during the period.

Wedderburn Drilling EL 5116, MIN 5471, MIN 4611 and MIN 5068

Victorian Gold Mines NL have signed up drilling company Blacklaws Drilling Pty Ltd to complete a drilling program at the companies Wedderburn gold mining lease near Bendigo Victoria. Victorian Gold Mines NL are trying to locate what has been termed "The Ballroom" which is believed to contain a gold bearing saddle reef laying to the east of the original historical discovery.

The previous Victorian Gold Mines management did refurbish the old shaft, but failed to locate the gold bearing quartz reef. Over 100 tonne of material has been stockpiled and will be used to blend with any gold bearing material. The objective is to put down between 3 to 5 RC drill holes in order to locate the exact location of the reef system and determine its width and the gold values before the company decides to reopen the refurbished shaft that would enable the restarting of mining activities. The depth of the reef system is expected to be about 40 metres from the surface. Shareholders will be continually informed as to the Wedderburn developments.

Corporate Activity

During the period Victorian Gold Mines NL has looked at literally dozens of potential investments and projects that could be purchased, Joint Ventured or farmed into. The company would like to point out that it is currently in discussions with potential vendors of particular projects and will inform the market of the outcome of these negotiations in due course. Victorian Gold Mines NL have in the past, rejected several good potential projects when the vendors became too greedy and unreasonable in their assessment and expectations of value they tried to extract from the shareholders of Victorian Gold Mines NL. In these cases, your directors ceased negotiations and moved on at minimal expense to shareholders.

Celamin Limited

The Company signed a Heads of Agreement to acquire 100% of the share capital of a North African phosphate and base metals exploration and development Company, Celamin Limited. Both parties are currently undertaking due diligence and the Company will keep shareholders updated.

Partly Paid Shares

The directors have issued rights for partly paid shares to all shareholders. The directors believe that this rights issue is virtually a bonus in terms of cost/benefits to shareholders. The issue should not be seen as a capital raising now but potential new capital available to the company in the future.

DIRECTORS' REPORT

The Directors of Victorian Gold (the "Company") submit herewith the annual financial report of the Company for the period since incorporation to 30 June 2010. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

The names and details of the Company's Directors in office during the financial period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Name	Particulars
Mr Kevin Nichol	Chairman (appointed 3 September 2009)
Qualifications	B. Comm (Hons) CFA
Experience	After finishing his honours thesis in the energy sector, Kevin worked as a financial analyst for the late Kerry Packer's private company, Consolidated Press Holdings Pty Ltd (now Consolidated Media Ltd). In the mid 80's he joined North's Stockbrokers, where he learnt his trade in the marketplace as an advisor. Kevin also spent several years on the trading floor of the Sydney Future Exchange and traded commodities as well as interest-rate futures for several banking houses. Recently, Kevin has been involved in raising funds for several small mining floats, as well as associated corporate advisory roles in other listed companies. In October 2008 he left his latest role as founding Managing Director of listed Bowen Energy Ltd and has concentrated on companies involved in the mining industry. Kevin has been involved in corporate, industrial and private client advisory roles as well as research for several broking and investment houses during the past 25 years. He is widely experienced in the equities market with substantial capital raising experience, in particular in the resource sector. He brings to the Board many years of market knowledge.
Directorships in listed entities	Bowen Energy Limited (resigned October 2008)
Relevant interests in shares and options	2,800,001 ordinary shares 100,000 listed $0.20 options, expiring 10/12/2010
Mr Michael Trifunovic	Executive Director (appointed 1 April 2010) Company Secretary (appointed 21 September 2009 and resigned 25 August 2010)
Qualifications	B. Comm (Economics/Finance) (Hons) MBA
Experience	Michael began his career in the financial markets as a stock/options operator working in the trading room of Bain & co. which subsequently became Deutsche Bank. During this period, Michael learned the foundations of financial markets and their workings as well as trading. Subsequently, Michael was recruited to work at Morgan Stanley where he was the Head Institutional Operator and played an instrumental role in establishing the Morgan Stanley equity trading business in Sydney. While at Morgan Stanley he moved to a number of key roles which included institutional sales trading, portfolio and transition management as well as arbitrage. On leaving Morgan Stanley, Michael completed full time MBA at the AGSM. Michael then began work at Russell Investment Group as Manager of Portfolio Implementation and most recently he held the role of Portfolio Manager. While at Russell Investment Group, he played a key role in building the business in Sydney, managed numerous investment assignments on behalf of clients as well as establishing a number of investment funds. Michael has been directly involved in financial markets for the last 15 years, and brings with him a broad range of knowledge and experience both from investment banking and funds management.
Directorships in listed entities	Nil
Relevant interests in shares and options	30,000 ordinary shares 245,416 listed $0.20 options expiring 10/12/2010 6,000 partly paid ordinary shares paid to $0.001 with an amount unpaid of $0.10

DIRECTORS' REPORT (CONT'D)

Mr Peter Avery	Non-Executive Director (appointed 3 September 2009)
Experience	Peter Avery has more than 20 years professional experience within the stock broking industry. During the previous 10 years, Peter has held a senior role as a private client advisor at Perth broking firm, DJ Carmichael (DJC). Prior to joining DJC, Peter developed special skills as an equity advisor at Todd Partners managing client portfolios. Peter's industry experience includes extensive capital raisings within the resource and mining sectors and he holds a Diploma of Financial Planning from Deakin University.
Directorships in listed entities	Nil
Relevant interests in shares and options	3,010,000 ordinary shares 205,000 listed $0.20 options expiring 10/12/2010 602,000 partly paid ordinary shares paid to $0.001 with an amount unpaid of $0.10
Mr Douglass Cahill	Managing Director (resigned 1 April 2010)
Qualifications	LLB
Experience	Doug Cahill is an admitted Solicitor who has practised in Bendigo for his entire career and has a long and studied knowledge of the gold industry in Victoria commencing in 1974. He is a former, original director of the Prospectus Mines Association and has been past director of the Bendigo Stock Exchange and Bendigo Mining N.L. of which he was a founding director. He was also founding director of Greater Bendigo Gold Mines Ltd. Doug Brings with him an in-depth understanding of the gold mining industry from a legal, regional and hands-on perspective.

COMPANY SECRETARY

Ms Melanie J Leydin	Appointed 25 August 2010
Qualifications	B.Bus CA
	Ms Leydin is a Chartered Accountant and principal in a chartered accounting firm specialising in audit and Company secretarial services. Ms Leydin has 19 years experience in the accounting profession and is a Director and Company secretary for a number of junior oil and gas, mining and exploration entities listed on the Australian Stock Exchange.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year ended 30 June 2010 are the exploration and development of mineral resources emphasising on gold in Victoria.

OPERATION RESULTS

The consolidated entity's net loss for the year after applicable income tax was $621,375.

REVIEW OF OPERATIONS

Refer to the Review of Operations preceding this Directors' Report.

FINANCIAL POSITION

The net assets of the consolidated entity as at 30 June 2010 were $2,439,522. The major movement was due to the Company's initial public offering raising $2,710,800, and expenditure on exploration assets.

The entity's working capital, being current assets less current liabilities was $1,364,969.

As a result of the above the Directors believe the consolidated entity is in a strong and stable position to expand and grow its current operations.

DIRECTORS' REPORT (CONT'D)

CHANGES IN STATE OF AFFAIRS

The following significant changes in the State of Affairs occurred during the financial period:

- The Company issued 13,830,003 ordinary shares to founders and seed capital investors.
- The Company listed on the Australian Stock Exchange following an initial public offering of 13,554,000 ordinary shares raising $2,710,800.
- The Company issued 750,000 fully paid ordinary shares as consideration for the acquisition of plant, equipment and tenements.
- The Company issued 20,367,001 options, through its pro rata non-renounceable rights issue, at an issue price of $0.01 raising $203,670, exercisable at $0.20 per option on or before 31 March 2010.
- The Company issued 5,262,801 partly paid ordinary shares at $0.001 (one tenth of a cent) with an unpaid amount of $0.10. Each call shall be no more than $0.02, with the first call not being made until 17 December 2012. Holders are permitted to pay the remaining unpaid amounts at anytime.

FUTURE DEVELOPMENTS

Disclosure of further information regarding likely developments in the operations of the entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not been any matter or circumstance, other than that referred to in Note 27, that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the entity, the results of those operations, or the state of affairs of the entity in future financial years.

DIVIDENDS

No dividend has been declared or paid during the financial year and the Directors do not recommend the payment of any dividend in respect of the current or preceding financial years.

ENVIRONMENTAL REGULATIONS

The Company holds participating interests in a number of mining and exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. There have been no known breaches of the tenement conditions, and no such breaches have been notified by any government agency during the year ended 30 June 2010.

SHARE OPTIONS

There were no options exercised or lapsed during the year and up to the date of this report.

No option holder has rights under the options to participate in any other share issue or interest issue of the Company or any other entity.

Details of unissued ordinary shares of the Company under option at the date of this report are as follows:

Item	Date options granted	Number of Shares under option	Exercise Price of options	Expiry Date of Options
Listed Options (VGMO)	1 April 2010	20,367,001	$0.20	31 March 2014

During the year and up to the date of this report 20,367,001 options were issued.

DIRECTORS' REPORT (CONT'D)

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings held during the financial period and the number of meetings attended by each Director. During the financial year, 6 Board meetings were held. There is no separate remuneration or nomination committee.

DIRECTORS	BOARD OF DIRECTORS	
	HELD	ATTENDED
Mr K Nichol	6	6
Mr P Avery	6	6
Mr M Trifunovic [1]	2	2
Mr D Cahill [2]	4	4

[1] Appointed Executive Director 1 April 2010.
[2] Resigned as Managing Director on 1 April 2010.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial period, the Company paid a premium in respect of a contract insuring the Directors of the Company (as named above), the company secretary and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the Court under Section 327 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services, during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standards of independence for auditors imposed by the *Corporations Act 2001*.

There were no non-audit services provided by the Company's auditors during the financial period to 30 June 2010.

DIRECTORS' REPORT (CONT'D)

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and Executives of Victorian Gold Mines NL (the "Company").

The Board policy for determining the nature and amount of remuneration of Directors and Executives is agreed by the Board of Directors as a whole. The Board obtains professional advice where necessary to ensure that the Company attracts and retains talented and motivated Directors and employees who can enhance Company performance through their contributions and leadership.

Remuneration Philosophy

The remuneration of the Company has been designed to align Director and Executive objectives with shareholder and business objectives by providing both a fixed and variable remuneration component and offering long-term incentives based on key performance areas. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Executives and Directors to run and manage the Company, as well as create goal congruence between Directors, Executives and shareholders.

Executive Director Remuneration

In determining the level and make-up of director remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. The Board has an established remuneration committee which consists of all the Board members. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Remuneration consists of a fixed remuneration.

All Executives Directors are eligible to receive a base salary (which is based on factors such as experience and comparable industry information) or consulting fee.

The performance of Executives Directors is measured against criteria agreed annually with each Executive and is based predominantly on the overall success of the Company in achieving its broader corporate goals. This policy is designed to attract the highest caliber of Executives and reward them for performance that results in long-term growth in shareholder wealth.

All remuneration paid to Directors and Executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

Non-Executive Director Remuneration

Non-Executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. The limit of Non-Executive Director fees is set at a maximum of $60,000. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the *Corporations Act 2001* at the time of the Director's retirement or termination. Non-Executive Directors' remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with the ASX Listing Rules.

Currently the Company remunerates non-executive Directors at a rate of $60,000 per annum. There were no incentives, bonuses or options paid during the year to non-executive Directors.

Performance Based Remuneration

Remuneration packages do not include performance-based components. An individual member of staff's performance assessment is done by reference to their contribution to the Company's overall operational achievements. All Directors and Executives hold shares and options in the Company to facilitate goal congruence between Executives with that of the business and shareholders. Further information has not been disclosed as it is commercially confidential.

DIRECTORS' REPORT (CONT'D)

REMUNERATION REPORT (AUDITED) (CONT'D)

Relationship between the remuneration policy and company performance

The tables below set out summary information about the Company's earnings and movements in shareholder wealth for the year since listing in December 2009:

	30 June 2010
Revenue	41,011
Net profit/(loss) before tax	(621,375)
Net profit/(loss) after tax	(621,375)
Share price at start of year **	$0.17
Share price at end of year	$0.12
Basic earnings per share (cents)	(3.66)
Diluted earning per share (cents)	(2.68)

**Victorian Gold Mines NL listed on Australian Stock Exchange on 17 December 2009.

The remuneration of the Directors and Executives are not linked to the performance, share price or earnings of the entity.

Key Management Personnel Compensation

The key management personnel of Victorian Gold Mines NL during the year were:

Mr K Nichol	Chairman
Mr D Cahill	Managing Director (resigned 1 April 2010)
Mr M Trifunovic	Company Secretary (resigned 25 August 2010)
	Non-executive Director (appointed 1 April 2010)
Mr P Avery	Non-executive Director

The compensation of each member of the key management personnel of the entity is set out below.

Details of Remuneration for Period Ended 30 June 2010

The remuneration for each key management personnel of the entity during the period was as follows:

	Short-term employment benefits	**Post-employment**	**Equity**		
Directors	**Salary, Fees and Commissions $**	**Superannuation Contribution $**	**Shares Received as Compensation $**	**Options Received as Compensation $**	**Total $**
Mr K Nichol	77,500	-	-	-	77,500
Mr M Trifunovic [1]	35,167	-	-	-	35,167
Mr P Avery	31,210	2,808	-	-	34,018
Mr D Cahill [2]	27,500	-	-	-	27,500
	171,377	**2,808**	**-**	**-**	**174,185**

[1] Appointed Company Secretary 21 September 2010, appointed Executive Director 1 April 2010.
[2] Resigned as Managing Director on 1 April 2010.

DIRECTORS' REPORT (CONT'D)

REMUNERATION REPORT (AUDITED) (CONT'D)

No member of key management personnel appointed during the period received a payment as part of his consideration for agreeing to hold the position.

Options Issued as Part of Remuneration for the Period Ended 30 June 2010

There were no options granted as remuneration for the period ended 30 June 2010. As such there will be no impact on remuneration in the current or future periods.

Shares Issued as Part of Remuneration for the Period Ended 30 June 2010

There were no shares granted as remuneration for the period ended 30 June 2010. As such there will be no impact on remuneration in the current or future periods.

Employment contracts

The Chairman, Mr K Nichol, is employed under contract. The employment contract commenced on 23 July 2010 and will continue for an initial term of 5 years. Under the terms of the present contract:

- Mr Nichol may resign from his position and thus terminate this contract by giving 1 months written notice. A resignation fee is payable by the Company of an amount equal to 6 months consultancy fee
- After the expiry of the Consultancy Period (60 months) either party may terminate the Consultancy by giving the other 1 months notice in writing. An exit fee will be payable by the Company upon the company's termination equal to the remainder of the contract term.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs Mr Nichol is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.

The Non-executive Director, Mr P Avery, is employed under contract. The employment contract commenced on 23 July 2010 and will continue for an initial term of 36 months. Under the terms of the present contract:

- Mr Avery may resign from his position and thus terminate this contract by giving 1 month's written notice. A fee is payable by the Company of an amount equal to 6 months consultancy fee
- After the expiry of the Employment Period (36 months) either party may terminate the Employment by giving the other 1 months notice in writing. An exit will be payable by the Company upon the company's termination equal to the remainder of the contract term.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred.

The Executive Director, Mr M Trifunovic, is employed under contract. The current employment contract commenced on 23 July 2010 and will continue for an initial term of 36 months. Under the terms of the present contract:

- Mr Trifunovic may resign from his position and thus terminate this contract by giving 1 month's written notice. A fee is payable by the Company of an amount equal to 6 months consultancy fee
- After the expiry of the Employment Period (36 months) either party may terminate the Employment by giving the other 1 months notice in writing. An exit will be payable by the Company upon the company's termination equal to the remainder of the contract term.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred.

This marks the end of the audited remuneration report.

DIRECTORS' REPORT (CONT'D)

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration under s.307C of the *Corporation Act 2001* in relation to the audit of the full year is included on page 14.

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

On behalf of the Directors

Mr Kevin Nichol
Chairman

8 September 2010

partners in success
Chartered Accountants & Business Advisors

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Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Victorian Gold Mines NL

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Graeme Stewart
Auditor

Andrew Frewin & Stewart
61-65 Bull Street, Bendigo, Vic 3550

Dated this 8th day of September 2010

DIRECTORS DECLARATION

The Directors declare that:

a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 2 to the financial statements;

c) in the Directors' opinion, the attached financial statements and notes thereto, are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

d) the Directors have been given the declarations required by *s.295A* of the *Corporations Act 2001.*

Signed in accordance with a resolution of the Directors made pursuant to *s.295(5)* of the *Corporations Act 2001.*

On behalf of the Directors

Mr Kevin Nichol
Chairman

8 September 2010

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INDEPENDENT AUDITOR'S REPORT

To the members of Victorian Gold Mines NL

Report on the Financial Report

We have audited the accompanying financial report of Victorian Gold Mines NL, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of Victorian Gold Mines NL are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with the relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

a. the financial report of Victorian Gold Mines NL is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and

Report on the Remuneration Report

We have audited the Remuneration report included in pages 9 to 11 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Accounting standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Victorian Gold Mines NL for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

GRAEME STEWART

ANDREW FREWIN & STEWART

61-65 Bull Street, Bendigo, VIC 3550

Dated this 8th day of September 2010

VICTORIAN GOLD MINES NL
ABN 82 139 255 771

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2010

	Note	2010 $
Revenue	5	41,011
Corporate expenses		(103,401)
Administrative expenses		(47,193)
Employment expenses		(256,666)
Loss on sale of plant & equipment		(39,215)
Depreciation and amortisation		(95,037)
Exploration costs written off		(120,874)
Loss Before Income Tax	6	(621,375)
Income tax expense	7	-
Loss for the year from continuing operations		**(621,375)**
Other comprehensive income		
Exchange differences arising during the period		236
Total Comprehensive income for the period		**(621,139)**
Loss attributable to		
Owners of the Company		**(621,139)**
Total comprehensive income attributable to		
Owners of the Company		**(621,139)**
		Cents per Share
Loss per Share per share from continuing operations		
Basic Loss per share	24	(3.66)
Diluted Loss per share	24	(2.68)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	2010 $
Current Assets		
Cash and cash equivalents	10	1,324,165
Trade and other receivables	11	34,264
Other current assets	12	47,816
Total Current Assets		1,406,245
Non-Current Assets		
Property, plant and equipment	13	404,329
Exploration and evaluation assets	14	580,224
Total Non-Current Assets		984,553
Total Assets		2,390,798
Current Liabilities		
Trade and other payables	15	41,276
Total Current Liabilities		41,276
Total Liabilities		41,276
Net Assets		**2,349,522**
Equity		
Issued Capital	16	2,970,661
Reserves	18	236
Accumulated losses		(621,375)
Equity attributable to owners of the Company		2,349,522
Total Equity		**2,349,522**

This statement is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2010

	CONSOLIDATED			
	Issued Capital **Note 16** $	Accumulated Losses $	Foreign Currency Translation Reserve **Note 18** $	Total $
Balance as at incorporation	3	-	-	3
Loss for the year	-	(621,375)	-	(621,375)
Other comprehensive income for the period	-	-	236	236
Total comprehensive income for the period	3	(621,375)	236	(621,136)
Issue of shares	3,105,300	-	-	3,105,300
Issue of options	203,670	-	-	203,670
Costs of capital raising	(338,312)	-	-	(338,312)
Balance as at 30 June 2010	**2,970,661**	**(621,375)**	**236**	**2,349,522**

This statement is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2010

	Note	2010 $
Cash flows from operating activities		
Interest received		41,011
Payments to suppliers and employees		(398,059)
Payments for bank guarantee		(42,505)
Net cash used in operating activities	23(a)	(399,553)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure		(601,438)
Payments for plant and equipment		(525,741)
Proceeds from sale of plant and equipment		30,000
Net cash used in investing activities		(1,097,179)
Cash flows from financing activities		
Proceeds from issue of equity securities		3,158,973
Payment for share issue costs		(338,312)
Net cash flows from financing activites		2,820,661
Net Increase in cash and cash equivalents		1,323,929
Cash and cash equivalents at incorporation		-
Effects of exchange rate differences on the balance of cash held in foreign currencies		236
Cash and cash equivalents at the end of the financial period	10	**1,324,165**

This statement is to be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

1. General Information

Victorian Gold Mines NL (the "Company") is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Company are described in the Director's Report.

2. Adoption of new and revised Accounting Standards

2.1 Standards and Interpretations affecting amounts reported in the current period

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2.2.

Standards affecting presentation and disclosure

AASB 101 *Presentation of Financial Statements* (as revised in September 2007), AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* and AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101*	AASB 101 (September 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments*	The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk.
Amendments to AASB 107 *Statement of Cash Flows* (adopted in advance of effective date of 1 January 2010)	The amendments (part of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*) specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

2.2 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations*	The amendments clarify the definition of vesting conditions for the purposes of AASB 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

2.3 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	**Effective for annual reporting periods beginning on or after**	**Expected to be initially applied in the financial year ending**
AASB 2009-05 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2010	30 June 2011
AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues	1 February 2010	30 June 2011
AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	30 June 2014

3. Significant accounting policies

3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 8 September 2010.

3.2 Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

3.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

3.4.1 Interest Revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.5 Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

No amounts have been recognised in the financial statements in respect of other equity-settled shared-based payments.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

3.6 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.6.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated [statement of comprehensive income/income statement] because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.6.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.6.3 Current and deferred tax for the period
Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Additional information on accounting policies shall be included where the entity has other material tax balances not covered by the above analysis, such as in relation to tax deductible share-based payments.

3.7 Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straightline method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation rates and methods shall be reviewed at least annually and, where changed, shall be accounted for as a change in accounting estimate. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognised in prior financial years shall not be changed, that is, the change in depreciation rate or method shall be accounted for on a 'prospective' basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.8 Financial Assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.8.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3.8.2 Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.8.3 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3.8.4 Reclassification of financial assets
The Group has reclassified certain non-derivative financial assets out of held for trading (part of the FVTPL category) to AFS financial assets. Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short-term. In all cases, reclassifications of financial assets are limited to debt instruments. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

3.8.5 Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3.9 Goods and services tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:
i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

3.10 Financial Assets
All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.10.1 Effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit and loss (FVTPL). The group does not hold and FVTPL financial assets.

3.10.2 Held-to-maturity investments
Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

3.10.3 Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.10.4 Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

3.10.5 Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3.11 Financial liabilities and equity instruments issued by the Group

3.11.1 Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.11.2 Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3.11.3 Financial liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. The group does not hold and FVTPL financial liabilities.

3.11.4 Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.11.5 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3.12 Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning exploration sites and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to exploration and milling facilities is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

3.13 Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and
(ii) at least one of the following conditions is also met:
   (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
   (b) exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities.

General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

3.14 Development

Development expenditure is recognised at cost less accumulated amortisation and any impairment losses. Where commercial production in an area of interest has commenced, the associated costs together with any forecast future capital expenditure necessary to develop proved and probable reserves are amortised over the estimated economic life of the mine on a units-of-production basis.

Changes in factors such as estimates of proved and probable reserves that affect unit-of production calculations are dealt with on a prospective basis.

3.15 Cash and Cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at date of acquisition.

3.16 Impairment of assets

At each reporting date or more frequently if events or changes in circumstances indicate a possible impairment, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are largely independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset excluding goodwill (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.17 Foreign currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see 3.26 below for hedging accounting policies); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to noncontrolling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.18 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

4.1.1 Estimation of useful lives of Plant and Equipment

The estimation of useful lives of plant and equipment has been based on historical experience as well as manufacturers' warranties (for plant and equipment). Adjustments to useful lives are made when considered necessary and reviewed at each balance date as stated in Note 3.8.

4.1.2 Impairments

Impairment losses have been recognised in relation to a number of tenements because the carrying amount of the asset was unlikely to be recovered from successful development.

4.1.3 Tax losses

The Company has not recognised a deferred tax asset with regard to unused tax losses and other temporary differences, as it has not been determined whether the Company will generate sufficient taxable income against which the unused tax losses and other temporary differences can be utilised.

	2010 $
5. REVENUE	
Revenue from continuing operations consisted of the following items	
Other Income	
Interest revenue - bank deposits*	41,011

*this represents total interest income for financial assets that are not designated as at fair value through profit and loss.

6. LOSS FROM OPERATIONS

Loss before income tax has been arrived at after crediting/(charging) the following gains and losses from continuing operations

6.1 Depreciation and Amortisation of non-current assets	
Depreciation of non-current assets	95,037
6.2 Employee benefits expense	
Post employments benefits	
Defined contribution plans	11,352
Other employee benefits	15,224
Total employee benefits	26,576

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

7. INCOME TAX EXPENSE

	2010 $
7.1. The components of income tax expense comprise:	
Current Tax	-
Deferred Tax	-
	-
7.2. The prima facie tax from ordinary acivities before income tax is reconciled to the income tax expense as follows:	
Profit/(Loss) from Ordinary Activities	**(621,375)**
Income tax expense/(benefit) calculated at 30%	(186,413)
Add:	
Tax Effect of:	
- Accrued expenses	4,165
- Other timing differences	569
	(181,679)
Less: Tax effect of:	
- Deductible capitalised exploration expenditure	(129,067)
- Deductible capital raising costs	(20,299)
- Prepaid expenses	(1,593)
Tax benefit for the year	(332,638)
Income tax losses not taken up as benefit	332,638
Income tax expense	-
Potential tax benefit (30%)	55,924
Deferred tax assets not brought to account as assets:	
- Tax Losses	332,638
- Temporary Differences	(146,225)
	186,413

The taxation benefits of tax losses and temporary differences not brought to account will only be obtained if:

i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
ii) the consolidated entity continues to comply with the conditions for deductibility imposed by law; and
iii) no change in tax legislation adversely affects the consolidated entity in realizing the benefits from deducting the losses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

8. KEY MANAGEMENT PERSONNEL

(a) The key management personnel of Victorian Gold Mines NL during the year were:

Mr K Nichol	Chairman
Mr D Cahill	Managing Director (resigned 31 March 2010)
Mr M Trifunovic	Company Secretary (resigned 25 August 2010)
	Non-executive Director (appointed 1 April 2010)
Mr P Avery	Non-executive Director

(b) Compensation practices
Details of key management personnel compensation practices are in the Remuneration Report within the Directors' Report.

(c) Aggregate Key Management Personnel Compensation

The aggregate compensation of the key management personnel of the consolidated entity and the Company is set out below:

	2010 $
Short-term employment benefits	171,377
Post employment benefits	2,808
Other long-term benefits	-
Termination benefits	-
Share based payments	-
	174,185

Information regarding individual directors and executive's compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report section of the Directors' Report.

(d) Option holdings by Key Management Personnel or their nominees

	Balance at incorporation	Granted as Compensation	Net Change Other [1]	Balance 30.6.2010	Vested and exercisable	Vested and unexercisable	Not Vested and unexercisable
Mr K Nichol	-	-	100,000	100,000	100,000	-	-
Mr M Trifunovic	-	-	215,000	215,000	215,000	-	-
Mr P Avery	-	-	200,000	200,000	200,000	-	-
Mr D Cahill	-	-	-	-	-	-	-
	-	**-**	**515,000**	**515,000**	**515,000**	**-**	**-**

[1] Options acquired through the Company's Rights Issue Prospectus.

(e) Shareholdings by Key Management Personnel or their nominees

	Balance at incorporation	Received as Compensation	Options Exercised	Acquired at Initial Public Offering	Net Change Other	Balance 30.6.2010
Mr K Nichol	1,760,001	-	-	-	40,000 [1]	1,800,001
Mr M Trifunovic	-	-	-	-	30,000 [1]	30,000
Mr P Avery	3,010,001	-	-	-	-	3,010,001
Mr D Cahill	3,000,001	-	-	25,000	(3,025,001) [2]	-
	7,770,003	**-**	**-**	**25,000**	**(2,955,001)**	**4,840,002**

[1] Net Change Other refers to shares purchased during the year on the ASX.
[2] Mr D Cahill resigned as a Director of the Company on 1 April 2010.

8. KEY MANAGEMENT PERSONNEL (CONT'D)

(e) Loans/Payables to Key Management Personnel

There were no loans/payables to Key Management Personnel during the financial period.

(f) Other transactions with Key Management Personnel

Other transactions with Key Management Personnel during the period ended 30 June 2010 are detailed in Note 19.

9. AUDITORS REMUNERATION

	2010 $
Auditing or reviewing the financial report	17,500
Non-audit services	-
	17,500

The auditor of Victorian Gold Mines NL is Andrew Frewin Stewart & Associates Pty Ltd.

10. CASH AND CASH EQUIVALENTS

Cash at bank	1,324,165

11. TRADE AND OTHER RECEIVABLES

Current

Goods and services tax receivables	26,764
Other receivables	7,500
	34,264

The average credit period on trade and other receivables is 30 days. Due to the short term nature of the receivables their carrying value is assumed to approximate their fair value. No collateral or security is held. No interest is charged on the receivables. The Company has financial risk management policies in place to ensure that all receivables are received within the credit timeframe.

12. OTHER CURRENT ASSETS

Current

Bank Guranatees	42,505
Prepayments	5,311
	47,816

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

13. PLANT AND EQUIPMENT

	2010 $
Plant and equipment - at cost	483,017
Less: Accumulated depreciation	(78,688)
	404,329

Movement in carrying value of plant and equipment	Plant and Equipment 2010 $
Carrying amount at beginning of the period	-
Additions	610,977
Depreciation expense	(95,037)
Disposal of assets	(111,611)
Carrying amount at end of the period	**404,329**

The following useful lives have been used in the calculation of depreciation:
Plant and Equipment 2 - 4 years

14. EXPLORATION AND EVALUATION ASSETS

Costs carried forward in respect of areas of interest in exploration and evaluation phase (Note 3.11)	**580,224**

Reconciliation of exploration and evaluation costs

Balance at beginning of period	-
Current year expenditure (1)	701,098
Write-off during the period (2)	(120,874)
Balance at end of period	**580,224**

The recoverability of the carrying amount of exploration and evaluation assets is dependent upon the successful development and commercial exploration, or alternatively, sale of the respective areas of interest.

(1) Capitalised cost of $601,438 has been included in cash flows from investing activities in the cash flow statement.

(2) The written off expenditure of $120,874 relates to prospective costs for potential areas of interest in Australia and overseas.

15. TRADE AND OTHER PAYABLES

Current	
Trade Payables (1)	27,393
Sundry payables and accrued expenses	13,883
	41,276

(1) The average credit period on purchases is 30 days. No interest is charged on the trade payables. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

16. ISSUED CAPITAL

	2010 $
28,134,003 fully paid ordinary shares	2,764,891
Partly paid shares	2,100
Options	203,670
	2,970,661

Fully paid ordinary shares carry one vote per share and carry the right to dividends.
Changes to corporations law abolished the authorised capital and par value concept in relation to the Share Capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

(a) Fully paid ordinary shares

	2010 No.	2010 $
Balance at incorporation	3	3
Issue of shares to founding shareholders	9,000,000	900
Issue of shares to seed capital shareholders	4,830,000	241,500
Issue of shares through initial public offering	13,554,000	2,710,800
Issue of vendor shares	750,000	150,000
Less: Costs of capital raising	-	(338,312)
Balance at end of financial period	**28,134,003**	**2,764,891**

Terms and Conditions of Issued Capital

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Partly paid ordinary shares

	2010 No.	2010 $
Balance at incorporation	-	-
Monies received in advance for the issue of partly paid shares	-	2,100
Balance at end of financial period	**-**	**2,100**

Partly paid ordinary shares carry one vote per share but do not carry any a right to dividends.

(c) Options

An option entitles the holder to subscribe for 1 ordinary share in Victorian Gold Mines NL upon the payment of $0.20 (20 cents). The options will lapse at 5.00pm (AEST) on 31 March 2014. The options are transferable. The options carry neither rights to dividends nor voting rights.

	2010 No.	2010 $
Balance at beginning of the financial period	-	-
Granted during the financial period	20,367,001	203,670
Exercised during the financial period	-	-
Lapsed during the financial period	-	-
Balance at end of the financial period	**20,367,001**	**203,670**

17. DIVIDENDS

There have been no dividends paid or proposed in the 2010 financial period.

18. RESERVES

Foreign currency translation reserve

	2010 $
Balance at the beginning of period	-
Exchange differences arising on translating the net assets of foreign operations	263
	263

19. RELATED PARTY DISCLOSURES

Key Management Personnel Compensation
Details of key management personnel compensation are disclosed in the Remuneration Report.

Transactions with Key Management Personnel
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

During the period since incorporation, Mr Kevin Nichol received $23,370 for services rendered in regards to Company's initial public offering.

Transactions with Director Related Entities
During the period since incorporation, DJ Carmichael Pty Ltd, a related Company to Mr Peter Avery received $31,100 for services rendered in regards to Company's initial public offering.

Transactions with Controlled Entities
During the year, Victorian Gold Mines NL, in the normal course of business, entered into transactions with its controlled entities Victorian Gold Mines Pte Ltd.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations. It is, and has been throughout the entire period, the Company's policy that no trading in financial instruments shall be undertaken.

The main risk arising from the Company's financial instruments is cash flow interest rate risk. Other minor risks are summarised below. The Board reviews and agrees policies for managing each of these risks.

20.1 Cash flow interest rate risk

The Company's exposure to the risks of changes in market interest rates relates primarily to the Company's short-term deposits with a floating interest rate. These financial assets with variable rates expose the Company to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Company does not engage in any hedging or derivative transactions to manage interest rate risk.

The following tables set out the carrying amount by maturity of the Company's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments. Also included is the effect on profit and equity after tax if interest rates at that date had been 30% higher or lower with all other variables held constant as a sensitivity analysis. The Company has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the Company continuously analyses its exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative investments and the mix if fixed and variable interest rates apply.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

	Note	Float Interest Rate	Non-Interest Bearing	Total Carrying Amount	Interest Rate Risk Sensitivity	
					-30%	+30%
		2010	2010	2010	2010	2010
		$	$	$	$	$
Financial Assets						
Cash at bank	9	1,324,165	-	1,324,165	(14,539)	14,539
Trade and other Receivables	10	-	47,816	47,816	-	-
Bank Guarantees	11	-	42,505	42,505		
Total		**1,324,165**	**90,321**	**1,414,486**	**(14,539)**	**14,539**
Weighted average interest rate		3.66%				
Financial Liabilities						
Trade and other payables	13	-	41,276	41,276		
Total		**-**	**41,276**	**41,276**	**-**	**-**
Weighted average interest rate		-				
Net financial assets/(liabilities)		**1,324,165**	**49,045**	**1,373,210**	**(14,539)**	**14,539**

A sensitivity of 30% has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. A 30% sensitivity would move short term interest rates at 30 June 2010 from 3.66% to 4.76% representing a 110 basis points shift. This would represent two to three increases which is reasonably possible in the current environment with the bias coming from the Reserve Bank of Australia and confirmed by market expectations that interest rates in Australia are more likely to move up than down in the coming period.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted resulting in a decrease or increase in overall income.

20.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to ensure the ability to meet debt requirements. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company aims at maintaining flexibility in funding by having in place operational plans to source further capital as required.

Liquidity risk is measured using liquidity ratios such as working capital as follows:

	2010 $
Current Assets	1,406,245
Current Liabilties	41,276
Surplus	**1,364,969**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Financial Liabilities

The following table details the Company's and the Group's remaining contractual maturity for its non-derivative financial liabilities.

	2010
Contracted maturities of payables year ended 30 June 2010:	$
Payable:	
- less than 6 months	41,276
- 6 to 12 months	-
- 1 to 5 years	-
- later than 5 years	-
Total	**41,276**

20.3 Net Fair Values

For financial assets and liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The Company has no financial assets where carrying amount exceeds net fair value at balance date.

20.4 Credit Risk

Credit risk arises from cash and cash equivalents and outstanding receivables. The cash balances are held in financial institutions with high ratings and the receivables comprise interest receivable and GST input tax credits refundable by the ATO. The Company has assessed that there is minimal risk that the cash and receivables balances are impaired.

The Company's receivables at balance date are detailed in Note 10.

The maximum exposure to credit risk on financial assets of the Company which have been recognised on the Balance Sheet is generally the carrying amount.

20.5 Capital Risk Management

When managing capital, management's objectives are to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also maintain a capital structure that ensures the lowest cost of capital available to the Company.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, enter into joint ventures or sell shares.

The Company does not have a defined share buy-back plan.

No dividends were paid in 2010 and no dividends are expected to be paid in 2011.

There is no current intention to incur debt funding on behalf of the Company as on-going exploration expenditure will be funded via equity or joint ventures with other companies.

The Company is not subject to any externally imposed capital requirements. Management reviews management accounts on a monthly basis and reviews actual expenditure against budget on a quarterly basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

21. COMMITMENTS FOR EXPENDITURE

	2010 $
Exploration Tenements - Commitments for Expenditure	
In order to maintain current rights of tenure to exploration tenements, the Company and consolidated entity are required to outlay rentals and to meet the minimum expenditure requirements of the Mineral Resources Authority. Minimum expenditure commitments may be subject to renegotiation and with approval may otherwise be avoided by sale, farm out or relinquishment. These obligations are not provided in the accounts and are payable:	
Not longer than 1 year	92,276
Longer than 1 year and not longer than 5 years	105,015
Longer than 5 years	-
	197,291

22. SEGMENT INFORMATION

The Company operated predominately as an explorer for gold mineralisation within Australia.

AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the Company that are regularly reviewed by the chief decision maker in order to allocate resources to the segment and to assess its performance. The board reviews the company as a whole in the business segment of mineral exploration within Australia.

23. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Net Loss from ordinary activities after related income tax to net cash flows from operating activities

Loss after related income tax	(621,375)
Less: Non-cash activities:	
Depreciation and amortisation of non-current assets	95,037
Exploration costs written off	120,874
Loss on sale of assets	39,215
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:	
(Increase) in assets:	
Current receivables	(74,580)
Increase in liabilities:	
Current payables	41,276
Net cash used in operating activities	**(399,553)**

(b) Acquisition of Entities

There were no acquisitions of other entities during the financial period.

(c) Non cash financing and investing activities

During the financial period since incorporation the Company acquired exploration assets via a share sale agreement via the issue of 750,000 ordinary shares at an issue price of $0.20.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

24. EARNINGS PER SHARE

	2010 Cents Per Share
Basic earnings (loss) per share	(3.66)
Diluted earnings (loss) per share	(2.68)

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

Earnings	(621,375)

	2010 No
Weighted average number of ordinary shares used in the calculation of basic earnings per share	16,982,603
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	23,160,593

25. SUBSIDIARIES

Name of Entity	Country of Incorporation	Ownership Interest 2010 %
Parent Entity		
Victorian Gold Mines NL	Australia	
Subsidiaries		
Victorian Gold Mines Pte Ltd[1]	Singapore	100

[1] Incorporated as a 100% owned subsidiary on 24 September 2009.

26. CONTINGENT LIABILITIES

The Company does not have any contingent liabilities as at 30 June 2010.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (CONT'D)

27. AFTER BALANCE DATE EVENTS

There has not been any matter or circumstance that has arisen since the end of the financial period that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial periods, other than:

- On 20 July 2010, the Company announced it had registered a 100% owned trading subsidiary in Sierra Leone. The new Company is called Black Star Mining (SL) Limited and will become a holding Company for future acquisitions in Sierra Leone. The Company has also registered as a gold trader under Sierra Leone law.

- On 29 July 2010, the Company announced it had signed a Heads of Agreement to acquire 100% of all shares in Celamin Limited (Celamin), a North African phosphate and base metals exploration Company. Initially each party will have 3 months to conduct mutual due diligence satisfactory to the parties and to execute more detailed and binding transaction documentation.

  Subject to the satisfactory outcome of that due diligence VGM will have the call option to acquire, and Celamin the put option to sell 100% of the issued Celamin shares in the following manner:
  (a) On satisfactory completion of mutual due diligence VGM shall issue to Celamin shareholders 2,500,000 shares, 5,000,000 31 March 2014 options and 7,500,000 partly paid shares in consideration for Celamin Shareholders transferring 10% of Celamin issued shares to VGM.
  (b) On competition of a pre-feasibility study on the Phosphate Project on the Bir El Afou Ep and delineation of JORC compliant resource of a minimum 25,000,000 tonnes at a minimum grading of 15% P205, VGM shall issue to Celamin Shareholders 20,0000,000 shares and Celamin Shareholders shall transfer a further 30% of the Celamin issued shares to VGM.
  (c) On completion of a bankable feasibility study on the Phosphate Project on the Bir El Afou Ep VGM shall issue 32,500,000 shares to Celamin Shareholders and Celamin Shareholders shall transfer the outstanding 60% of the Celamin issued shares.

- On 29 July 2010, the Company announced it had issued 5,626,801 partly paid shares at $0.001 (one tenth of one cent) with an unpaid amount of $0.10 (10 cents). Each call shall be no more than $0.02 (2 cents), with the first call not being made until, on or after 17 December 2012. Holders are permitted to pay remaining unpaid amounts at anytime.
- On 20 August 2010, the Company announced it had issued a further 4,200,000 partly paid shares at $0.001 (one tenth of one cent) with an unpaid amount of $0.10 (10 cents). Each call shall be no more than $0.02 (2 cents), with the first call not being made until, on or after 17 December 2012. Holders are permitted to pay remaining unpaid amounts at anytime.

28. PARENT ENTITY INFORMATION

	2010 **$**
Current assets	1,403,163
Non-current assets	987,399
Total assets	**2,390,562**
Current liabilities	41,276
Non-current liabilites	-
Total liabilities	**41,276**
Issued capital	2,970,661
Retained earnings	(621,375)
Total Shareholders' equity	**2,349,286**
Loss for the year	(621,375)
Total comprehensive income for the year	(621,375)

The consolidated disclosures made in relation to guarantees, contingent liabilities and capital commitments all relate to the parent, and therefore it is necessary to disclose them separately.

ADDITIONAL SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 20 August 2010.

1. Distribution of Shareholders

(a) Analysis of number of shareholders by size of holding.

Category of holding	Holders	Number of Shares	% of Capital
1 - 1,000	4	103	0.00%
1,001 - 5,000	10	37,055	0.13%
5,001 - 10,000	81	790,578	2.81%
10,001 - 100,000	216	9,534,569	33.89%
100,001 and over	28	17,771,698	63.17%
Total	**339**	**28,134,003**	**100.00%**

(b) There are 5 shareholders with less than a marketable parcel of ordinary shares.

2. Twenty Largest Shareholders

The names of the twenty largest holders by account holding of ordinary shares are listed below:

SHAREHOLDER	HOLDING	%
DOUGLASS WAKLEY CAHILL	3,483,001	12.38%
DAWESVILLE NOMINEES PTY LTD <PETER AVERY SUPER FUND A/C>	3,000,001	10.66%
J & TW DEKKER PTY LTD <J & TW DEKKER FAMILY A/C>	2,382,013	8.47%
KEVIN NICHOL	1,800,001	6.40%
BENY MANURU	1,450,000	5.15%
FRENGKY MANURU	1,075,000	3.82%
HUANG JIN MINING PTY LTD	700,000	2.49%
WHITE KNIGHT TECHNOLOGY PTY LTD <THE KELL FAMILY A/C>	571,333	2.03%
HAWERA PTY LTD <THE BAILEY FAMILY A/C	400,000	1.42%
REYNOLDS (NOMINEES) PTY LIMITED <LOTHIAN & CO A/C>	300,000	1.07%
TRELUC INVESTMENTS PTY LTD	300,000	1.07%
READS IT PTY LTD	225,000	0.80%
MR BRIAN PETER BYASS	225,000	0.80%
AMARILO INVESTMENTS PTY LTD <P J HUNT FAMILY A/C>	420,000	1.49%
GAJE PTY LTD <LAGANA SUPER FUND A/C>	200,000	0.71%
STREFREWEN PTY LTD	200,000	0.71%
WRITE FAMILY INVESTMENTS PTY LTD	200,000	0.71%
MINECONNECT PTY LTD	175,000	0.62%
MARK NIUTTA <NIUTTA FAMILY A/C>	150,000	0.53%
BELLSET NOMINEES PTY LTD	133,165	0.47%
TOTAL	**17,389,514**	**61.81%**

3. Restricted Securities

The Company has the following restricted securities from 17 December 2009:

Security	No.	Escrow Expiry
Ordinary shares	10,173,498	17 December 2011
Ordinary shares	3,172,500	23 October 2010
Ordinary shares	25,000	15 December 2010

ADDITIONAL SHAREHOLDER INFORMATION (CONT'D)

4. Twenty Largest Option holders

The names of the twenty largest $0.20 option holders expiring 31 March 2014 (VGMO options) by account holding of listed options are listed below:

OPTION HOLDER	HOLDING	%
HAWERA PTY LTD <THE BAILEY FAMILY A/C>	5,274,205	25.90%
BENY MANURU	3,565,205	17.50%
FRENGKY MANURU	2,000,000	9.82%
TRELUC INVESTMENTS PTY LTD	1,234,000	6.06%
HK SECURITIES PTY LTD	519,750	2.55%
MR CHARLES WILLIAM THOMAS	401,250	1.97%
HUANG JIN MINING PTY LTD	350,000	1.72%
SOBOL CAPITAL PTY LTD <BOC A/C>	275,000	1.35%
AMARILO INVESTMENTS PTY LTD <P J HUNT FAMILY A/C>	250,000	1.23%
MR MILAN MICHAEL TRIFUNOVIC	245,416	1.20%
MERCURY ANETAC CAPITAL PTY LTD	225,000	1.10%
AMARILO INVESTMENTS PTY LTD <P J HUNT SUPER FUND A/C>	212,550	1.04%
STREFREWEN PTY LTD	210,000	1.03%
HAWERA PTY LTD <THE BAILEY FAMILY A/C>	200,000	0.98%
DAWESVILLE NOMINEES PTY LTD <PETER AVERY SUPER FUND A/C>	200,000	0.98%
MR BRETT GRAEME WALKER	200,000	0.98%
READS IT PTY LTD	200,000	0.98%
MR COLIN EDWARD HEBBARD + MRS GLENYSE ADELE HEBBARD	162,000	0.80%
J & TW DEKKER PTY LTD <J & TW DEKKER FAMILY A/C>	125,000	0.61%
MR BRIAN PETER BYASS	112,500	0.55%
TOTAL	**15,961,876**	**56.74%**

5. Substantial Shareholders

As at 20 August 2010 the substantial shareholders were as follows:

Name of Shareholder	No of Shares	% of Issued Capital
DOUGLASS WAKLEY CAHILL	3,483,001	12.38%
DAWESVILLE NOMINEES PTY LTD /AVERY	3,010,001	10.70%
J & TW DEKKER PTY LTD <J & TW DEKKER FAMILY A/C>	2,392,013	8.50%
KEVIN NICHOL	1,800,001	6.40%
BENY MANURU	1,450,000	5.15%

6. Voting Rights

At a general meeting of shareholders:
(a) On a show of hands, each person who is a member or sole proxy has one vote.
(b) On a poll, each shareholder is entitled to one vote for each fully paid share.

CORPORATE GOVERNANCE STATEMENT

The directors of Victorian Gold Mines NL believe firmly that benefits will flow from the maintenance of the highest possible standards of corporate governance. A description of the Company's main corporate governance practices is set out below. The Company has elected to adopt the 2nd Edition of the "Corporate Governance Principals and Recommendations of the ASX Corporate Governance Council" issued by the ASX Corporate Governance Council in August 2007.

Principal No	Best Practice Recommendation	Compliance	Reason for Non-compliance
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The board has adopted a formal charter setting out the responsibilities of the Board. This charter can be accessed at www.victoriangoldmines.com.au. Any functions not reserved for the Board and not expressly reserved for members by the Corporations Act and ASX Listing Rules are reserved for senior executives.	The Company complies.
1.2	Disclose the process for evaluating the performance of senior executives.	The Board meets annually to review the performance of executives. The senior executives' performance is assessed against the performance of the company as a whole.	The Company complies.
1.3	Provide the information indicated in the Guide to reporting on Principal 1.	A performance evaluation has been completed during the reporting period in accordance with the process detailed in 1.2 above.	The Company complies.
2.1	A majority of the Board should be independent of directors.	The Board comprises three Directors, one of whom is independent.	Due to the Company's size and its specialised operations, the Board considers that a majority of Independent Directors is not currently warranted. As the Company's activities expand, this policy will be reviewed, with a view to aligning the Company's policies to conformity with this recommendation. The Board recognises that Directors remain in office for the benefit of and are accountable to shareholders and that shareholders have the voting power to elect members to the Board regardless of their standing, independent or otherwise.
2.2	The chair should be an independent director.	The Chairman, Mr Kevin Nichol, is not independent.	Whilst the Board recognises that it is desirable for the Chairman to be an Independent Director, the Company's current size dictates that this is the most efficient mode of operation at the current time. The Board will review the appointment of an Independent Chairperson should the Company's size and growth warrant this.

2.3	The roles of chair and chief executive officer should not be exercised by the same individual	As noted, Mr Kevin Nichol is the Company Chairman. There is no chief executive officer of the Company.	For similar reasons expressed in relation to recommendation 2.2, the existing arrangement is the most efficient mode of operation at the current time for the Company's size. The Board will review the appointment of a separate Chairperson should the Company's size and growth warrant this.
2.4	The board should establish a nomination committee.	The board does not have a nomination committee.	The Board has not formed a separate nomination committee, given the size and scale of Victorian Gold Mines NL. The role of a nomination committee is carried out by the full Board. The full board considers the appointment of new directors, on an informal basis. The Board's policy for the appointment of new directors to the Board can be accessed at www.victoriangoldmines.com.au.
2.5	Disclose the process for evaluating the performance of the board, its committee and individual directors.	The performance evaluation of board members occurs by way of an informal review by the full board (in the absence of the relevant Board member)	The Company complies.
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	The skills, experience and expertise relevant to the position held by each director is disclosed in the Directors' Report which forms part of the Annual Report. The name of the Independent Directors are disclosed in the Annual Report. The directors are entitled to take independent professional advice at the expense of the company. The period of office held by each director is disclosed in the Directors' Report which forms part of this Annual Report.	The Company complies.
3.1	Establish a code of conduct and disclose the code for a summary of the code as to: • the practise necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; • the responsibility and accountability of individuals for	The Company has adopted a Board Code of Conduct and a Company Code of Conduct, both of which can be accessed at www.victoriangoldmines.com.au.	The Company complies.

	reporting and investigating reports of unethical practices.		
3.2	Establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	The Company has adopted a Trading Policy which can be accessed at www.victoriangoldmines.com.au.	The Company complies.
3.3	Provide the information indicated in the Guide to reporting on Principle 3.	The information has been disclosed in the Annual Report.	The Company complies.
4.1	The board should establish an audit committee.	The board does not have an audit committee.	The Board has not formed a separate audit committee given the size and scale of the Company. The functions of an audit committee are performed by the whole Board. All items that are dealt with by an audit committee are dealt with at Board meeting.
4.2	The audit committee should be structured so that it: consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; • has at lease three members	See comments under recommendation 4.1 above	See comments under recommendation 4.1 above
4.3	The audit committee should have a formal charter.	See comments under recommendation 4.1 above	See comments under recommendation 4.1 above
4.4	Provide the information in the Guide to reporting on Principle 4.	See comments under recommendation 4.1 above The external auditor, Andrew Frewin Stewart & Associates, has a rotation policy such that lead partners are rotated every 5 years and review partners are rotated every 5 years.	Not applicable.
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has adopted a Disclosure Policy which can be accessed at www.victoriangoldmines.com.au.	The Company complies.

5.2	Provide the information indicated in the Guide to reporting on Principle 5.	The information has been disclosed in the Annual Report.	The Company complies.
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy	The Company has adopted a Shareholder Communications Policy which can be accessed at www.victoriangoldmines.com.au.	The Company complies.
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	The information has been disclosed in the Annual Report	The Company complies.
7.1	Establish policies for the oversight and management of material business risk and disclose a summary of those policies.	The Company has adopted Risk Management Policy which can be accessed at www.victoriangoldmines.com.au. This policy outlines the material risks face by the Company as identified by the Board. Given the size and scale of Victorian Gold Mines NL it does not have a Risk sub-committee or Internal Audit function.	The Company complies.
7.2	The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	The Board believes the risk management and internal control systems designed and implemented by the Directors and the Financial Officer are adequate given the size and nature of the company's activities. The board informally reviews and requests management to report on risk management and internal control.	Management has not formally reported to the board as to the effectiveness of the Company's management of its material business risks. Given the nature and size of the Company and the Board's ultimate responsibility to manage the risks of the Company this is not considered critical. The Company intends to develop the risk reporting framework into a detailed policy as its operations continue to grow.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial office (or equivalent) that the declaration provided in accordance with section 295A is the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material	The Board receives assurance from Mr Kevin Nichol and Melanie Leydin in the form of a declaration, prior to approving financial statement.	The Company complies.

	respects in relation to financial reporting risks.		
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	The information has been disclosed in the Annual Report.	The Company complies.
8.1	The board should establish a remuneration committee.	The company does not have an established remuneration committee.	It is not a company policy to have a nomination committee, given the size and scale of Victorian Gold Mines NL. The role of a nomination committee is carried out by the full Board. The full board considers the appointment of new directors, on an informal basis. The Board's policy for the appointment of new directors to the Board can be accessed at www.victoriangoldmines.com.au.
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The structure of non-executive directors' remuneration is clearly distinguished from that of executive directors and senior executives, as described in the Directors' Report which forms part of this Annual Report.	The Company complies.
8.3	Companies should provide the information indicated in the guide to reporting on Principle 8.	The information has been disclosed in the Annual Report.	The Company complies.

SCHEDULE OF MINING AND EXPLORATION TENEMENTS AS AT 30 JUNE 2010

Project Name	Locality	Tenement	Equity
Bright	Victoria	Exploration Licence 5188	- [1]
Wedderburn	Victoria	Exploration Licence 5116	90%
Wedderburn	Victoria	Mining Lease 5471	90%
Wedderburn	Victoria	Mining Lease 5068	100%
Wedderburn	Victoria	Mining Lease 4611	100%
Moliagul	Victoria	Mining Lease 5371	100%

[1] Pursuant to the MRA, his exploration licence cannot be transferred to the Company until 21 October 2010.