

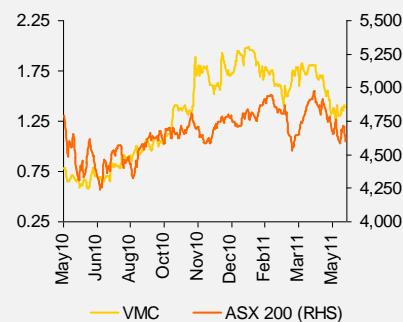
Venus Metals Corporation Limited

(Ticker: ASX:VMC)

June 3, 2011

RB MILESTONE GROUP 
EQUITY RESEARCH AND MARKET INTELLIGENCE

Price (A\$):	1.38
Target Price (A\$):	2.21
Beta:	0.83
Price/Book Ratio:	9.46
Debt/Equity Ratio:	0.00
Listed Exchange:	ASX



Recent News

31/05/2011: VMC announces additional JORC compliant Inferred magnetite mineral resource of 201.7 Mt surrounding Bilberatha Hill at Yalgoo Iron Ore Project

27/05/2011: VMC acquires diamond processing plant and appoints specialists

23/05/2011: VMC identifies significant conductive anomalies at Radi Hills

20/04/2011: VMC discovers new magnetite mineralization at East Bilberatha

18/04/2011: 120m sulphide rich alteration zone found by VMC in Eucla Moodini, indicating possible fringe of a large mineralized system

08/03/2011: Pre-feasibility study commences for Yalgoo Iron Ore Project

Shares in Issue

39.07 M

Market Cap

(A\$M) 53.9

52 Week (High): A\$2.10

52 Week (Low): A\$0.58

Junior Explorer with Strong Potential Reserves

Venus Metals Corporation (VMC) is an Australian base and precious metals exploration company. The company has a total of eight projects, two of which are in the development stage (Yalgoo Iron ore Project and Argyle Smoke Creek Alluvial Diamond Project). The remaining six are in the exploration stage (Yalgoo Gold and Base Metals Project; Argyle North Super Project; Gawler Craton West Super Project; Murchison Base Metals Project; Telfer North Super Project; and Copper Hills Project) targeting IOCG (iron oxide, copper and gold), precious/base metals and diamond deposits mainly within Proterozoic orogenic belts.

In December 2010, VMC declared 443.9 Mt (million tons) JORC compliant Inferred iron ore resource at 30.3% Fe grade under Yalgoo Iron Ore Project, which was upgraded to 645.6 Mt JORC compliant Inferred resource at 29.3% Fe grade in May 2011. VMC will provide updated information on Indicated resource and additional exploration targets in June 2011 for the above prospect. In addition, the company also declared 17.9 Mt JORC compliant diamond Inferred resource of 5 million carats under the Argyle Smoke Creek Alluvial Diamond Project.

VMC has secured A\$8 million of funding through a farm-in and JV agreement with HD Mining & Investment Pty Limited (HD Mining) in return for a 50% stake in the iron ore resources of the YIOP. Further, VMC has commenced drilling on an additional magnetite iron ore exploration target, East Bilberatha with a resource potential of 150-300 Mt. VMC also plans to undertake a bulk sampling program at Argyle Smoke Creek in June 2011 of 15,000 tons of diamond deposits to establish quality and value distribution. We believe that the sampling program will be followed by a pre-feasibility study for an alluvial diamond operation resulting in the reserve availability for diamond production.

Currently, VMC has undertaken exploration in the three main super projects of Gawler Carton West, Telfer North, and Argyle North as identified IOCG, diamond and uranium targets. We believe that VMC is sitting on huge potential reserves placed in established and emerging world-class mining belts.

The recent run-up in metal prices as well as announcement of additional JORC inferred resource in May 2011 augurs well for VMC if it establishes reserve availability. We initiate coverage on VMC with a price target of A\$2.21/share, an upside of 60% from the last traded price of A\$1.38/share. We have valued the company on its iron ore and diamond projects, based on probabilities assigned to peer group EV/ Resource as the resources are still in the Inferred stage. As VMC moves from the exploration and development of the resource to production stage, we expect better valuations for the company.

Investment Arguments

- **Yalgoo Iron Ore Project Has JORC Inferred Resource of 645.6 Mt of Magnetite Mineral Resource.** VMC's Yalgoo Iron ore Project (YIOP) is located in Western Australia's (WA) emerging Mid West Iron Ore Province. In 2HFY10, VMC entered into a farm-in and JV agreement with HD Mining & Investment Pty Limited (HD Mining), a subsidiary of China-based Shandong Provincial Bureau of Geology & Mineral Resources (SDGM), whereby HD Mining is entitled to earn up to 50% of the iron ore rights at the YIOP through sole funding of up to A\$8 million over a maximum period of two years. In December 2010, VMC declared JORC compliant Inferred resource of 443.9 Mt at 30.3% Fe magnetite deposit at Bilberatha Hill; while in May 2011 the

company announced additional JORC compliant Inferred resource of 201.7 Mt at 27.1% Fe surrounding Bilberatha Hill. Further, a scoping study in February 2011 indicated a potential NPV of A\$1.14 billion with IRR of 24.4% based on a 30 Mtpa mine. A pre-feasibility study has commenced and is expected to be completed by July 2011. VMC would also conduct infill RC and diamond drilling to post JORC Indicated resource for Bilberatha Hill and Inferred/ Indicated resource for additional exploration targets by June 2011. We see the recent announcement of additional JORC inferred resource at the YIOP as an extremely positive development and expect better prospects for the company as VMC moves from the explorer to the developer/ producer stage, thereby commanding higher valuations in the market

- **Argyle Smoke Creek Diamond Project Has JORC Inferred Resource of 5 million Carats.** After initial exploration and upon reviewing bulk sampling and assaying data of Argyle Diamond Mines Pty. Limited (ADM), VMC estimated the JORC compliant Inferred resource at 17.9 Mt at an average grade of 28 CPHT (carats per hundred tons) for 5 million carats using a cut-off of 10 CPHT in FY11. VMC's Argyle diamond deposit potentially provides a new source of Kimberley Process compliant, issue-free Australian diamonds including the rare pinks. VMC plans to undertake a bulk sampling program in June 2011 of 15,000 tons to extract diamonds in 9 granted prospecting licenses to establish quality and value distribution. We believe that VMC will conduct a pre-feasibility study post sampling for an alluvial diamond operation leading to reserve availability for diamond production
- **VMC's Super Projects are Located in Proterozoic Orogenic Belts which Host Variety of World-Class Deposits.** Australian Proterozoic orogenic belts (orogens) host a variety of world class giant ore deposits including Mt Isa (base metals); Olympic Dam (IOCG and Uranium); Telfer (Gold); and Argyle (Diamonds). VMC has three main super projects, Gawler Carton West, Telfer North and Argyle North in the area and is selectively targeting concealed parts of Proterozoic orogens for discovery of world-class/giant ore deposits. Currently, VMC has undertaken exploration in these projects and has identified IOCG targets in Gawler Craton West and Telfer North as well as diamond and uranium exploration targets in Argyle North. We believe that VMC's Super Projects have the potential to become huge reserves as they are strategically placed in established and emerging world-class mining belts
- **Strong Metal Prices Augur Well for VMC.** After the financial crisis, global economic recovery has gathered momentum resulting in strong demand for metals and precious stones. Spearheading the demand are emerging countries such as China and India. We expect the economic growth to gain further traction as the developed economies fully recover, which would support the commodity cycle uptrend. The outlook for commodities, including VMC's focus group of iron ore, copper, gold and diamond is generally positive amid the demand and supply dynamics driven by the emerging economies. Robust demand for metals has already led to a surge in metal prices which we believe is extremely beneficial for mining companies such as VMC as higher metal prices lead to higher profitability. Consequently, we expect the company to benefit immensely once it establishes reserves in its ongoing projects

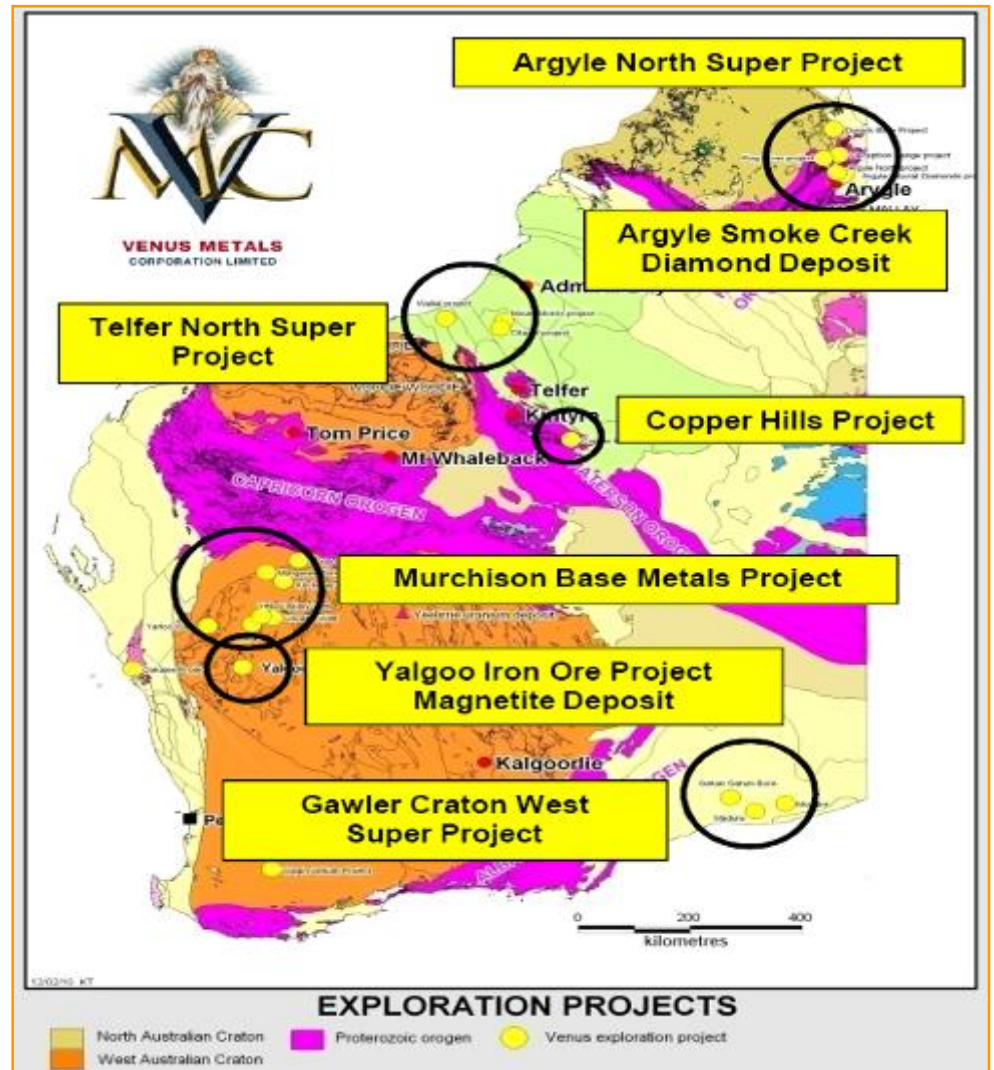
Company Overview

Introduction

Perth, Australia-based Venus Metals Corporation Limited (VMC), previously known as Venus Resources Limited, was incorporated as a propriety company in December 2006. It eventually became a public entity following an IPO and its shares were listed on the ASX under the symbol 'VNS' in June 2007. In May 2010, the company changed its name to the current one and the symbol was also changed to 'VMC'.

Initially, VMC was engaged in the exploration of diamonds in the East Kimberley region of Western Australia. In mid-2008, it ventured into iron ore exploration by acquiring five licenses in Yalgoo which come under the Mid West Iron Ore Province. Currently, VMC has eight projects under its portfolio including Yalgoo Iron ore Project (iron); Yalgoo Gold and Base Metals Project (gold and base metals); Argyle Smoke Creek Alluvial Diamond Project and Argyle North Super Project (both diamonds); Gawler Craton West Super Project (gold and base metals); Murchison Base Metals Project and Telfer North Super Project (both base metals); and Copper Hills Project (copper, gold, platinum, palladium and silver).

Exhibit 1 : Project Locations



Source: Company Reports

VMC has already raised a series of funds, including A\$4 million through a A\$2 per share subscription agreement with HD Mining & Investment Pty Limited (subsidiary of China-based Shandong Provincial Bureau of Geology & Mineral Resources) in March 2010 and

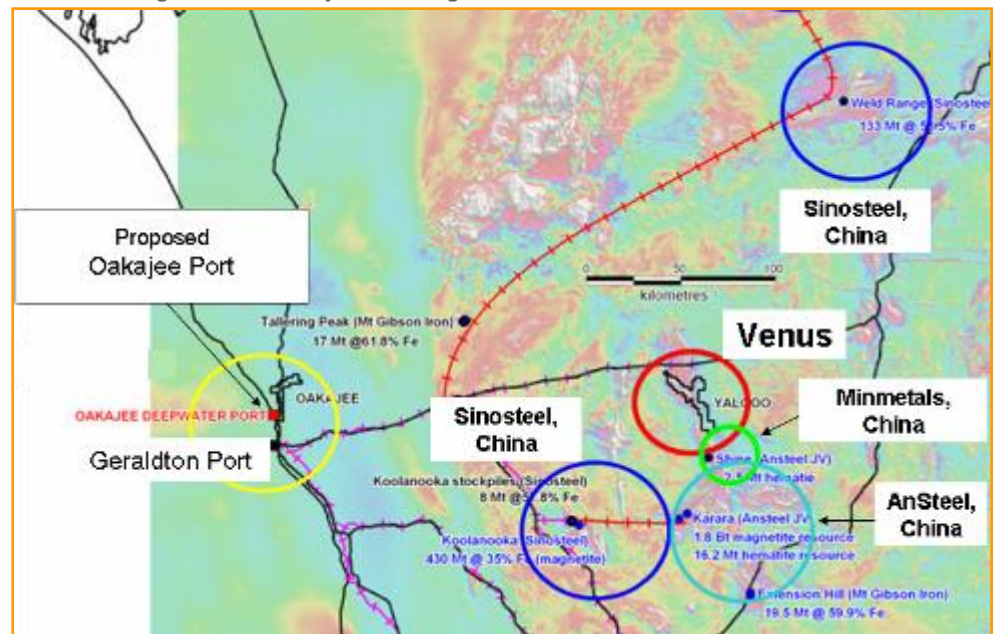
another A\$4 million in January 2011 from investors in the U.K. and Europe through private placement at A\$2 per share.

Areas of Operations

Yalgoo Iron Ore Project

VMC's Yalgoo Iron Ore Project (YIOP) is located in the Western Australia's (WA) emerging Mid West Iron Ore Province, about 80 km north of the world-class Gindalbie Metals Limited Karara Iron Ore Project. The YIOP area comprises six tenements of 234 sq. km., acquired during 2HFY08 for a total consideration of A\$50,000 and 2 million shares, which are similar to that hosting the Gindalbie Metals Limited/Ansteel Karara Iron Ore Project magnetite.

Exhibit 2 : Yalgoo Iron Ore Project – Strategic Location



Source: Company Reports, RB Milestone

Key Project Details

- Logistics.** The YIOP is in the northern part of the Yalgoo-Singleton greenstone belt and is located immediately south of the Geraldton Port-Mount Magnet Road which has an adjoining abandoned railway easement. Further, a sealed road from Yalgoo to Golden Grove also runs through it
- Geology.** The Mid West region already hosts three operating iron ore mines – Jack Hills, Talling Peak and Koolanooka as well as the Karara Project which is in the development stage. In addition, the region would also host proposed iron ore mines including those of Weld Range and Extension Hill. According to reports, the region has total potential hematite/goethite DSO (direct shipping ore) resources of approximately 200 Mt and magnetite resources of more than 3 billion tons.

The YIOP covers Yilgarn Craton Archaean Banded Iron Formation (BIF) units which are interpreted by VMC to be similar to that hosting the Karara Iron Ore Project magnetite and DSO resources to the south of Yalgoo. The total strike length of BIF units within Yalgoo and as interpreted from mapping, including aeromagnetic mapping, is in excess of 60 km

Project Funding

During February 2010, VMC entered into the Yalgoo farm-in and JV agreement with HD Mining & Investment Pty Limited (HD Mining), a subsidiary of China-based Shandong Provincial Bureau of Geology & Mineral Resources (SDGM).

According to the terms of the deal, HD Mining is entitled to earn up to 50% of the iron ore rights at the YIOP through sole funding of up to A\$8 million over a maximum period of two years. During the sole funding period, all exploration activities would be managed by VMC and HD Mining would earn either a 25% interest or a 50% interest in the JV. The agreement also states that, under the JV, both parties must contribute as per their respective interest or dilute in accordance with a standard dilution formula. VMC can convert its JV interest to a 4.5% gross iron ore royalty if it elects not to contribute to the JV.

Exploration and Development

Conducts Initial Exploration in FY09

In FY09, VMC identified ten priority targets through a GIS-based exploration study within the northern part of the YIOP, of the ten Joker iron ore was identified as having the highest iron ore potential. Further study of the Joker target reveals that average hematite/goethite rock chip samples contain 60.2% Fe. VMC interprets that the hematite/goethite iron ore DSO potential of 5-40 Mt at Joker contain an average grade of 58-62% Fe.

Studies During FY10 Reveal Potential Of 268-420 Mt @ 30-36% Fe at Bilberatha Magnetite Target

- VMC commences 20,000 m Reverse Circulation (RC) percussion and 1600 m diamond drilling program focused on the Joker DSO and Bilberatha magnetite iron ore targets and drills a number of reconnaissance holes
- VMC's iron ore targeting study identifies the Bilberatha magnetite target as the highest priority magnetite drilling target and also highlights several other magnetite targets worthy of drilling such as Bilberatha West, Bilberatha East, and Bilberatha South. The large Bilberatha magnetite target was assessed as having an open pit magnetite target potential of 268-420 Mt with a grade of 30-36% Fe
- Pattern resource definition RC and diamond drilling at Bilberatha along drill lines with a nominal 320 m line spacing returned substantial intersections of highly magnetic BIF
- Bilberatha drilling results from the northern drill traverse lines BS1 and BS2 show that the Bilberatha BIF unit in this area has a weighted average iron grade of 30.2 % Fe. The drilling also shows that the Bilberatha BIF unit has a minimum estimated true width of 200m. Bilberatha assay results from drill sections BS3 and BS4 reveal highly magnetic BIF intersections up to 278 m that are considered to be encouraging for the presence of a substantial magnetite BIF unit thickness comparable to the 200m thickness interpreted on drill sections BS1 and BS2
- Initial Davis Tube magnetite recovery test work results from drill hole YGRC0034 showed that the Bilberatha BIF can produce a high-grade Direct Reduction magnetite concentrate with grades up to 71.5% Fe and high iron recoveries up to 97.6%. VMC considers the metallurgical results to be sufficiently encouraging for commissioning a magnetite scoping study by Perth-based specialist consulting group Mineral Engineering Technical Services Pty Limited (METS)

Establishes JORC Compliant Inferred Resource of 645.6 Mt at the YIOP, Completes Scoping Study and Initiates Pre-feasibility Study in FY11

In FY11, VMC undertook a number of exploration programs and the major developments included:

Conducts Drilling for Establishing Inferred Resource and Starts Scoping Study

- During Q1, the company completed drilling 65 RC and diamond holes
- At the main Bilberatha magnetite target, drilling over the main 2km long strike zone returns thick intersections of strongly magnetic BIF down to vertical depths of 537m.

The main BIF unit is estimated to have a true width of 200 m, dipping moderately at 45-60 degrees to the east

- Assay results from Bilberatha RC drilling show a weighted average grade of 32.1% Fe in fresh magnetic BIF, producing a magnetite concentrate grade of up to 71.2% Fe with iron recoveries of up to 97.6% from simple initial metallurgical testing
- Drilling continues in order to produce an Inferred resource JORC figure during the second quarter
- A scoping study on the project commences to outline project parameters and develop a framework for mine development

Declares JORC Compliant Inferred Resource of 443.9 Mt at Bilberatha Hill @ 30.3% Fe; Also Identifies Additional Targets

- In Q2, VMC drills a further 15 holes and commissions geological consultants Widenbar and Associates to produce a preliminary JORC compliant resource estimate for Bilberatha Hill
- Widenbar estimates JORC compliant Inferred magnetite mineral resource of 443.9 Mt at Bilberatha Hill

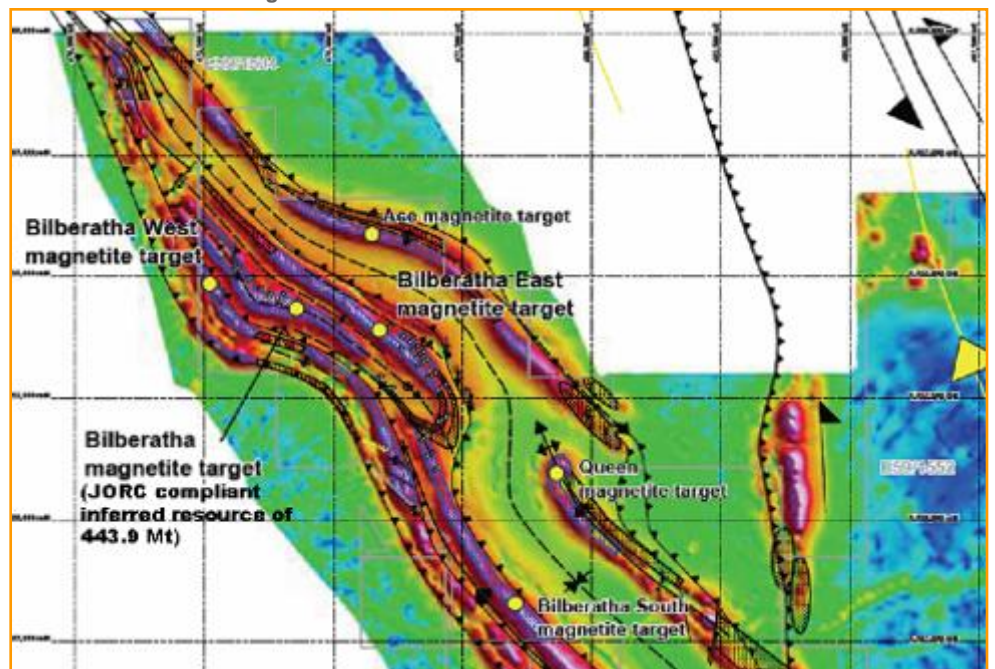
Exhibit 3 : JORC Inferred Magnetite Mineral Resource Summary

Material	Fe Cutoff (%)	Tons	Fe (%)	Al ₂ O ₃ (%)	SiO ₂ (%)	P (%)	LOI (%)
Oxide	20	71,100,000	30.51	2.02	48.22	0.042	1.31
Fresh	20	372,800,000	30.24	1.75	47.86	0.048	0.86
Total	20	443,900,000	30.29	1.79	47.91	0.047	0.94

Source: Company Press Release, RB Milestone

- VMC infers that the strike length of the Bilberatha ore body is approximately 1.6 km, the BIF extends up to 630m below surface vertically, and the true thickness varies from 100-220m with an average of approximately 170m
- Coarse cobbling metallurgical test work program delivers very positive results. The company also identifies large additional magnetite iron ore exploration targets at the YIOP with a target potential of 150-300 Mt @ 30-35% Fe content

Exhibit 4 : Bilberatha Targets in the YIOP



Source: Company Reports, RB Milestone

Scoping Study Indicates NPV of A\$1.14 billion for the YIOP; Commissions Pre-feasibility Study

- During Q3, METS completed a scoping study on the YIOP. Its financial model indicates a potential Net Present Value (NPV) of A\$1.14 billion with Internal Rate of Return (IRR) of 24.4% based on the assumption of a 30 Mtpa mine
- The study found that benchmarking of the plant capital and processing costs of the Yalgoo concentrator placed the project favorably among many emerging magnetite projects in Australia. It also concludes that the ore is amenable to conventional treatment with magnetic separation and reverse sulphur flotation
- VMC commissions ProMet Engineers to commence a Pre-feasibility study on the YIOP which is expected to be complete by June 30, 2011
- On the basis of the evaluation of magnetic data and field mapping of the YIOP, the company has commenced 10000m RC and 1000m of diamond drilling program to test large additional magnetite iron ore exploration targets in the project areas that were identified during Q2
- VMC has also submitted a Mining Lease Application (MLA) to the Department of Mines and Petroleum (DMP) covering Bilberatha Hill and additional magnetite mineral resource target areas within the tenement E59/1508

Announces additional JORC Compliant Inferred Resource of 201.7 Mt at Additional Zones Surrounding Bilberatha Hill @ 27.1% Fe

- On May 31, 2011, VMC declared that Widenbar has estimated additional JORC compliant Inferred magnetite mineral resource of 201.7 Mt @ 27.1% Fe to the Northeast, Northwest and South of the main Bilberatha Hill JORC Inferred resource
- Consequently, the total JORC compliant Inferred magnetite mineral resource at the YIOP was upgraded to 645.6 Mt @ 29.3% Fe

Future Development Initiatives

- During Q4FY11, VMC plans to complete drilling at additional exploration targets to estimate Inferred / Indicated mineral resources
- The company would also conduct infill RC and diamond drilling at Bilberatha Hill for estimating an Indicated resource
- Further, VMC will undertake environmental impact assessment surveys (flora, fauna and hydrogeology) as part of the pre-feasibility study which is expected to be complete in Q4FY11 as well

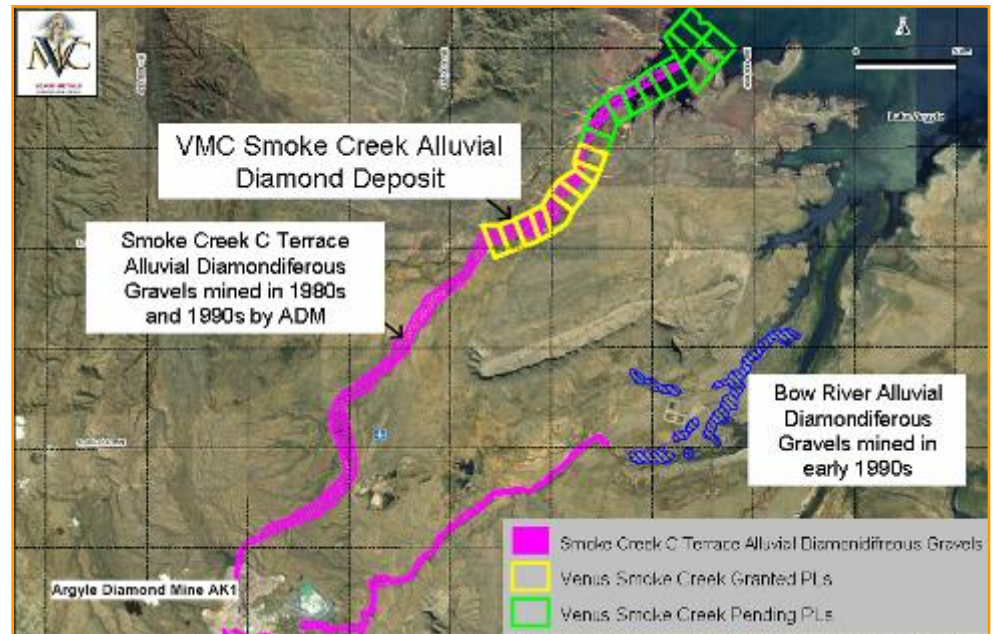
Argyle Smoke Creek Alluvial Diamond Project

VMC acquired the Argyle Diamond Project in November 2008 by purchasing prospecting licensing applications covering 11km of the lower reaches of Smoke Creek, Kimberley, WA from Argyle Diamond Mines Pty Limited (ADM). Previously, ADM had economically-mined diamonds in the upper reaches of Smoke Creek. The project area comprises nine granted prospecting licenses (PL) and 13 pending PLs adjacent to the primary deposit that hosts Argyle's current mine which is owned by Rio Tinto and produces rare pink diamonds (see exhibit below).

In 1979, the world-class Argyle diamond deposit was uncovered by the discovery of alluvial diamonds in Smoke Creek. Before Rio Tinto started mining operations at Argyle in 1985, ADM had mined parts of Smoke Creek. The alluvial diamonds in the area appear to have been derived from Argyle pipe's erosion, as the area has not witnessed any other significant source of diamonds till date. Diamonds were typically deposited in alluvial deposits during a number of episodes from the Miocene (25 million years ago) to present, with the younger

deposits representing deposition from the eroding Argyle pipe and reworking of areas of pre-existing alluvial gravels.

Exhibit 5 : Argyle Smoke Creek Alluvial Diamond Project Tenements



Source: Company Reports, RB Milestone

Exploration and Development

Initial Exploration in FY10 Estimates a Target Potential of 2.5-5.6 million Carats

- During FY10, VMC obtained reconnaissance gravel bulk sampling diamond grade results from ADM which confirmed the presence of diamonds in all the samples (typically around 30 tons) taken within the project area
- Spatial analysis undertaken by the company of the historical ADM results identified a high-priority exploration target within the upper part of the project area. The ADM-mapped extent of “C Terrace Gravels” and the ADM reconnaissance bulk sampling diamond grade results enable VMC to conclude that there are three high-priority exploration target areas within this region with potential for economic diamond concentrations
- Diamond exploration target LSC-T1 is identified as the highest priority target of the three targets. The company estimates that the target has a potential of 2.5-5.6 million carats

Announces JORC Compliant Inferred Resource of 5 million Carats; Identifies Potential Sites for Bulk Sampling during FY11

- In FY11, VMC revealed the preliminary resource estimate of the projects by Widenbar and Associates. After reviewing the bulk sampling and assaying data of ADM, the JORC compliant Inferred resource was estimated at 17.9 Mt at an average grade of 28 CPHT (carats per hundred tons) for 5 million carats using a cut-off of 10 CPHT
- The company prepared a preliminary geological map using color aerial photographs and detailed aeromagnetic data. The approximate limits of the alluvial gravel terraces have been delineated from aerial photographs
- VMC demarcated potential sites for bulk sampling in nine PLs and Program of Work (PoW) applications were submitted to DMP and the Department of Environment and Conservation (DEC). DMP granted approvals for the excess tonnage sampling and

PoW approvals for bulk sampling in nine PLs. Approvals for the construction of the plant site are expected shortly from the DEC.

- The company also completed an Aboriginal heritage clearance survey and the proposed bulk sampling program was approved by traditional owners
- On May 27, 2011, VMC announced procurement of a containerized, modular diamond processing plant which will be utilized for the above bulk sampling program. The plant, manufactured in South Africa, consists of three modules including a Scrubbing & Screening module; a 10 ton-per-hour Dense Medium Separation (DMS) module; and a dual-X-Ray diamond recovery module. The plant will be moved to Smoke Creek in mid-June 2011 and the bulk sampling program is likely to commence by end June 2011. Further, the company also stated that it has appointed three vastly experienced diamond specialists who will be actively involved in further development of the project

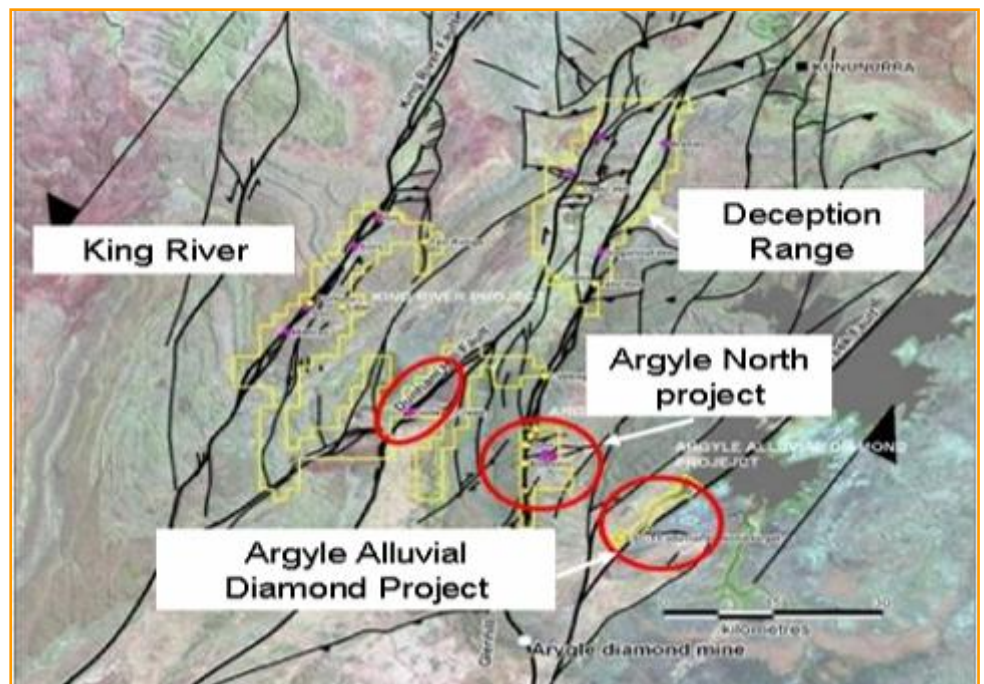
Future Development Initiatives

- During Q4FY11, VMC will construct access tracks and a camp and also develop other infrastructure required for processing diamondiferous gravels in the project area
- The company would also complete assembly, commissioning and testing of machineries

Argyle North Super Project

The Argyle North Super Project (ANSP), located within Halls Creek Orogen, consists of two granted Exploration Licenses (ELs) – E80/3253 (Argyle North project) and E80/4226 (King River) – as well as two pending EL applications, E80/4371 (Deception Range) and E80/4376 (King River).

Exhibit 6 : ANSP Tenements



Source: Company Website, RB Milestone

Key Project Details

- **Location.** The Argyle North Project which has an area of 56 sq. km is located 20 km north of the Argyle Diamond Mine and covers 31 km of north-south strike. Deception Range and King River tenements are located immediately north and north-west of Argyle North

- **Geology.** The Argyle North tenement is characterized by portions of mapped Proterozoic-aged basement rocks on the eastern margins and an extensive sequence of Devonian-aged cover rocks overlying the Proterozoic basement. The Devonian cover rocks have been mapped as predominantly sandstones and conglomerates that are ~380 million years old, ~800 million years younger than the Argyle AK1 pipe

Exploration and Development

Identifies Exploration Targets during FY10

During FY10, VMC identified a significant number of concealed hard rock diamond and uranium exploration targets along selectively-targeted regional-scale faults, particularly along the King River and Glenhill-Ivanhoe faults. The company also conducted airborne magnetic and ground gravity surveys in Argyle North (E80/3253) and identified two exploration targets along the Inferred position of the prospective Glenhill Fault (the Glenhill fault to the south of Argyle North hosts the giant Argyle diamond deposit)

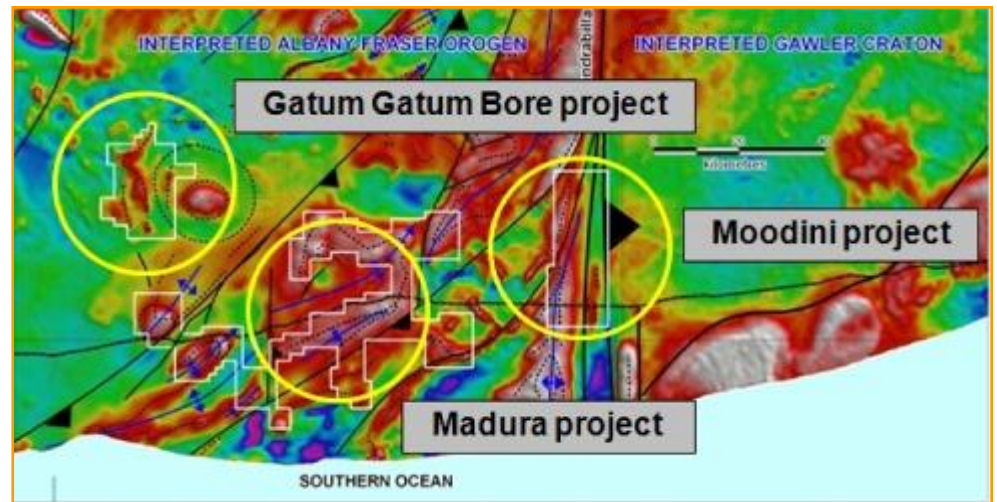
Drilling in FY11 Reveals Promising Results

- During Q1, VMC completed ground gravity and airborne magnetic/radiometric surveys within the Argyle North project area (E80/3253), targeting new diamond pipes along the largely-concealed Glenhill Fault
- The company appointed geophysical consultants Hawke Geophysics to conduct inversion modeling of recent geophysical (gravity and airborne magnetic) survey data. The model results identified seven exploration drilling targets, with a high-priority target identified at Pomona
- Drill hole VRC006, drilled into the southern end of the Pomona target in 2007 was terminated at 47 meters in ferruginous fractured quartzite which proved to be geochemically anomalous. The hole was drilled some distance from the newly-identified target so the anomalous results in VRC006 are regarded to be significant, indicating a possible source nearby
- In Q2, VMC obtained heritage clearances from the traditional owners and Department of Indigenous Affairs (DIA) to drill at selected target areas. Geological field investigations were also conducted to confirm potential targets for drill testing
- In Q3, the company refined the drill targets and has obtained a PoW approval from the DMP

Gawler Craton West Super Project

The Gawler Craton West Super Project includes two granted ELs – E69/2637 (Gatum Gatum Bore) and E69/2628 (Moodini) – as well as three pending EL applications (E69/2630, 2785, 2786) that form the Madura project area. The tenements are spread over Proterozoic Albany-Fraser orogen exploration targets under relatively thin Eucla Basin sediments. The orogen contains the world-class Tropicana gold deposit (mineral resource of >5 million ounces) which is operated by a JV between AngloGold Ashanti Australia Limited and Independence Group NL.

Exhibit 7 : Gawler Craton West Super Project Tenements



Source: Company Website, RB Milestone

Key Project Details

- **Moodini.** The 193 block Moodini EL consists of 42 km strike length of the aeromagnetically-interpreted continental-scale Mundrabilla Fault which is considered by VMC to be the western boundary of the South Australian Gawler Craton. The fault is considered by the company to be prospective for Olympic Dam-type iron oxide-copper-gold (IOCG) deposits. The Olympic Dam ore body (owned by BHP Billiton) is located 560 km north of Adelaide and hosts one of the world's largest copper and gold deposits as well as the world's largest uranium deposit
- **Gatum Gatum Bore.** The tenement covers aeromagnetic highs flanking an 8-km wide circular magnetic 700 nT (nanotesla) high that could be sourced from a large IOCG deposit or a carbonatite
- **Madura.** The Madura Project area covers strongly magnetic fold hinges within a basement magnetic unit that is interpreted by VMC to be either BIF or ultramafic (igneous rocks with very low silica content). The fold hinge targets are considered by the company to have base metal and/or gold potential

Exploration and Development

Initial Survey during FY10 Confirms Moodini IOCG Targets

During FY10, exploration activity comprised gravity survey of two extensive but discrete aeromagnetic highs within the Moodini Project. The two aeromagnetic targets, Moodini North and South, are interpreted by VMC to occur along or near the Mundrabilla Fault. Gravity results show that both IOCG targets have coincident gravity highs, confirming them as targets.

Further Surveys in FY11 Precisely Identifies Targets; Initial Drilling Looks Promising

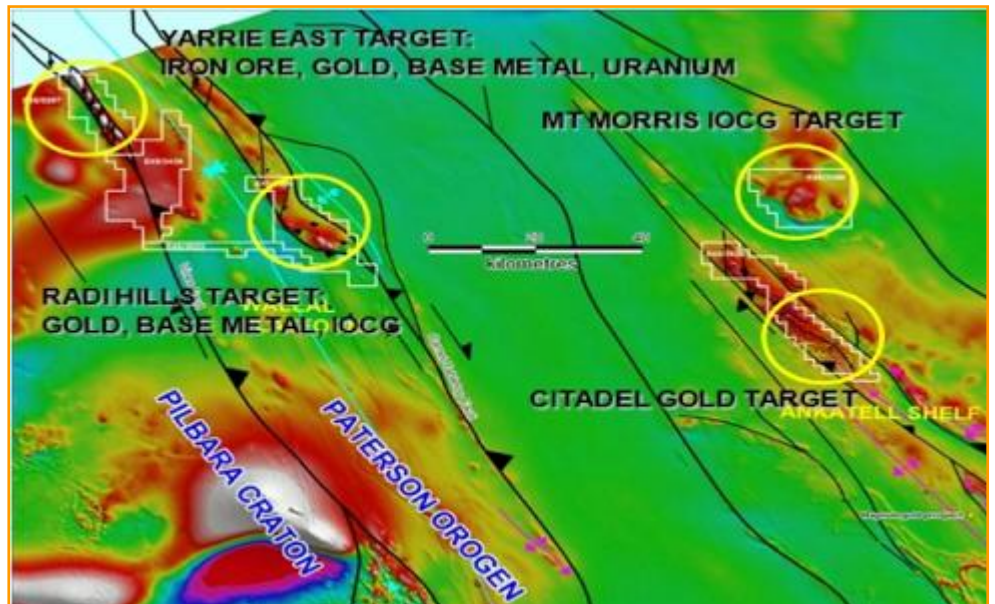
- During Q1, gravity surveys were completed in Moodini over two discrete but extensive aeromagnetic highs situated along the interpreted position of the Mundrabilla Fault (Moodini North and South targets). The company identified the IOCG targets which are interpreted to occur within a tectonically-favorable margin of the Gawler Craton
- In Q2, VMC completed inversion modeling of gravity survey data to precisely locate the targets and estimate depth to bedrock. Heritage surveys were also completed and necessary clearances were obtained
- During Q3, the company completed drilling of two holes in Moodini and initial results were promising. One of the holes revealed a 120m sulphide-rich alteration zone in

altered granitoids from 356m, which included precious metal values in silver of up to 31.9 g/t over 1m

Telfer North Super Project

The Telfer North Super Project (TNSP) located north of the huge 27 million ounce Telfer gold mine comprises five granted ELs: E45/3435 (Citadel); E45/3398 (Radi Hills); E45/3396 (Mt Morris); E45/3397 (Yarrie East); and E45/3436 (Wallal) as well as EL applications E45/3523 (Bulgamulgardy) and E45/3631 (Ted Bore) which form two contiguous project areas referred to as Wallal and Citadel. The tenements include a variety of exploration target types that have the potential to host concealed Proterozoic world-class/giant ore deposits within the Paterson Orogen Proterozoic basement.

Exhibit 8 : TNSP Tenements



Source: Company Website, RB Milestone

Exploration and Development

Identification of Principal Exploration Targets Comparable to Other IOCG Deposits

During FY10, VMC identified the following principal exploration targets: the Mt Morris IOCG target, a large coincident magnetic and gravity high; the Citadel doubly-plunging anticline gold targets (Telfer Dome look-alike); the Radi Hills IOCG/gold target; the Yarrie East layered mafic-ultramafic Ni-Cu-PGE and fault-controlled gold target; and several discrete “bulls-eye” magnetic highs with diamond/Rare Earth Element (REE)/uranium potential.

Exploration work within the project area comprised the commencement of airborne geophysical surveying over parts of the Citadel and Wallal project areas where detailed aeromagnetics were not publicly available

Geophysical consultants Resource Potentials have modeled the gravity high as a northwest-striking 3km x 2km body centered between two discrete magnetic anomalies. The gravity anomaly at Radi Hills and Mt Morris is comparable to other large IOCG deposits as shown below:

Exhibit 9 : Gravity Anomaly Amplitudes of TNSP Targets Compared with Other IOCG Deposits

Deposit	Gravity Anomaly		Magnetic Anomaly	
	Amplitude	Dimensions	Amplitude	Dimensions
Olympic Dam	17mGal	8km across	1400nT	8km across
Wirrda Well	6mGal	6km x 9 km	1800nT	6km x 9km
Radi Hills	5mGal	3km x 2km	1500nT	3.5km x 2.5km
Prominent Hill	5mGal	2.5km x 1km	7000nT	700m x 500m
Mt Morris	2mGal	7km x 2km	800nT	8km x 5km
Carapateena	2-2.5mGal	2km x 2 km	200-300nT	1.5km x 1km
Ernest Henry	2-3mGal	1.2km x 700m	7000-10000nT	1.2km x 700m
Eloise	1mGal	1km x 500m	1100nT	750m x 250m

Source: Company Reports, Resource Potentials, Vella 2007, RB Milestone

Various Surveys at Radi Hills and Mt Morris Indicate Existence of Significant Potential Deposits

- During Q1, VMC conducted geophysical surveys to define significant exploration targets. A gravity survey was conducted by Haines Surveys Pty Limited on an 800m by 200m grid that showed that the Radi Hills magnetic high has coincident “bulls-eye” shaped 5mGal (milli Galileo) gravity highs that are typically found in IOCG deposits.

At Mt Morris, results of a gravity survey indicated three discrete 2mGal gravity highs typical of IOCG deposits. Resource Potential’s 3D depth modeling (gravity inversion modeling) on the VMC Bouguer gravity anomaly was also conducted on the target. It indicated a depth to the source of ~250m, ~275m and ~310m for southern, central and northern gravity anomalies, respectively. This compares favorably with the drill results and modeling completed by BHP on gravity and ground magnetics in Mt Morris during 1993-94. The shallow depth to basement as proven by the BHP drilling and as indicated by the geophysical modeling makes drill testing of the Mt Morris gravity targets a feasible proposition for VMC

- In Q3, VMC completed geophysical surveys (aeromagnetic and gravity) over the Yarrie East Project area in TNSP that were interpreted by Resource Potentials. From the geophysical data, Resource Potentials has identified a number of north-northwest trending en-echelon responses, some that are coincident with gravity anomalies
- VMC recently completed Versatile Time Domain Electro-Magnetic (VTEM) airborne surveys within the Telfer North Super Project. These surveys indicated significant conductive anomalies coincident to 5mGal gravity and magnetic anomalies at Radi Hills

Future Exploration Initiatives

VMC expects to receive final data from the airborne surveys within a few weeks and undertake more work including processing and depth modeling to further examine the data and refine drill hole locations. The company has completed heritage clearance surveys and aims to start RC and diamond drilling in June 2011.

Other Projects

Yalgoo Gold and Base Metals Project

The Yalgoo Gold and Base Metals Project area is located in the northern part of the Yalgoo-Warriadar greenstone belt north of the world-class Golden Grove base metal deposits. The belt also hosts a substantial number of gold deposits including the Minjar open-pit gold mining operation which is currently being recommissioned.

VMC has identified several high-priority gold exploration targets within the Yalgoo Project area. The highest priority target is the Mougooderra gold target present along a regional-scale fault bend along the aeromagnetically-interpreted position of the Mougooderra Fault. This structural position is considered by the company to have potential to host a world-class concealed gold deposit.

During Q4FY10, the company completed a reconnaissance auger soil sampling program for 877 samples over the Mougooderra gold target as well as over a northwest-striking low ridge of outcropping BIF/chert west of Mougooderra. In FY11, VMC identified gold/base metal exploration targets from the soil sampling, geological mapping and historical exploration data. The company also obtained PoW approvals for reconnaissance aircore drilling to test the potential targets. A detailed geological mapping is currently in progress to refine the target areas for gold and base metals.

Murchison Uranium and Base Metal Project

VMC has two granted tenements – E59/1592 (Yarloo Well) and E59/1593 (Meka) – and three pending tenement applications totaling 1411 sq. km in the northwest Yilgarn Craton covering exploration targets for base metals and uranium.

During FY11, researchers from Australia's Commonwealth Scientific and Industrial Research Organization (CSIRO) and VMC collected 86 shallow groundwater samples from established wells and water bores for hydrogeochemical analysis. Elemental and mineral saturation data from the samples were mapped and compared to the regional groundwater of the adjacent northeast Yilgarn Craton. The study found elevated groundwater uranium in the Yarloo Well and Meka Project areas with this signature being similar to groundwater signatures observed around calcrete-hosted uranium prospects in the northeast Yilgarn Craton.

Significantly, the sample collected at Yarloo Well has strongly elevated Copper (466ppb) and Zinc (540ppb) values. CSIRO researchers report that "The Yarloo Well groundwater chemistry is similar to that found in groundwaters near the Jaguar VMS deposit," which is located 300 km north of Kalgoorlie, WA. The CSIRO sample results warrant a thorough follow-up exploration work, with the potential prize being a significant blind VMS copper zinc discovery in the Yarloo Well area.

A Versatile Time Domain Electromagnetic (VTEM) survey has recently been completed and identified four conductive anomalies. Follow up work programs will be commissioned to drill test these anomalies.

Copper Hills Project

The project covers 70 blocks over the Copper Hills region within the Paterson Orogen, Proterozoic basement, approximately 150km southeast of the giant Telfer gold deposit. Historically, rock chip assay results of up to 48% copper; 3600g/t gold; 3690g/t platinum; 4904g/t palladium; and 81,900g/t silver have been recorded from the sampling of narrow mineralized veins at the region. A targeting study conducted by VMC has identified a high-priority, anticlinal fold closure, aeromagnetic target within the project area that is considered to have potential for concealed precious metal and/or base metal mineralization.

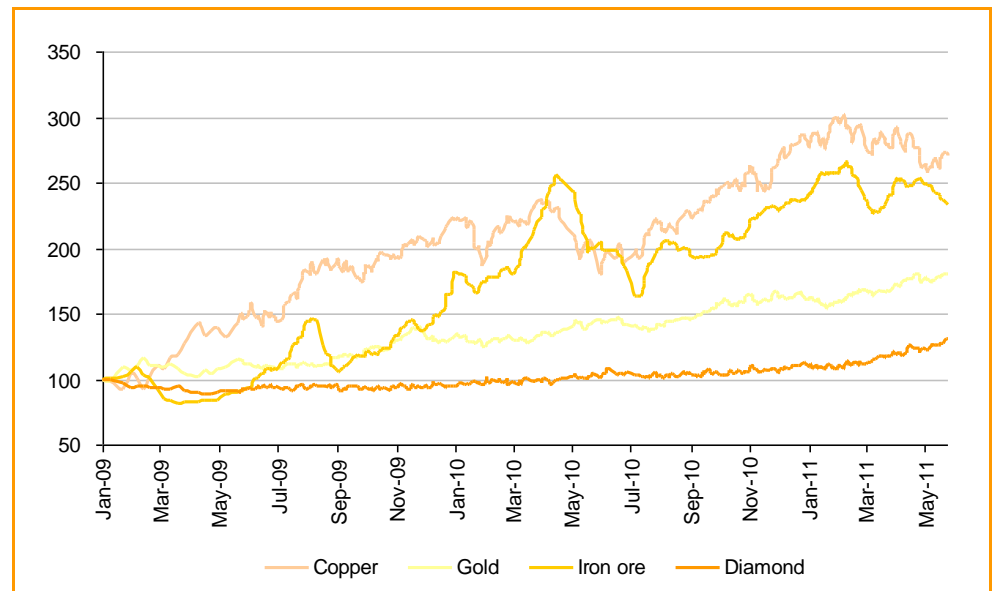
Industry Overview

Considering the global population growth, rising income levels and the migration to cities, we can expect the demand for metals to keep rising. This incremental demand will be specifically driven by the emerging markets where economies are growing at a stable and healthy rate of between 6% and 10%. This growth is expected to be maintained in the near-future, thus facilitating the demand for metals.

In the recent past, stimulus measures taken globally have driven the global prices of commodities and metals to unprecedented levels. China is believed to have spearheaded this with loose bank lending of roughly US\$1.2 trillion in 2010 in addition to the US pumping trillions of dollars into its economy through its Quantitative Easing (QE) programs.

Given the low debt levels in the emerging economies, these countries can increase leverage to finance infrastructure development, including railroads and power grids, which would further fuel the demand for base metals used in these applications. Once the US and Europe fully recover from the financial crisis, base metals demand may rise even more. Hence, we can expect the price for most of the base metals to continue to trend higher. Below is more detailed information on the major minerals that VMC is looking to extract/produce.

Exhibit 10 : Price Trend of IOCG and Diamond



Source: Bloomberg (LME Copper Cash US\$/Mt, Gold Spot US\$/oz, China import Iron Ore Fines 62% Fe Spot US\$/Mt and PolishedPrices.com Overall Diamond Index), RB Milestone

Iron Ore

Introduction

Iron ore refers to rocks and minerals from which it is possible to extract metallic iron economically. The ores usually contain iron oxides found in various colors such as grey, yellow, purple and red. Iron is typically found in the form of magnetite, hematite, goethite, limonite or siderite.

According to the US Geological Survey, the total global production of iron ore was 2.2 billion tons in 2009 and is estimated to reach 2.4 billion tons in 2010. The top five iron ore producing countries including China, Australia, Brazil, India and Russia, together account for a predominant 85% of the total global production. Further, Australia is estimated to have 13.3% of the world's total crude reserves of iron ore.

Ore Quality

The principal iron ores are magnetite and hematite. Massive hematite ore contains the highest amount of iron (Fe >56%) with low impurities and can be shipped directly without the need for further processing. Hematite-rich BIF (Fe >30%) and magnetite-rich BIF (Fe >20%) ores are either processed into iron concentrates or converted into Direct Reduction (DR) grade iron ore pellets which are then exported.

Applications

Iron ore is predominantly used for making steel which makes it one of the most important minerals. In steel manufacturing, it forms alloys with various elements such as tungsten, manganese, nickel and chromium to give steel its strength and hardness. Consequently, demand for iron ore continues to increase at a rapid clip driven by growing blast furnace and DRI (sponge iron) steel production.

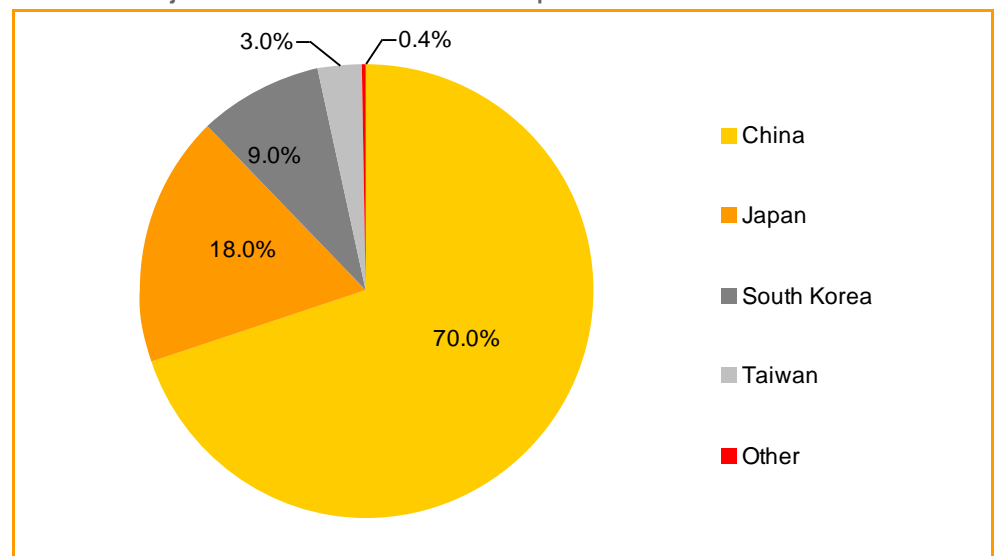
Extraction

Banded Iron Formations (BIFs) are initially mined through a process of coarse crushing and screening. The ore is then subject to rough crushing and fine grinding to the point that crystallized magnetite and quartz become fine enough for the quartz to be separated from the mineral through the beneficiation process. The process is usually used to convert an ore with lower iron content into one having higher iron content, making it suitable for use in the iron and steel industry.

Western Australia Iron Ore Industry

Western Australia (WA) accounts for ~97% of the total production of iron ore in Australia. Iron ore is also the state’s most valuable resource and contributed ~53%, or A\$48.5 billion, of all mineral and petroleum sales during 2010. According to the DMP, the iron ore industry of WA recorded a strong growth of 28% p.a. during the last 10 years primarily driven by robust demand from China. In 2009-10, the state’s industry produced 396 Mt of iron ore and earned export revenues worth A\$33.7 billion, predominantly from China.

Exhibit 11 : Major Destinations of WA’s Iron Ore Exports



Source: DMP, RB Milestone

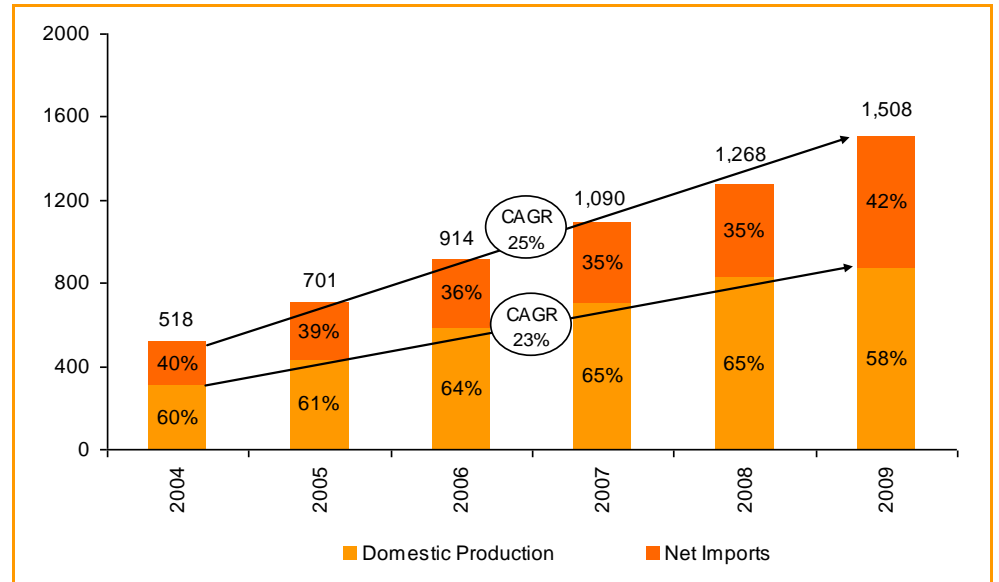
The iron ore industry of WA is dominated by Rio Tinto and BHP Billiton and accounted for ~87% of the state’s production in 2009-10, as per DMP. Rio Tinto is the largest iron ore miner in Pilbara where its subsidiary Hamersley Iron Pty Limited owns six mines including Brockman; Marandoo; Mt Tom Price; Paraburdoo; Yandicoogina; and Nammuldi. BHP Billiton owns and operates seven mines including the huge Mt Whaleback mine in Newman town. Fortescue Metals Group, which owns the Chichester Range Cloud Break and Christmas Creek iron ore mines, is the third major iron ore producer in the state. In addition to these three, the industry also consists of smaller iron ore producers such as Cliffs Natural

Resources; Mount Gibson Mining Limited; Sinosteel Midwest Corporation Limited; Crosslands Resources Limited; and Atlas Iron Limited.

China's Role in Driving Global Iron Ore Demand

China's rapidly growing economy is one of the primary reasons for the strong growth in iron ore demand over the last few years. The country's iron ore consumption has surged from just 518 Mt in 2004 to a massive 1.5 billion tons in 2009, recording a CAGR of 23.8%. Despite China's domestic iron ore production recording a CAGR over 23.0% over the same period, the country has relied on imports to meet bulk of the demand.

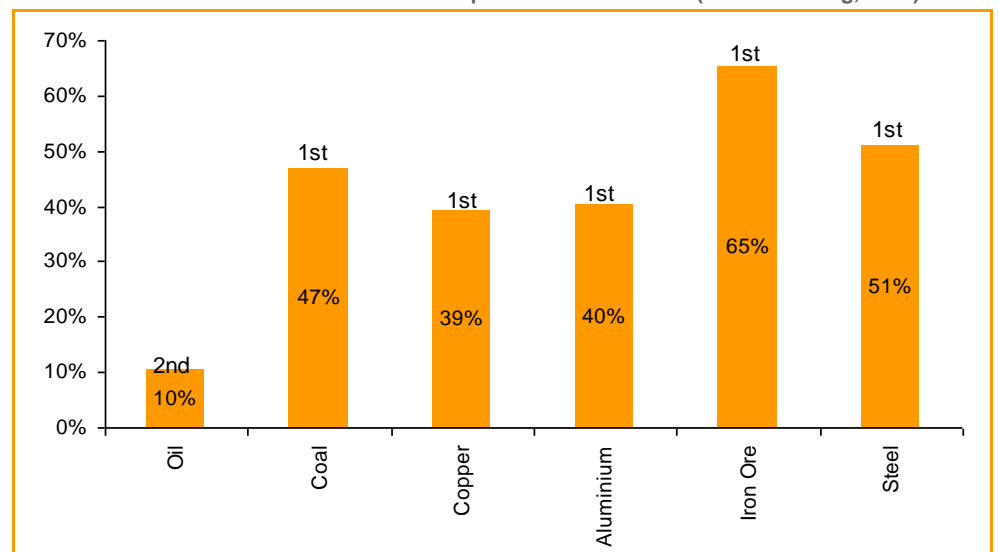
Exhibit 12 : Chinese Iron Ore Consumption (in Mt)



Source: The Beijing Axis Analysis Presentation, RB Milestone

China remains a key driver of global demand for various commodities and accounted for a massive 65% of the total consumption of iron ore during 2009.

Exhibit 13 : China's Share in Global Consumption of Commodities (World Ranking, 2009)



Source: BP, IMF, The Beijing Axis Analysis Presentation, RB Milestone

Outlook

Moving forward, demand for iron ore will continue to remain robust on the back of healthy expansion in the global steel industry. According to Ernst & Young, worldwide steel production is expected to rise by 7% during 2011 on the back of strong demand from major emerging markets such as China and India.

Specifically, China will continue to play a key role in driving future growth of the global iron ore industry with its increased focus on building infrastructure as well as a transition from an export-driven economy to a consumption-driven one. Steelmakers in China are actively looking to secure key raw materials such as iron ore and coal across the world leading to a robust 41.5% growth in benchmark iron ore prices from the beginning of 2010 till June 1, 2011.

Exhibit 14 : Recent Price Trend – Iron Ore



Source: Bloomberg, RB Milestone

Diamond

Introduction

A diamond is a rare transparent gemstone made up of carbon and is one of the most common elements found in earth. Diamonds are the hardest and the most lustrous among all precious stones. They were formed millions of years ago at depths of 140 km to 190 km in the earth’s mantle as a result of extreme heat and pressure. For centuries diamonds have been the most sought-after of precious stones, not only because of their unique properties but also due to the fact that they are widely regarded as an indicator of wealth and emotional bonding among people. The Argyle mine located in Northwestern Australia is the largest producer of diamonds in the world, in terms of volume, accounting for approximately one-fifth of the total global production.

Types

Pink Diamonds: Pink diamonds, the world’s most rare and valuable diamonds, are primarily found in the Argyle mine in Northwestern Australia. The mine produces more than 90% of the world’s pink diamonds. The rarity of the diamonds could be gauged from the fact that less than 1% of the diamonds mined from Argyle are classified as Pink.

White Diamonds: White diamonds are colorless or near-colorless natural diamonds and were considered the most beautiful until the emergence of pink diamonds. These are mined across the world and come in different shapes and sizes.

Brown Diamonds: Brown diamonds are the most commonly found variety of natural diamonds and are caused due to the existence of certain impurities such as nickel or other impurities. The diamonds are usually marketed and distributed as Champagne or Cognac diamonds. Approximately 80% of diamonds mined in Argyle are brown in color.

In addition to the above varieties, other types of diamonds such as Blue, Yellow and Green are also mined in limited quantities.

Mine Locations

Currently, the major diamond-producing countries include Australia, Angola, Botswana, South Africa, Russia, India, US and Canada.

Mining Methods

Pipe Mining involves extraction of diamonds from volcanic pipes. In most countries, a diamond pipe mine is composed of kimberlite which is initially dug from the surface of the pipes in rough opencast mining. Once surface deposits are exhausted, shafts are sunk into the ground at the edge of the pipes and tunnels are made in deeper parts of the pipes. Diamond-bearing rocks are then brought to the surface and transported to a screening plant where diamonds are separated from the rock.

Alluvial Mining refers to the extraction of diamonds from riverbeds or ocean beaches. These deposits were formed millions of years when some diamonds weathered out of the pipes and traveled great distances along rivers and even into oceans. To extract these diamonds, gravels are excavated and processed in screening and diamond extraction plants.

Cost

The price of a diamond is determined keeping in mind 4 C's (color, carat, clarity and cut).

Carat: The price of a diamond increases exponentially as the size, in terms of carats, increases. Thus, a stone weighing 2 carats could sell for almost double the price of a 1 carat stone.

Color: Diamonds are typically graded on a color scale that ranges from D (colorless) to Z. White-colored or colorless diamonds are the most popular.

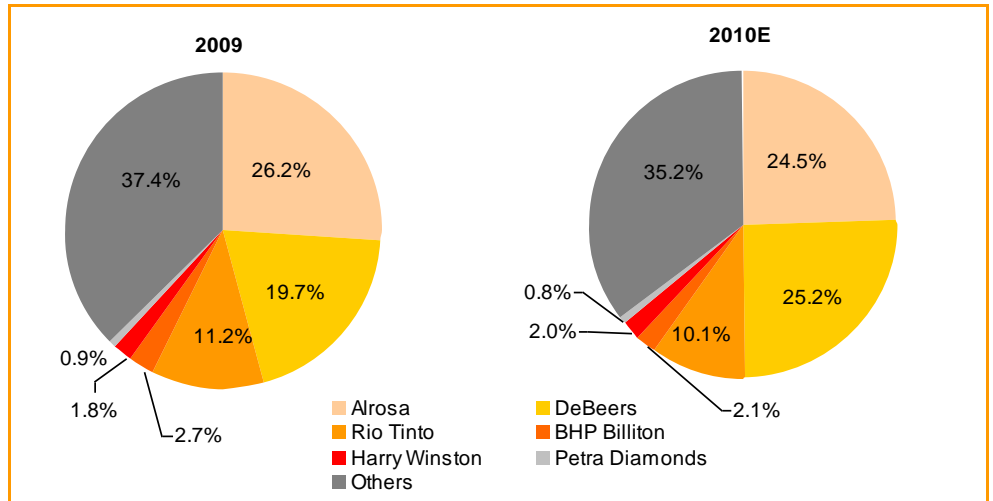
Clarity: Clarity pertains to the presence of inclusions such as those of minerals or fractures in a diamond. The clarity scale ranges from Flawless (F) to Included (I) and is based on the visibility of the inclusions. The lesser the inclusions, the greater is the value of the diamond.

Cut: This pertains to the angles and proportions in which a diamond is cut and is heavily dependant on the skill of the polisher. A well-cut diamond has a much greater value as compared to deep or shallow-cut diamonds.

World Diamond Production

Global diamond production during 2009 was ~125 million carats and is estimated to have increased to ~136 million carats in 2010, according to estimates by research firm Rapaport. Total worldwide production is dominated by three organizations, Russia-based Alrosa, South Africa-based DeBeers and British-Australian Rio Tinto, which together accounted for 57% of the worldwide production during 2009 and nearly 60% during 2010.

Exhibit 15 : Global Diamond Production Market Share



Source: Company Reports, Rapaport Estimates, RB Milestone

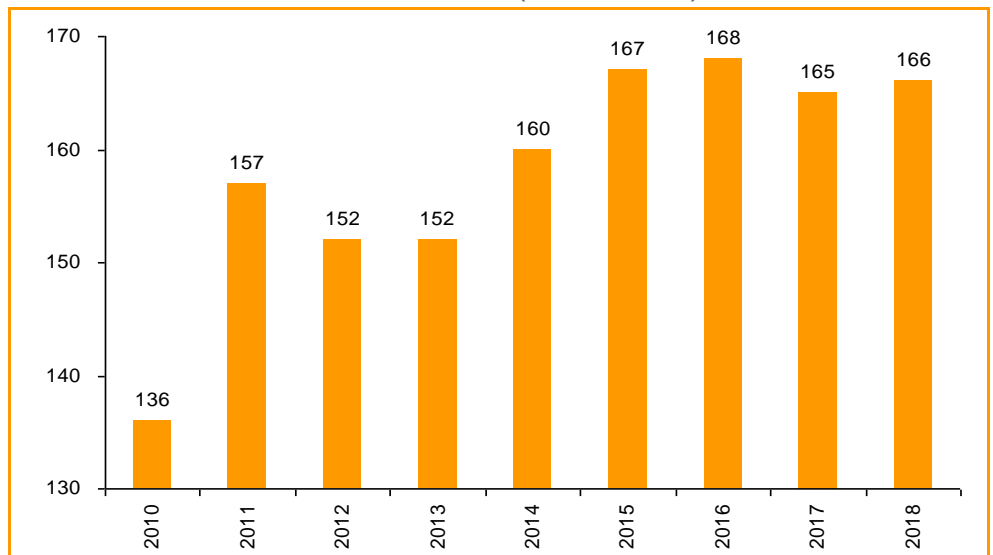
In terms of value, the top six players (Alrosa, DeBeers, Rio Tinto, BHP Billiton, Harry Winston and Petra Diamonds) recorded combined sales of US\$7.4 billion in 2009, which is estimated to have increased by an impressive 41.9% y-o-y to US\$10.5 billion in 2010.

The diamond mining industry began in Australia in early 1970s with the discovery of the Argyle diamond mine. Currently, Australia produces all the major varieties of diamonds and is particularly known for mining the rarest Pink diamonds. According to Kimberley Process Certification Scheme, Australia is the world’s fifth largest producer of diamonds with a global market share of 13% in 2009.

Outlook

Global production of diamonds is expected to reach ~168 million carats in 2016 from ~136 million carats in 2010, recording a CAGR of 3.6%. The growth comes on the back of production recovery at existing mines coupled with the addition of new mines that will come into operation in the near future. However, beyond 2016 production is expected to remain between 165-168 million carats due to the depletion of existing mines and limited addition of new mines.

Exhibit 16 : Global Diamond Production Forecast (in Million Carats)

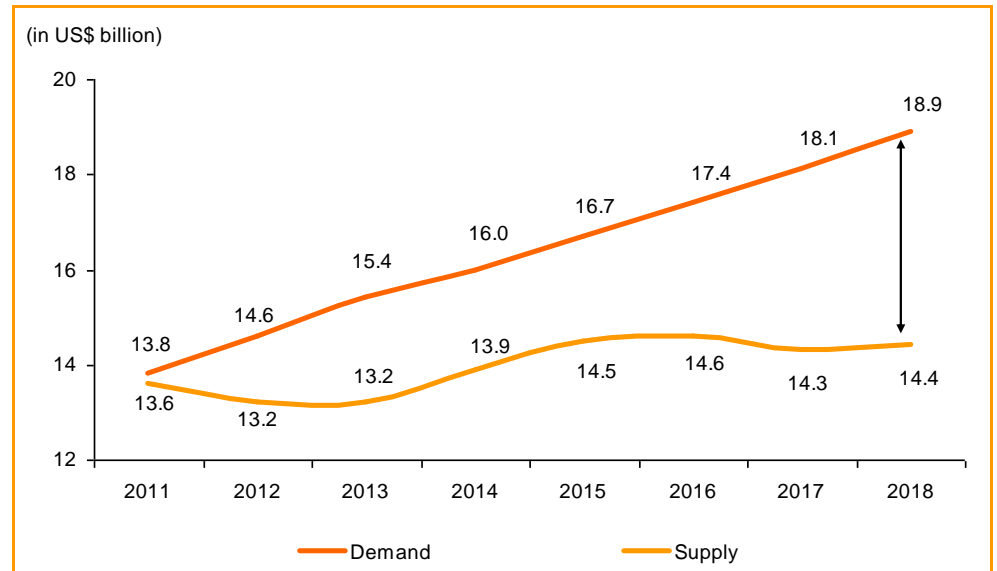


Source: Alrosa Presentation on Diamond Market Outlook (June 2010), RB Milestone

Demand for diamonds in global markets, however, is likely to remain robust due to the strong growth of consumer markets in China and India coupled with a recovery in the US

market. According to Alrosa, demand in the major diamond jewelry markets including the US, Europe, Asia-Pacific, Japan and the Middle East are expected to witness a strong growth of 33% over the next eight years. The firm also estimates that the expected imbalance between the likely supply and demand for rough diamonds can only be narrowed by effecting a 31% growth in prices of rough diamonds by 2018 relative to 2008 prices. These factors clearly suggest that addition of new mines will not only get access to ready markets, but are also likely to be highly profitable.

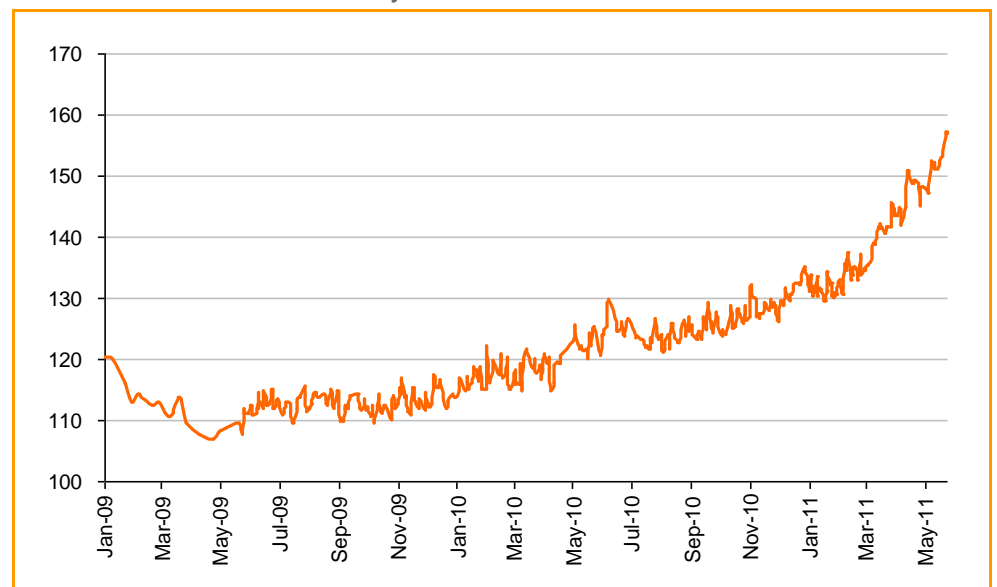
Exhibit 17 : Global Supply-Demand Imbalance



Source: Alrosa Estimates, RB Milestone

Strong demand from emerging markets such as China and India as well as a rebound in consumer sentiments in the US has led to a strong growth in the overall diamond price index published by PolishedPrices.com.

Exhibit 18 : Overall Diamond Index by PolishedPrices.com



Source: Bloomberg, RB Milestone

Gold

The outlook for global gold demand remains robust throughout 2011 due to the prevailing global economic conditions which will drive investment demand for gold. These include uncertainty over the US economy and the dollar; the ongoing European debt crisis; global inflationary pressures; and continued tensions in the Middle East and North Africa. Currently, India and China, which together account for approximately 25% of the annual gold demand, are witnessing a burgeoning demand for gold jewelry. Near-term inflationary pressures and rising income levels are likely to support the investment case for gold as an asset class for inflation hedge, given the fact that Indian and Chinese consumers are high savers and are looking to gold to protect their wealth. Net purchasing by the official sector is expected to continue in 2011 as central banks turn to gold as a means of diversifying their reserves.

Exhibit 19 : Recent Price Trend - Gold



Source: Bloomberg, RB Milestone

Despite the recent surge in gold prices over the last two years, the outlook for gold prices appears positive. Below are some of the key factors that are likely to keep gold prices buoyant in future:

- **Inflationary Fears:** The economic crisis of 2008 prompted governments to globally provide liquidity-driven stimulus. The US Fed; the EU; and central banks in China, Japan and a number of other countries resorted to pumping money into their economies. This has already resulted in the inflationary headwinds in China and India, among other Asian economies. A high unemployment rate in the US and an elevated number of foreclosures are likely to keep the Fed from increasing interest rates anytime in the near future. In fact, the US\$600 billion QE2 program hasn't shown the desired effects that would prompt the Fed to announce any additional such measures in the future. Hence, we can expect pressure on the US dollar along with inflationary fears in the near future. This will create a negative interest rate scenario wherein gold's attractiveness as a store of value is further enhanced, thereby keeping the yellow metal's price on the up
- **Burgeoning Demand from India and China:** The emerging economies led by China and India average over 6% GDP growth while personal incomes are rising by 8% annually. According to the economic research company ISI, emerging economies account for 27% of the world's purchasing power. This has built a strong base for the burgeoning demand from these emerging nations. It is also customary in these countries, especially in India and China, to give gold gifts for weddings, birthdays, for

celebrating the New Year and for other occasions. In the run up to the Chinese New Year, its gold imports more than doubled and the country is on track to overtake India as the largest gold consumer with about 527 tons of gold demand a year, according to the World Gold Council. Similarly in India, spending on gold had risen 100% y-o-y till September 2010. India's demand for jewelry is expected to increase by about 11% in 2011. Hence, the burgeoning demand is likely to keep gold prices higher

- **Investment by Central Banks:** Central banks, especially in the Middle East and Asia, are increasingly turning towards gold as an investment option. In 2010, India, Sri Lanka and the Republic of Mauritius bought a total of 212 tons of International Monetary Fund (IMF) gold at US\$1,050 per ounce followed by Bangladesh which purchased 10 tons at US\$1,275 per ounce. Russia absorbed a full 63% of its own 2009 production, amounting to 130 tons. Even Iran announced that it is converting US\$45 billion into a mix of Euros and gold. A smaller Middle-east nation has indicated that it is converting 200,000 barrels per day of oil production into gold, the annualized equivalent of 140 tons of gold yearly at the current oil-to-gold ratio. Russia's central bank holdings of gold rose 7 % in 2010
- **Still a Small Proportion of the Total Investment Portfolio:** The average investor is currently under-invested in gold-related holdings. At the time of their last secular peak in 1979, gold and gold-related instruments represented 26% of the total global assets. In 2009, the same proportion declined to a tiny 0.8%. Hence, investment in gold and related instruments provides plenty of headroom for gold prices to rise further
- **Supply Hasn't Caught Up and Likely to Remain Upper-Bound:** Gold supply has increased by just 3% in 2010 despite high prices and is unlikely to meet rising future demand. The problem lies with the quality of ores processed. Before 2001, high-graded ores were mined but later miners gradually shifted their focus to lower-graded ores, leading to lower output. In the last five years, the average recorded grade has declined by about 30% - from 1.8 grams a ton to 1.3 grams a ton. Current gold prices have in fact made even lower grade ores feasible with some former waste rocks being re-categorized as gold reserves. Hence, there is pressure on the supply side leading to a forecast of higher gold prices

Copper

Copper is a ductile metal with very high thermal and electrical conductivity. Pure copper is rather soft and malleable and a freshly-exposed surface has a reddish-orange color. It is used as a thermal conductor; an electrical conductor; a building material; and a constituent of various metal alloys. Copper has been in use for thousand of years. The metal is soluble in water and is also an effective fungicide and wood preservative.

Applications

Pure copper is too soft for application hence copper is generally used in its alloy form e.g. brass (copper-zinc) and bronze (copper-tin). Good thermal conduction makes copper alloys particularly useful for heat sinks and heat exchangers. Copper fittings are also used in piping for water supplies, refrigeration and air conditioning.

Extraction

Most copper ore is mined or extracted as copper sulfides from large open-pit mines in porphyry copper deposits that contain 0.4-1.0% copper. High purity copper scrap is directly melted in a furnace and the molten copper is deoxidized and cast into billets or ingots. Lower purity scrap is usually refined to attain the desired purity level by an electroplating process in which the copper scrap is dissolved into a bath of sulfuric acid and then electroplated out of the solution. Some well known copper mines are Chuquicamata in Chile; Bingham Canyon Mine in Utah; and El Chino Mine in New Mexico, USA. The average

abundance of copper found within crystal rocks is approximately 68 ppm by mass and 22 ppm by atoms. In 2005, Chile was the top mine producer of copper with at least a one-third world share followed by the US, Indonesia and Peru according to the British Geological Survey.

The total amount of copper available on Earth is vast at around 1,014 tons or about 5 million years worth at current extraction rates. However, at current technologies and prices, a small fraction is economically viable. Different estimates put copper reserves at 25-60 years of current extraction rate. Copper prices have remained very volatile and have quintupled from the 60-year low in 1999 of US\$1.32/kg. The price reached US\$8.27/kg in May 2006 but later dropped to US\$5.29/kg in February 2007 only to rebound to US\$7.71/kg two months later. The financial crisis pulled copper prices down to US\$3.32/kg in February 2009. Copper is easily recyclable without any loss of quality and is the third most recycled metal after iron and aluminum. It is estimated that 80% of the copper ever mined is still in use today.

Outlook

In recent times, copper has hit new highs. On Feb 7, 2010, the copper price reached over US\$10/kg, fuelled by increasing demand from China that accounts for 40% of the global demand. The fundamentals for copper price remain buoyant and are driven to some extent by the same factors affecting other commodity prices such as increasing demand from the emerging economies led by China.

Although copper prices declined 14% from a record US\$10.18/kg on Feb 15, 2011 to US\$9.1/kg on June 1, 2011 due to concerns that interest-rate hikes in China will curtail demand, shrinking stockpiles in the country led to a 140% surge in copper prices over the last two years.

In addition, existing mines are facing depletion while new mines are years away from production.

Another important factor, which has historically driven copper prices, is LME stockpile levels which give an indication of demand-supply imbalances. Copper prices have historically exhibited a negative correlation with the London stockpile levels.

Exhibit 20 : Recent Price Trend - Copper



Source: Bloomberg, RB Milestone

Copper prices plummeted during the recent global economic shock due to the immense psychological impact as traders dumped commodities along with equities. However, even

during the shock, London stockpiles were on the rise as copper consumers slowed their production fearing a new global depression.

The mid 2009-early 2010 period was a bit of a paradox as copper prices rose along with a rise in London stockpile levels. We believe this was driven by the same factors that led to the unusual fall of commodity factors, i.e. reversing investor sentiments.

Goldman Sachs expects copper prices to be buoyant and rise above the US\$11/kg mark on accelerating demand and shrinking stockpiles. Other driving factors sighted were robust demand from China and other emerging economies. Demand is expected to rise 6.4% in 2011 to 19.98 Mt while supply is expected to grow only mildly with exhausting reserves, a view also shared by Rio Tinto's copper unit chief. Deutsche Bank expects demand to outpace supply by 367,500 tons in 2011

Growth Drivers

Moving Up the E&P Value Chain from Junior Explorer to Developer/ Producer

VMC, which was considered a junior explorer a few months back, has moved up the ladder to become a mining developer. The company has a total of eight projects, two at the development stage and six at the exploration stage, targeting IOCG, precious/base metals and diamond deposits mainly within Proterozoic orogenic belts. VMC has established two Inferred JORC resources so far:

Yalgoo Iron Ore Project: VMC initially established JORC compliant Inferred magnetite resource of 443.9 Mt @ 30.29% Fe at the YIOP, which was upgraded to 645.6 Mt @ 29.3% in May 2011. The YIOP is subject to a farm-in/JV with Mining & Investment Pty Limited (HD Mining). Under the terms of the JV, HD mining has agreed for sole funding of up to A\$8 million worth of iron ore exploration over a maximum of two years in return for up to 50% stake in the iron ore at Yalgoo. With this financial backing, it will be easier for VMC to undertake an advanced feasibility study/development-stage project.

In February 2011, the results of a scoping study in the YIOP indicated a potential NPV of A\$ 1.14 billion with IRR of 24.4% based on a 30 Mtpa mine. The company has commenced a pre-feasibility study which is expected to be completed by June/July 2011. It has also lodged a mining application to complete the environmental studies necessary to receive the required approvals. We believe the recent upgradation of the JORC compliant Inferred resource augurs well for VMC and look forward to the company posting JORC compliant Indicated resource for Bilberatha Hill by June 2011. Currently, we have valued its iron ore project based on the probabilities assigned to the peer group EV/Resource as the project resource is still in the Inferred stage. As the company moves from explorer to developer/producer stage, we expect better valuations for the company, thereby deserving re-rating.

Argyle Smoke Creek Alluvial Diamond Project: VMC reported a JORC compliant Inferred Resource of 17.9 Mt at an average grade of 28 CPHT for 5 million carats, using a cut-off of 10 CPHT at its Argyle Smoke Creek Alluvial Diamond Project. This deposit potentially provides a new source of genuine, Kimberley Process compliant, issue-free Australian diamonds including the rare pink diamonds. In June 2011, VMC plans to undertake a bulk sampling program of 15,000 tons to extract diamonds in 9 granted prospecting licenses to establish quality and value distribution. We believe that the sampling program will be followed by a feasibility study for an alluvial diamond operation resulting in the reserve availability for diamond production

Strategic Location of VMC's Super Projects Increases the Probability of Reserve Availability

VMC's 5 super projects – Argyle North; Telfer North; Gawler Carton West; Murchison Base Metals; and Copper Hills – are strategically located in the Australian Proterozoic orogenic belts (orogens) which host a variety of world class and giant ore deposits such as Mt Isa (base metals); Olympic Dam (IOCG and Uranium); Telfer (Gold); and Argyle (diamonds). This gives the company an easy access to huge world class deposits with potential reserves. Currently, VMC is undertaking exploration activity in these projects.

Gawler Craton West Super Project: VMC identified two large IOCG targets within the Moodini Project. These targets display a geophysical response typical of IOCG deposits supported by coincident magnetic and gravity highs, suggesting the possibility of extensive IOCG deposits.

Telfer North Super Project: The exploration target under Telfer project is considered to have potential for concealed world-class/giant ore deposits within the Paterson Orogen Proterozoic basement (hosts the giant 27 million ounce Telfer gold deposit and the world-class Kintyre uranium deposit).

Argyle North Super Project: VMC has identified a substantial number of concealed hard rock diamond and uranium exploration targets along selectively-targeted regional-scale faults, particularly along the King River and Glenhill-Ivanhoe. Drilling is planned in May 2011 targeting potentially-concealed diamond pipes along the Glenhill Fault north of the Argyle Diamond Mine. The target is a high priority given its coincident gravity magnetic anomalies.

Strong and Proven Management Team for Developing Projects and Creating Shareholder Value

VMC management has a strong track record in developing mining projects which is evident from the fact that the management has acquired the exploration license of Yalgoo project in June 2008 by paying A\$50,000 cash + the issue of 2 million fully-paid shares at a deemed price of A\$0.50 per share. Currently, the Yalgoo project has 645.6 Mt of JORC compliant iron ore Inferred resource which we estimate to be at a value of A\$148.5 million based on peer group EV/ Resource.

Apart from this, VMC's management had prior experience in operating the United Minerals Corporation which owns 100% of the Railway Pilbara Iron ore project in Western Australia. UMC acquired the project in October 2006, identified the resource in October 2007 and in Feb 2010, sold the company to BHP Billiton Pty Limited for A\$204 million.

VMC's 3 main super projects are within Proterozoic orogenic belts which host a variety of world class and giant ore deposits. Once these resources are identified and developed VMC, together with all its mining projects, becomes a potential target candidate for acquisition by the large players.

Global Economic Recovery Followed by Commodity Upcycle and Strong Metal Prices Augurs Well for VMC

Global economic recovery post the Global Financial Crisis (GFC) has resulted in strong demand for metals and precious stones. Spearheading the demand are emerging countries, such as China and India, which are witnessing robust growth rates of 6-10% p.a. We expect the economic growth to gain further traction in the future as developed economies fully recover from the GFC, which would support the uptrend in the commodity cycle. The outlook for commodities, including VMC's focus group of iron ore, copper, gold and diamonds remains positive amid the demand and supply dynamics driven by emerging economies. Robust demand for metals has led to a surge in metal prices in the last two years with Iron ore, gold and copper prices increasing by 169%, 55% and 82%, respectively. The commodity upcycle is extremely beneficial for mining companies such as VMC as higher metal prices lead to higher profitability, and we expect the company to benefit immensely once it establishes reserve in its ongoing projects.

SWOT

Strengths

- VMC has established JORC compliant Inferred resource of 645.6 Mt of iron ore and 17.9 Mt diamond at an average grade of 28 CPHT for 5 million carats. Further, the company intends to provide Indicated resource by June 2011 which gives us confidence as VMC moves into the next phase of the E&P business – from an explorer to a developer/ producer
- The company has a strong and capable management team with good experience in developing and operating mining projects
- VMC has demonstrated its ability to raise significant funds in the initial stages of exploration and development as underscored by the farm-in and JV agreement with HD Mining
- The outlook for base and precious metals, VMC's focus area, is positive. Metal prices have already reached multi-year and, in some instances, all-time highs

Weaknesses

- VMC has not yet established reserve presence in its mineral tenements
- To date, the company has not generated any revenue as it is still in the exploration phase

Opportunities

- VMC's exploration activities in the 3 main Super Projects in Australian Proterozoic orogenic belts (orogens) – Gawler Craton West Super Project, Telfer North Super Project and Argyle North Super Project – have provided encouraging results and there is an increased possibility of the company establishing reserves there
- Can enter into farm-in agreements with established players for other projects (apart from that for the YIOP) which will not only reduce the risk profile but also expedite and improve reserve discovery

Threats

- Environmental and regularity concerns could create problems for the company in the distant future
- No discovery of meaningful reserves in its Super Projects can jeopardize the company's prospects

Latest Financial Results

Exhibit 21 : Annual & Half- Yearly Income Statements

Australian \$	FY09 Jun 30, 09	FY10 Jun 30, 10	YoY%	1HFY11 Dec 31, 10	Half- Yearly YoY%
Interest Received	44,492	93,706	110.6%	97,996	1733.8%
Total Revenue	44,492	93,706	110.6%	97,996	1733.8%
Exploration Expense	(498,454)	(265,746)	-46.7%	(873,136)	489.4%
Depreciation & Amortization Expense	(13,825)	(33,176)	140.0%	(58,065)	907.7%
Administration Expense	(328,848)	(1,064,668)	223.8%	(1,518,003)	632.4%
Profit/(loss) Before Taxes	(796,635)	(1,269,884)	59.4%	(2,351,208)	560.8%
Income Tax	-	-	-	-	-
Net Profit	(796,635)	(1,269,884)	59.4%	(2,351,208)	560.8%
Basic and Diluted EPS	(0.029)	(0.044)	51.7%	(0.076)	484.6%

Source: Company Filings, RB Milestone

Note: The above table excludes expenditure on the YIOP which is being sole funded up to A\$8 million by HD Mining

VMC is moving from exploration phase into development phase with the establishment of a 645.6 Mt JORC Inferred iron ore resource at the YIOP and a 17.9 Mt JORC Inferred diamond resource at the Argyle Smoke Creek Alluvial Diamond Project. Currently, the company is undertaking drilling activities in all the projects to achieve Indicated/Inferred resource over the next few months.

The company does not have a major source of income apart from interest income which it receives periodically. In FY10, interest income grew by 110.6% y-o-y to A\$ 44K. Exploration expense declined by 46.7% y-o-y to A\$ 266K, while administration expense increased by 223.8% y-o-y at A\$ 1.2 million. Further, depreciation and amortization expense increased 140.0% y-o-y during the same period.

VMC incurred a loss of A\$1.2 million for the year ended June 30, 2010 compared to a loss of A\$796K in the corresponding period the previous year, as it did not earn any revenue from its mineral deposits.

During FY10, VMC raised A\$4 million from HD Mining through a private placement of 2 million fully-paid ordinary shares at A\$2.00 per share.

VMC's reported interest income for 1HFY11 is A\$ 97K which is more than the full-year income for FY10. The company posted a net loss of A\$ 2.3 million in 1HFY11 as against a net loss of A\$ 355K in 1HFY10, largely due to exploration costs and share-based expenses.

During 1HFY11, cash and cash equivalents increased to A\$6.20 million from A\$4.96 million in FY10.

On January 17, 2011, the company made a private placement of 2 million shares at A\$2.00 per share to raise A\$4 million and issued 1 million free attaching options (each option exercisable at A\$3.00 on or before June 30, 2010).

Valuation & Investment View

VMC initially established a 443.9 Mt JORC compliant Inferred magnetite mineral resource under Yalgoo Iron Ore Project in December 2010, which was upgraded to 645.6 Mt JORC compliant Inferred resource in May 2011. Further, the company has a 17.9Mt JORC compliant Inferred diamond resource at an average grade of 28 CPHT for 5 million carats, using a cut-off of 10 CPHT under the Argyle Smoke Creek Alluvial Diamond Project in November 2010.

Since the JORC resource is in the Inferred stage, we have adopted a peer valuation approach to value VMC rather than the usual Net Asset Value (NAV) or Discounted Cash Flow (DCF) methodologies.

We have considered a set of peer valuation indicators to analyze the impact on VMC's value per share at different levels of reserve discovery probabilities. The peer set, used for our analysis, is shown in the exhibit below.

Exhibit 22 : VMC Peer Set

Company	MCap (A\$ million)	EV (A\$ million)	Resource (Mt)	EV/ resource
Iron Ore Peer Set				
WPG Resources Ltd	198	102	709	0.14x
Iron Road Ltd	122	116	1235	0.09x
Centrex Metals Limited	110	53	248	0.22x
IronClad Mining Ltd	55	49	263	0.19x
Sherwin Iron Ltd	50	46	100	0.46x
Ferrowest Ltd	16	15	573	0.03x
Winmar Resources Ltd	14	14	143	0.10x
Golden West Resources Limited	119	82	154	0.53x
Apollo Minerals Limited	10	7	22	0.32x
Lincoln Minerals Limited	19	17	126	0.14x
FerrAus Limited	181	164	331	0.50x
Australasian Resources Ltd	150	153	1630	0.09x
Cazaly Resources	36	34	177	0.19x
Average Trading Multiple				0.23x
Median Trading Multiple				0.18x
Diamond Peer Set				
North Australian Diamonds Limited	29	23	35	0.65x

Source: Company Filings, Bloomberg, RB Milestone

We have considered peers that have iron ore and diamond projects in Australia (Western Australia and South Australia). Below is the peer valuation methodology for valuing VMC's resource.

Exhibit 23 : Peer Valuation

Peer Valuation	
Yalgoo Iron Ore Project	
Magnetite Inferred resource	645.6 Mt
Average trading multiple - EV/ Resources (A\$/t)	0.23x
EV based on peer set group (in A\$ million)	148.5
Argyle Smoke Creek Alluvial Diamond Project	
Inferred resource	17.9 Mt
Average EV/ Resources (A\$/t)	0.65x
EV based on peer set group (in A\$ million)	11.7
Total EV based on peer set group both Iron Ore and Diamond (in A\$ million)	
	160.1
Discount applied to peer group valuation	50%
Adjusted EV based on peer group EV/ Resource (in A\$ million)	80.1
Adjustments	
Cash and cash equivalents (in A\$ million) (as at 31/12/2010)	6.2
Value of equity (in A\$ million)	86.3
Number of shares o/s (in million)	39.1
Value per share	A\$2.21
Last traded price	A\$1.38
Upside / downside	60.0%

Source: Company Filings, Bloomberg, RB Milestone

Here are some of the assumptions integrated into our analysis:

- As the peer set comprises established mining companies, we have to apply a steep discount to their EV/Resource multiple for valuing VMC. We have tried to reasonably assess VMC's value or equity by
 - Excluding outliers in our peer set
 - Assuming a 50% discount due to the fact that there are some companies in the peer set that have probable and marketable reserves in addition to Indicated and Measured resources. VMC has Inferred resource in its portfolio, but it is yet to establish Indicated resource and achieve marketable reserves from it. The discount will be lower once the company establishes clarity on its marketable reserves

Finally, we have analyzed the impact of different combinations of EV/Resource multiples and reserve probabilities on VMC's shares

Exhibit 24 : Sensitivity Analysis

Discount applied to peer group valuation	EV/ Resources (A\$/t)							0.05
	0.08	0.13	0.18	0.23	0.28	0.33	0.38	
35%	1.21	1.75	2.29	2.82	3.36	3.90	4.43	
40%	1.13	1.63	2.12	2.62	3.11	3.61	4.11	
45%	1.05	1.50	1.96	2.41	2.87	3.32	3.78	
50%	0.97	1.38	1.80	2.21	2.62	3.03	3.45	
55%	0.89	1.26	1.63	2.00	2.38	2.75	3.12	
60%	0.81	1.14	1.47	1.80	2.13	2.46	2.79	
65%	0.73	1.02	1.30	1.59	1.88	2.17	2.46	
5%								

Source: Company Filings, RB Milestone

Considering a 60% upside potential at a 50% discount to its peer group valuations, we consider VMC an attractive investment opportunity.

We are positive that VMC would report significant JORC reserves and resources based on the scoping study. As the company moves from explorer to developer/producer stage we expect better valuations, thereby meriting a re-rating of VMC.

Key Risk Factors

- **Exploration and Mining Risks.** Exploration activities are costly and involve techniques that are usually applied over extended periods of time. VMC's projects are at an exploration stage and there is no guarantee that the exploration programs will yield commercially-viable mineral deposit. Mining risks include uncertainties related to estimated continuity of a mineral deposit; fluctuations in grades and values of the product mined; and unforeseen operational and technical problems
- **Inadequate Funding.** VMC would require a steady flow of capital in the future to support ongoing exploration activities and other operations. If the company is unable to raise adequate funds at favorable terms for its projects, it would adversely affect its future growth prospects
- **Commodity Price Fluctuations and Exchange Rate Risks.** VMC's potential revenue from metal extraction exposes the company to risks associated with commodity price and exchange rate fluctuations. Commodity prices are dependent on laws of demand and supply that are beyond the company's control, while denomination of many commodities in the US dollar will expose VMC to fluctuations in exchange rates between the US dollar and the Australian dollar
- **Environmental Risks.** The company's projects are subject to Australian environmental laws and regulations, which could lead to potential liability risks in case of violations
- **Title Risk.** VMC's activities in Australia are subject to the Native Title Act, and its interpretation. Uncertainty associated with native title issues could adversely impact the company's future plans.

Management and Board of Directors

Mr. Terence Hogan, Non-Executive Chairman

Mr. Terence Hogan was engaged in the stock broking industry for more than 45 years. He is a former Director of Hogan & Partners Stockbrokers Pty Limited (“Hogan & Partners”) and past Chairman of the former Stock Exchange of Perth Limited. Mr. Hogan is a past Chairman and Director of various public companies and recently retired as Chairman of the Perth Diocesan Trustees and Anglican Community Fund Inc.

Mr. Matthew Vernon Hogan, Managing Director

Mr. Matthew Hogan was formerly an Executive Director and Chief Executive Officer of United Minerals Corporation NL which was acquired by BHP Billiton for A\$204 million in February 2010. Mr. Hogan has had over 20 years’ experience in the stock broking industry and was closely involved in bringing a number of Company listings to the ASX; the underwriting of Shareholder entitlement issues; and corporate placements. Mr. Matthew Hogan was a former Company Secretary of Iron Ore Holdings Limited.

Mr. Craig Richard Rosendorff, Non-Executive Director

Mr. Craig Rosendorff is a successful businessman based in Perth, Western Australia. He established his business, ROSENDORFF, in 1973 and has become one of the leading jewelers in Australia. Mr. Rosendorff is recognized for his ability to source quality diamonds and during the past 30 years has developed a significant international network of major participants in the world diamond industry throughout New York, Antwerp, Moscow and London.

Mr. Sergio Noto, Company Secretary

Mr. Noto has over 15 years’ experience in finance, encompassing a number of roles including Financial Controller, CFO and Company Secretary for various ASX listed and unlisted companies across different industries. He has a Bachelor of Commerce from Curtin University, is a CPA and has also completed a Graduate Diploma in Applied Corporate Governance (Chartered Secretaries of Australia).

Mr. Kumar Arunachalam, GM – Operations

Mr. Kumar has over 30 years’ experience in geological and hydrogeological investigations in India, New Zealand and Australia. He has successfully managed environmental studies; approvals; tenements; and native title at United Minerals Corporation for three years. He is currently managing exploration projects at VMC.

Mr. Barry Fehlberg, Senior Expert Exploration Advisor

Mr. Fehlberg has over 40 years of exploration experience in iron ore, base metals, gold and diamonds. He was the foundation Exploration Director of United Minerals Corporation in 2003, and in this role he directed the team that discovered and delineated the Railway Iron Ore Deposit. In February 2010, United Minerals Corporation was acquired by BHP Billiton for A\$204 million.

Mr. Francis Hoare, Projects Executive

Mr. Francis Hoare has over 30 years of experience in international corporate and financial management. Since 1985 Mr. Hoare has held project and financial roles at Rio Tinto business units in Australia and overseas, in particular at Argyle Diamonds in WA and Belgium and at the Rio Tinto HQ in Melbourne. He was CFO and Director Finance at Rio Tinto Diamonds in Antwerp, Belgium from 2001 to 2008. More recently, in Australia, he was CFO at Kimberley Diamonds NL (post-Gem Diamonds takeover) and a non-Executive Director of Blina Diamonds NL prior to joining VMC in 2010.

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