

Venus Metals Corp Ltd

Two resource upgrades and a PFS to date this quarter and further work programmes ongoing

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Event

We recently caught up with the Managing Director of Venus Metals ('Venus' or 'the Company'), Matt Hogan, for an update following a number of project and corporate developments including: JORC resource upgrades at its Argyle Smoke Creek alluvial diamond project and Yalgoo Iron Ore Project ('YIOP'); completion of a robust Pre-Feasibility Study ('PFS') for the YIOP; initial drilling programmes at two high risk, high reward targets with promising results but no 'discovery' (Radi Hills and Moodini); the acquisition of a new highly prospective target (the Bassit Bore prospect); recent additions and strengthening to its board/management team (including the appointment of Alan Birchmore); and, the expiry of listed options and cross of two significant blocks of shares.

Ocean Comment

Despite making promising operational progress at a number of its key projects Venus's share price has been impacted by a long list of items including: uncertainty regarding the development of Oakajee Port and Rail ('OPR' – the port scenario analysed in the YIOP PFS); a couple of near misses for initial drilling activities; the expiry of its listed in-the-money options (resulting in a significant amount of selling of the ordinary stock to fund conversion of the option); sale of a significant blocks by an ex-director (Craig Rosendorff) and an Asian based shareholder; and, general market weakness as the ASX has reached two year lows and bear market territory with the juniors hit particularly hard. Venus's share price is now at the lowest level since early 2010 at which time the Company had no JORC compliant resources with drilling not yet commenced at any of its projects.

The Company is currently capitalised at only A\$24.2m with A\$7.5m in cash, an enterprise value of less than A\$20m. This is despite having two significant scale JORC compliant resources and development projects, and a number of highly prospective exploration prospects. Venus remains comfortably funded for ongoing activities. Further operational progress is expected in the next quarter as follow up drill programmes commence in the next 4-6 weeks and the bulk sample programme at Argyle continues. Recent and expected developments are outlined below:

- **Argyle North Super Project/Smoke Creek Diamonds** - On September 7th, Venus was granted the remaining thirteen Prospecting Licenses ('PLs') covering parts of Smoke Creek previously explored by Argyle Diamond Mines ('ADM', a 100% subsidiary of Rio Tinto) and increased its 100% owned JORC compliant resource from 5m carats to 6m @ 28 CPHT (in-line with the average grade of the historic Bow River operation), based on the inclusion of only three blocks of the thirteen granted PLs.

Venus is currently in the process of bulk sampling with the first phase of excavation pits completed and 6,500t of gravels sitting on the ROM pad (part of a 15,000t programme) to establish quality and value distributions. Plant construction is nearing completion with commissioning expected in a couple of weeks. The Company plans to obtain approvals for sampling on the other thirteen granted PLs, only three of which have previous ADM data from reconnaissance bulk sampling data completed in the 1980-90's. A drilling programme to test concealed diamond pipe targets north of the Argyle diamond mine is has been completed with assay results not yet available.

- **Telfer North Super Project:** While initial drilling activities at Radi Hills have not hit the targeted bedrock they have still been promising with two holes having returned anomalous gold, silver, tungsten and copper values in the overlying sediments. The Company has interpreted this to be possible 'leakage halo effect' from underlying basement source/mineralisation yet to be penetrated.

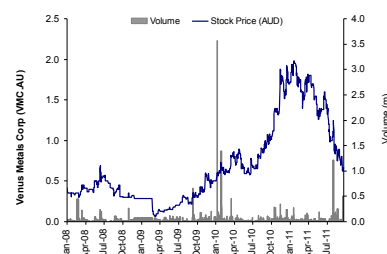
An alternative and more appropriate drilling procedure to successfully pass through the overlying sediments into the basement rocks (a mud rotary pre-collar with diamond tailing to follow) has been commissioned with drilling expected to commence in 4 weeks time. Radi Hills is a high priority exploration target for a large size Iron Ore Copper Gold ('IOCG') deposit indicated by a large coincident magnetic-gravity and VTEM target under surface cover (~500m). Approvals have been obtained to drill three water supply bores for exploration activities at Radi Hills, Mt Morris and Citadel; these are expected to be completed in 4-5 weeks time.

Our discussion continues on the next page . . .

IRON ORE, DIAMONDS, IOCG: Australia

26th September 2011

Market Cap	A\$24.2m
Listing:Ticker	ASX:VMC
Share Price	A\$0.54
Shares o/s	44.84m
52 week High/Low	A\$2.10 / 0.54
Net Cash	A\$7.5m



Source: Bloomberg

JORC Resources

Argyle Smoke Creek alluvial Diamond Project

Inferred 21.5Mt @ 28 CPHT for 6Mct*

*announced September 7th. Resource covers only 12 granted PL's (no data available for the other 10) with data sourced from previous ADM sampling.

Yalgoo Iron Ore Project ('YIOP') – 100% basis*

Indicated	311.2Mt @ 30.7% Fe
Inferred	386.9Mt @ 29.2% Fe
Total	698.1Mt @ 29.3% Fe

*announced August 26th. SDGM to vest and secure a 50% interest in YIOP following earn-in of A\$8m in expenditure during 3Q'11.

Highlighted Related Research:

31st May'11: Venus Metals "Resource upgrade at the Yalgoo iron ore project with other key targets to be drill tested in the upcoming quarter"

19th Jan'11: Venus Metals "Two JORC Resources, New Targets, Upcoming Catalysts & Comfortably Funded Following Recent Placement"

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• **Murchison Base Metals Project:** A CSIRO/Venus co-funded reconnaissance water bore sampling programme was recently completed in the West Murchison area with groundwater samples collected at Yarloo Well returning strongly elevated Cu (466 ppb) and Zn (540 ppb) values. The CSIRO researchers reported that "the groundwater is more saturated with respect to these secondary copper minerals than any other sample previously collected in this region" and groundwater chemistry to date is similar to that found near the Jaguar VMS deposit. A recently conducted Versatile Time Domain Electromagnetic ('VTEM') survey identified four conductive anomalies and a RC drill is expected to commence testing these targets in Oct'11.

• **Mt Phillips:** The Bassit Bore prospect is a new gold discovery that has not seen any previous exploration and the Company has pegged two Exploration License Applications along strike. Surface grab samples were taken by Venus from gossanous boudins with all samples returning high grade gold (one visible gold, with two stand out assays including 421g/t and 277g/t) and silver with anomalous copper and lead values which support the potential for high grade, narrow vein gold and/or a more broad dissemination of lower grade gold. Necessary approvals (heritage clearance, Programme of Work) for drilling at Bassit Bore are in progress and the drilling is expected to commence in ~6 weeks.

• **Yalgoo Iron Ore Project Magnetite Deposit:** In late Aug'11, Venus announced an upgraded JORC compliant resource (from 646Mt to 698Mt) and an associated PFS. ProMet completed the PFS returning a robust project that supports a 7.5Mtpa high grade, low impurity magnetite concentrate with an NPV of A\$2.14b, pre-tax IRR of 37% (100% equity, no debt) and mine life in excess of 17 years assuming a purpose built slurry pipeline to the proposed Oakajee port facility. In 4Q'11, Shandong Provincial Bureau of Geology & Mineral resources ('SDGM') is expected to vest and secure a 50% interest at the asset level and RC drilling to the north of current resources at Bilberatha Hills is ongoing.

WA Premier Colin Barnett recently has spent considerable time overseeing the troubled OPR project, and agreeing a closer trade and investment relationship with China. Murchison, along with its Japanese partner Mitsubishi, have until December 31st to sign agreements giving them exclusivity over the OPR project but have predicted missing that deadline. Last week Barnett stated the Government would assess the project when that eventuated but "the Government is not intending to extend the deadline further". "But obviously at that point, while Murchison, Mitsubishi, perhaps Chinese participants, and the individual mines will all remain involved in the project, Murchison and Mitsubishi would no longer have an exclusive right - everyone would be involved." Mr Barnett said his visit to China two weeks ago to bring in formal Chinese investment was a "plan B" the Government was working on. We believe various potential users of OPR are in discussions with the State and Venus is continuing to look at various means to potentially commercialise the project.

• **Board & Management:** Venus has recently strengthened its team and on August 8th Alan Birchmore: who was a founding member of the Argyle JV; recently chaired United Minerals Corporation ('UMC') through a A\$204m scheme of arrangement with BHPB; and has been Chairman of the Albany and Fremantle Port, became a non-executive director. Also recently Patrick Tan (also ex-UMC) was appointed CFO and Company Secretary, with Kumar Arunachalam becoming a non-executive director.

• **Listed options and blocks:** At June 30th, Venus had 5.35m listed options outstanding with a A\$0.40/sh strike price lapsing July 31st. While conversion of these heavily in-the-money options has resulted in the Company raising a further +A\$2.1m in addition to the A\$7.4m cash balance at June 30th, it has also resulted in a significant amount of selling of the ordinary stock to fund conversion of the option which has weighed on the Company's share price. Furthermore, recently there have been a number of significant blocks of shares that have been crossed, one relating to an ex-director (Craig Rosendorff - see the 'ceasing to be a significant holder' ASX announcement August 2nd) and another an Asian based shareholder (with Venus Chairman, Terry Hogan, having acquiring 300,000 shares on September 16th, absorbing part of the overhang).

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