



ASX Release: 27<sup>th</sup> January 2012

ASX Code: VMC

## **QUARTERLY REPORT FOR PERIOD ENDING 31 DECEMBER 2011**

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Venus Metals Corporation Limited's (Venus) exploration activities conducted during the quarter ending 31 December 2011 were mainly focused on soil sampling and assaying at Yalgoo Iron Ore Project, successful commissioning of the diamond processing plant at the Argyle Smoke Creek Alluvial Diamond Project and a reconnaissance drilling programme at Bassit Bore Prospect.

### **EXPLORATION HIGHLIGHTS:**

#### **1. YALGOO IRON ORE PROJECT:**

- To augment the magnetite mineral resources at Yalgoo, seven reconnaissance RC holes were drilled within E59/1504 (north of Bilberatha Hill) for a total of 1,086m during the last quarter. The total thickness\* of BIF (Banded Iron Formation) layers ranges between 6m and 29m with average Fe values varies from 25-32.7% were encountered in these drill holes. Further drilling is planned.
- 54 soil samples on a 35x50m grid were collected in P59/1887 and assayed for precious metals. Anomalous Ag values (1-3.2 g/t) warrant follow up work.

#### **2. ARGYLE SMOKE CREEK ALLUVIAL DIAMOND PROJECT:**

- Successful commissioning of the Diamond Processing Plant at its Argyle Smoke Creek Alluvial Diamond Project. Stockpiles of diamondiferous gravels over 6,000 tonnes have been prepared and located at the processing plant in readiness for treatment.
- Mining Lease Application (MLA 80/621) covering 12 Prospecting Licenses was submitted to Department of Mines and Petroleum.

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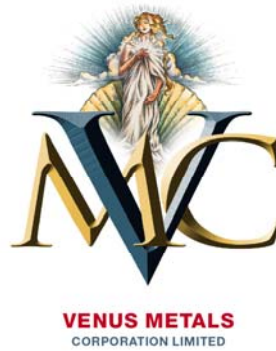


### **3. BASSIT BORE PROSPECT:**

- A total of 132 soil samples on a 20 by 40 meter grid were collected at Bassit Shear and assayed by SGS for Au and other base metals. Gold assay results show a strong correlation with mapped quartz vein outcrops. Values for Cu, Pb, Zn and Ag also reinforce the vein prospectivity.
- 25 RC holes for a total depth of 1,980 m were completed in Bassit Shear and Kempton Shear areas. Assays are in progress.
- Further 92 soil samples and 15 rock chips were collected at Eclipse shear zone (north of Bassit shear) and assays are awaited.

### **4. COPPER HILLS PROJECT:**

- Negotiations with the Western Deserts Land Aboriginal Corporation on behalf of the Martu Native Title Holders resulting in a signed Land Access and Mineral Exploration Agreement.
- Review of all past exploration results as a first stage evaluation of this intriguing and prospective area.



## INTRODUCTION

The location of Venus exploration projects is shown in Figure 1.

Venus exploration works during this quarter were mainly focused on soil sampling and assaying at Yalgoo Iron Ore Project, successful commissioning of the diamond processing plant at the Argyle Smoke Creek Alluvial Diamond Project, a reconnaissance drilling programme at Bassit Bore Prospect and review of historical exploration data of Copper Hills Project.

Venus currently has 26 granted Exploration Licences and 59 Prospecting Licences. It has eleven pending Exploration Licence Applications (ELAs) and two Mining Lease Applications (MLAs) in Western Australia.

### 1. YALGOO IRON ORE PROJECT (YIOP)

#### 1.1 Project background

Venus's Yalgoo Iron Ore Project is centrally placed within Western Australia's emerging Mid-West Iron Ore Province approximately 80 kilometres north of the world-class Gindalbie Metals Ltd's Karara Iron Ore Project. During March 2010 Venus signed the Yalgoo Farm In and Joint Venture agreement with HD Mining & Investment Pty Ltd (HD Mining) a subsidiary of Shandong Provincial Bureau of Geology & Mineral Resources (SDGM). HD Mining can earn up to 50% in the iron ore rights at Yalgoo by sole funding up to AUD\$8 million worth of iron ore exploration over a maximum of two years.

Venus commissioned geological consultants Widenbar and Associates (WAA) to produce an updated JORC compliant resource estimate for Bilberatha Hill and surroundings based on the drilling of 169 RC holes (29977m) and 11 Diamond holes (3088m). The resource model has been updated with newly interpreted mineralised zones (known as Additional Zones) to the North-East, North-West and South of the main Bilberatha zone. In addition, part of the main Bilberatha mineralised zone has been upgraded to Indicated status. **A JORC compliant total Magnetite Mineral Resource of 698.1 Million Tonnes (being made up of an Indicated Resource of 311.2 Mt and Inferred Resource of 386.9 Mt) was estimated for Yalgoo Iron Ore Project (YIOP) (ASX Release: 26 August 2011) .**



ProMet Engineers Pty Ltd (ProMet) was commissioned by Venus to conduct a Pre-Feasibility Study (PFS) for the Yalgoo Iron Ore Project (YIOP). This follows on from a Scoping Study undertaken by Mineral Engineering Technical Services (METS) completed in February 2011 that gave very encouraging results. ProMet's PFS financial model/study demonstrates that the project is technically viable and financially robust (refer ASX release 29 August 2011).

A Mining Lease Application (MLA 59/742) has been submitted to Department of Mines and Petroleum covering Bilberatha Hill and additional magnetite mineral resource target areas within the tenement E59/1508.

## **1.2 December 2011 Quarter Exploration Work**

The following exploration works have been completed in the adjoining Yalgoo tenements during this quarter:

To augment the magnetite mineral resources at Yalgoo, seven reconnaissance RC holes were drilled within E59/1504 (north of Bilberatha Hill) for a total of 1,086m (Figure 2) during the last quarter. The total thickness\* of BIF (Banded Iron Formation) layers ranges between 6m and 29m with average Fe values varies from 25-32.7% were encountered in these drill holes. Further drilling is planned.

Fifty four soil samples on a 35x50m grid were collected in P59/1887 and assayed for precious metals. Anomalous Ag values (1-3.2 g/t) warrant follow up work (Figure 2a & 3).

## **2. ARGYLE SMOKE CREEK ALLUVIAL DIAMOND PROJECT:**

### **2.1 Project background**

The Argyle Smoke Creek Alluvial Diamond Project area comprises 22 granted Prospecting Licences (PLs) which lies adjacent to the primary deposit which hosts the current Argyle Diamond Mine's (ADM) AK1. These PL areas cover previous ADM's Mining Leases. ADM carried out reconnaissance bulk sampling programmes for diamonds in the 1980s and 1990s.

Venus commissioned geological consultants Widenbar and Associates to produce a preliminary resource estimate for the Smoke Creek Alluvial Diamond Project. The resource estimate of the project area (12 granted Prospecting Licences) is based on the ADM-mapped extent of "C Terrace Gravels", and the published results of ADM's reconnaissance bulk sampling.



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The document produced by ADM at surrender of the Mining Leases is very comprehensive in describing sampling methodologies and it is considered that the data is valid and usable for resource estimation. Widenbar Associates has reviewed the drilling, sampling and assaying data used in the estimate and considers it to be of sufficient quality to support the resource classification applied. The JORC compliant Inferred resource has been increased from 5,000,000 carats for 9 Prospecting Licences (refer ASX release 11 November 2010) to 6,000,000 carats for 12 Prospecting Licences (refer ASX release 7 September 2011).

**After economic and resource confidence consideration, with a cut-off of 10 CPHT applied a JORC Inferred Diamond Resource has been estimated at 21.5 Mt at an average grade of 28 CPHT for a total of 6,000,000 carats.**

The required equipment and machineries (Dense Media Separator plant and Dual X-Ray Flow sort units) for the processing of diamond bearing gravels at the Argyle Smoke Creek Alluvial Diamond Project area has been procured from South Africa, assembled and commissioned. A total of 6,000 tons of diamondiferous gravels have been excavated from 28 priority pits and transported to the lay down area, for processing.

## **2.2 December 2011 Quarter Exploration Work**

All technical and logistical challenges in processing plant have been addressed and successfully commissioned during December. It is now well-positioned to progress the sampling program in early 2012 (refer ASX release 22 December 2011).

## **3. BASSIT BORE GOLD PROSPECT**

### **3.1 Project background**

The Bassit Bore prospect at Mt Phillips is a new gold discovery that has not seen any exploration testing and high grade gold does occur over an encouraging strike length. Venus recently entered an agreement with a prospector for an option to purchase the tenement (E09/1676) and collected surface grab samples from four of the more gossanous boudins to determine the levels of gold that might exist in the better locations. All samples assayed are high in gold, with four of the six samples giving very high to extremely high gold values. The two stand out assays are 421g/t Au and 277g/t Au. The samples also are high in silver and strongly anomalous in copper and lead values (refer ASX release: 16 August 2011).



### **3.2 December 2011 Quarter Exploration Work**

Recent geological mapping by consultant Richard Russell has outlined two predominant mineralised shear zones both striking West North-West. The Bassit Vein carries the high grade gold values, with the Kempton vein showing surface copper enrichments.

The area of the Bassit vein was soil sampled in October 2011. A total of 132 soil samples on a 20 by 40 meter grid were collected and assayed by SGS for Au (25gm Aqua Regia, DIBK, AAS finish), Cu Pb, Zn and Ag (ICP-AES after ARE Digest). Gold assay results show a strong correlation with mapped quartz vein outcrops. Values for Cu, Pb, Zn and Ag also reinforce the vein prospectivity (refer ASX release: 12 December 2011).

Twenty five RC holes for a total depth of 1,980m were completed in Bassit Shear and Kempton Shear areas (Figure 4). Further 92 soil samples and 15 rock chip samples were collected at Eclipse shear zone (north of Bassit Shear). Assays are in progress with SGS.

### **4. COPPER HILLS PROJECT:**

The Copper Hills tenement E 45/3541 of 221 sq km in the East Pilbara region of Western Australia was granted in December 2011. Venus was advised in 2010 that it had won the rights to the area following a ballot for the ground between 4 applicants.

The tenement grant follows successful negotiations with the Western Deserts Land Aboriginal Corporation on behalf of the Martu Native Title Holders resulting in a signed Land Access and Mineral Exploration Agreement.

Very high grade values with peak results of 2,376g/t Au, 3,424 g/t Pt, 4,904g/t Pd, 1,387g/t Ag and 20.9% Cu have been recorded from previous rock chip sampling of copper mineralised outcrops at the main Precious Metals Prospect. Whilst the very high grade values come from a small vein-type exposure of limited extent, it is reported that secondary copper minerals occur over a semi-continuous strike length of approximately two kilometres (please refer ASX release 21 December 2011).



Drilling programs by previous explorers have been unable to establish any depth extent to these remarkably high precious metal values. However, the petrographic studies indicate the mineralisation is the result of primary hydrothermal processes, with secondary enrichments. This indicates that potential does exist for the values to extend to depth and further exploration is warranted. The Company has started a review of all past exploration results as a first stage evaluation of this intriguing and prospective area.

#### **4. PLANNED ACTIVITIES FOR MARCH 2012 QUARTER:**

- RC drilling at four conductive anomalous targets in Yarloo Well, West Murchison Base Metals Project.
- Commencement of the processing of diamondiferous gravels at Argyle Smoke Creek Alluvial Diamond Project (weather permitting).
- Continuing reviews of past exploration results and delineation of drilling targets\*\* at Copper Hills project.
- Continue to explore various options in relation to the product's path to market for Yalgoo Iron Ore Project.
- Reconnaissance drilling is planned targeting base metals at P59/1887.
- Analysis of Bassit Bore assay results.

*\*True widths have not been determined as the level of detail needed to calculate accurate true widths is not yet available.*

*\*\*The term "Target" should not be misunderstood or misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004), and therefore the terms have not been used in this context. It is uncertain if further exploration or feasibility study will result in the determination of a Mineral Resource or Mining Reserve*



***Competent Persons Declaration:***

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by

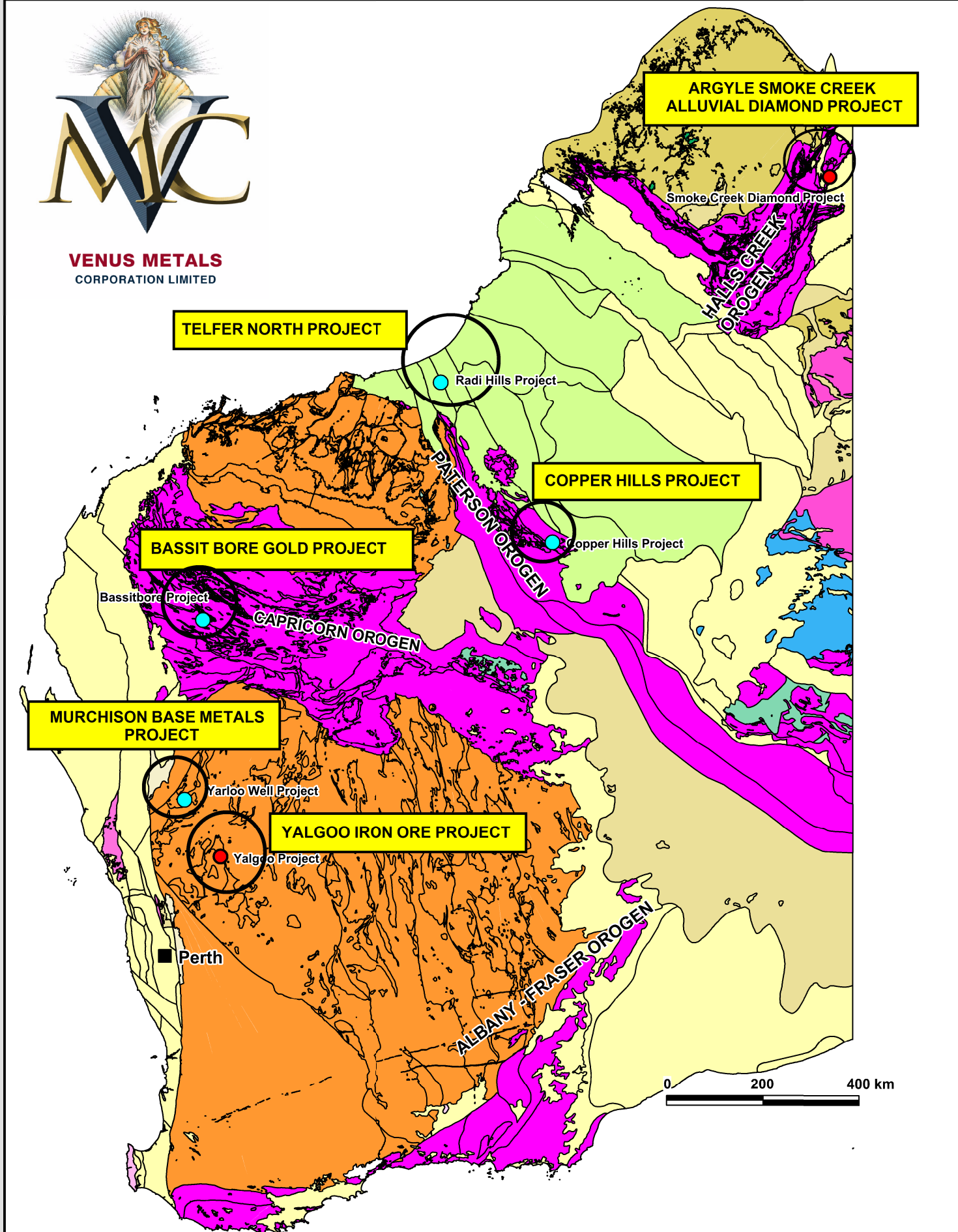
Mr Lynn Widenbar, who is a Member of the Australasian Institute of Mining and Metallurgy, is a full time employee of Widenbar and Associates and produced the Mineral Resource Estimate based on data and geological information supplied by Venus. Mr Widenbar has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Widenbar consents to the inclusion in this report of the matters based on his information in the form and context that the information appears.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Barry Fehlberg, who is a Member of The Australasian Institute of Mining and Metallurgy and is a Technical Director and Senior Expert Exploration Advisor of the Company. Mr Fehlberg has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Fehlberg consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

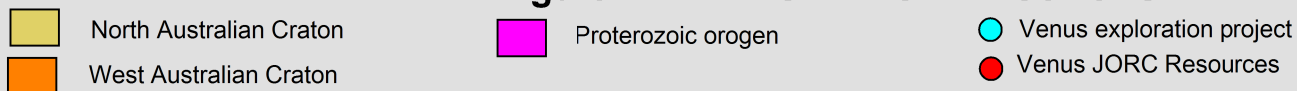
Information in this report has also been prepared by Mr Kumar Arunachalam, who is a Member of The Australasian Institute of Mining and Metallurgy and is a General Manager (Operations) of the Company. Mr Arunachalam has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Arunachalam consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



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**Figure 1 : EXPLORATION PROJECTS**



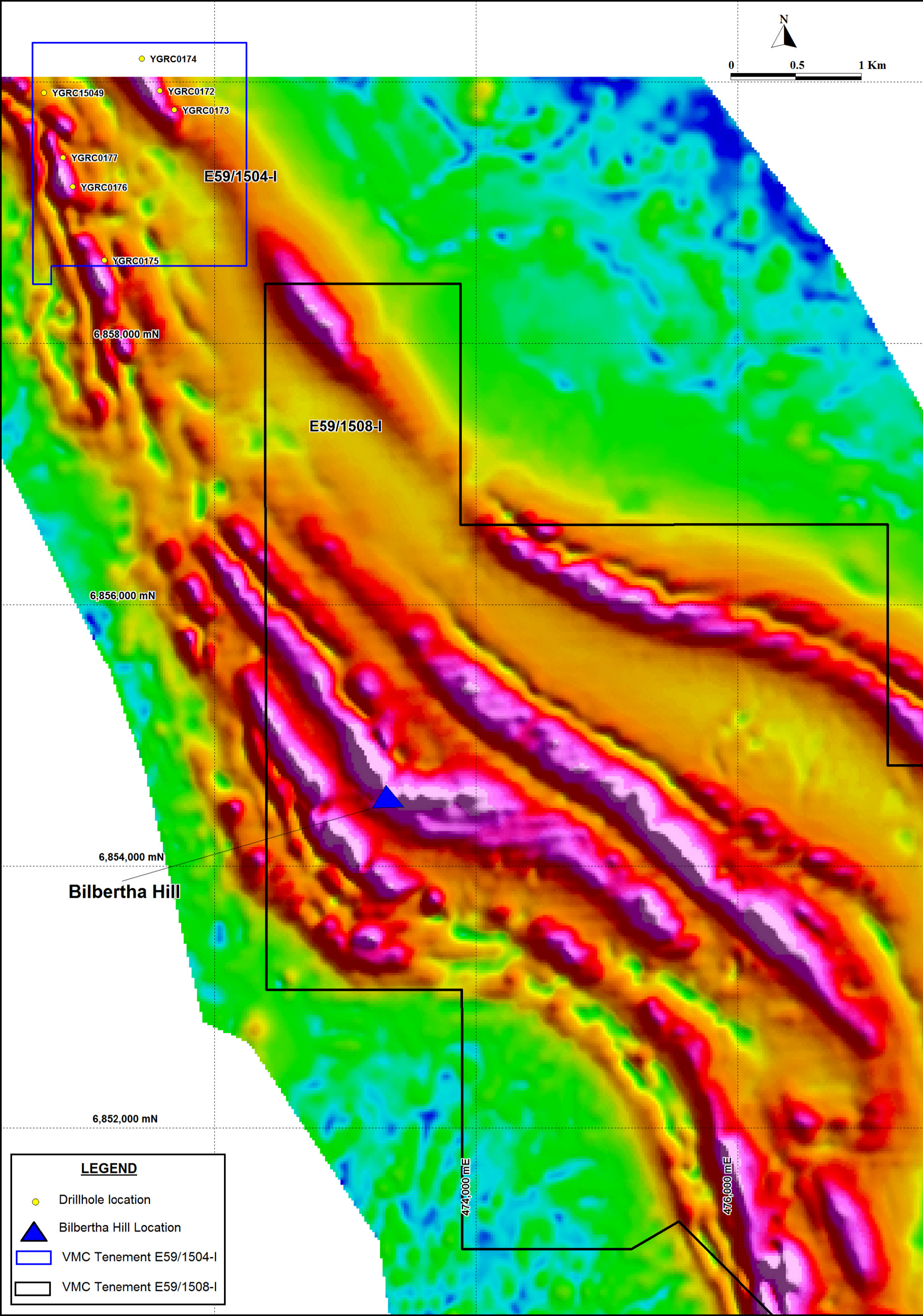


Figure 2 : Location of Drillholes in E59/1504-I on aeromagnetic image

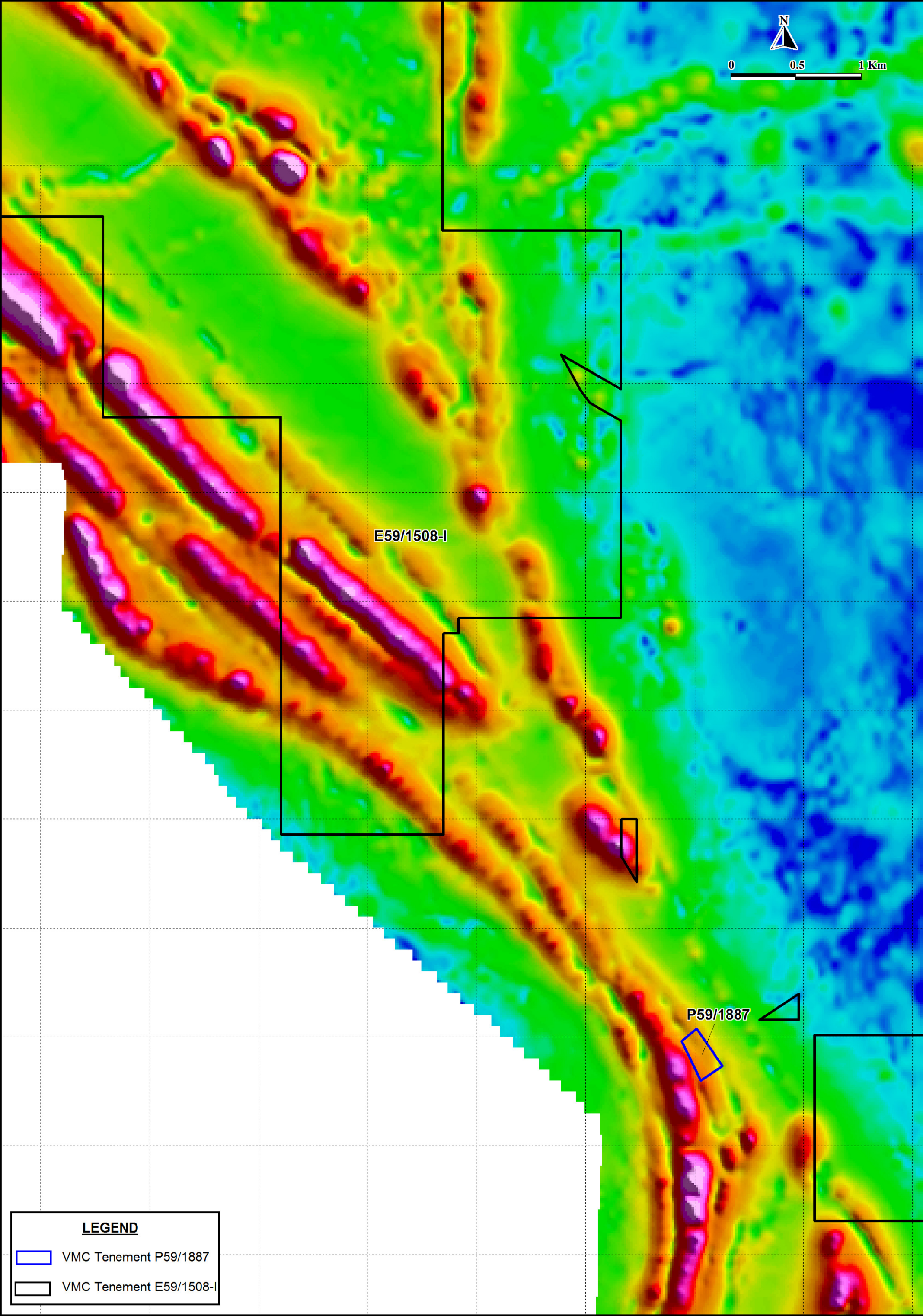


Figure 2a : Location map of P59/1887 on aeromagnetic image



Figure 3 : Ag (ppm) Contour map for P59/1887

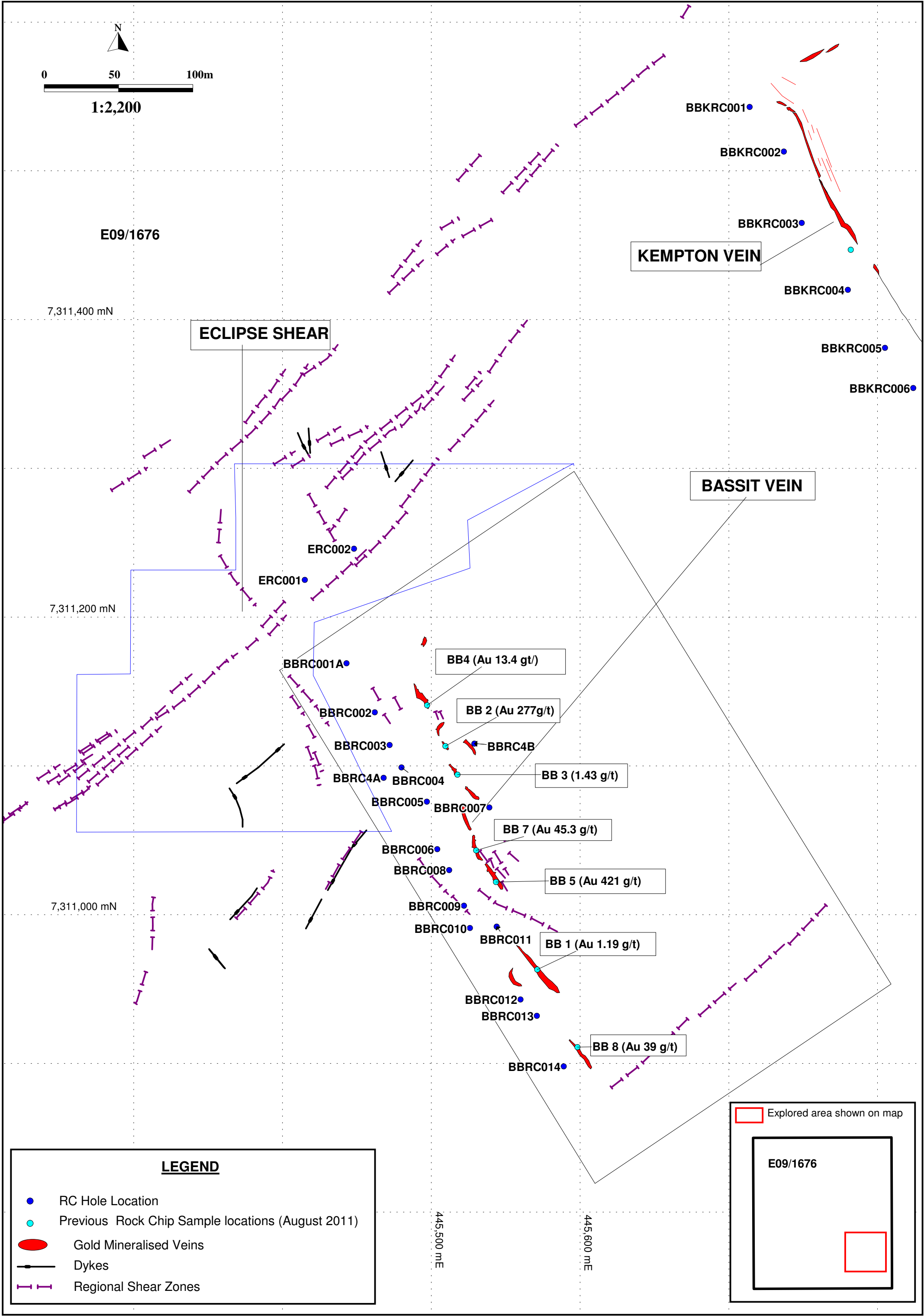


Figure 4 : Bassit Bore (E09/1676) Drillhole Location Map

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

**VENUS METALS CORPORATION LIMITED**

ABN

**99 123 250 582**

Quarter ended ("current quarter")

**31 DECEMBER 2011**

### Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(1,167)	(2,562)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(344)	(874)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	98	240
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (GST)	47	25
<b>Net Operating Cash Flows</b>		<b>(1,366)</b>	<b>(3,171)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(95)	(727)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	(625)	(1,584)
<b>Net investing cash flows</b>		<b>(720)</b>	<b>(2,311)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(2,086)</b>	<b>(5,482)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(2,086)	(5,482)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	2,127
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (capital raising costs)	-	-
	<b>Net financing cash flows</b>	-	2,127
	<b>Net increase (decrease) in cash held</b>	(2,086)	(3,355)
1.20	Cash at beginning of quarter/year to date	6,107	7,376
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>4,021</b>	<b>4,021</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	173
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

- 1.12 Other investing activities consists of outflow of funds for Yalgoo Iron Ore Project (YIOP)
- 1.23 Executive Directors' Salaries, Non-Executive Directors' Fees and Superannuation

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

-

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

-

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	-
4.3 Production	-
4.4 Administration	300
<b>Total</b>	<b>500</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	521	107
5.2 Deposits at call	3,500	6,000
5.3 Bank overdraft	-	-
5.4 Other – Bank bills / bonds	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>4,021</b>	<b>6,107</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	E80/4226	100%	0%
6.2	Interests in mining tenements acquired or increased	E45/3541	0%	100%
		P29/2194	0%	100%
		P29/2195	0%	100%
		P29/2196	0%	100%
		P29/2197	0%	100%
		P29/2198	0%	100%
		P29/2199	0%	100%
		P29/2200	0%	100%
		P29/2201	0%	100%
		P29/2202	0%	100%
		P29/2203	0%	100%
		P29/2204	0%	100%
		P29/2205	0%	100%
		P29/2206	0%	100%
		P29/2207	0%	100%
		P29/2208	0%	100%
		P29/2209	0%	100%
		P29/2210	0%	100%
		P29/2211	0%	100%
		P29/2212	0%	100%
		P29/2213	0%	100%
		P29/2214	0%	100%
		P29/2215	0%	100%

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference</b>			
	<b>+ securities</b>			
	<i>(description)</i>			
7.2	Changes during quarter			
	(a) Increases through issues			
	(b) Decreases through returns of capital, buy-backs, redemptions			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

7.3	<b>*Ordinary securities</b>	44,842,123	44,842,123	Fully Paid	Fully Paid
7.4	Changes during quarter				
	(a) Increases through issues	-			
	(b) Decreases through returns of capital, buy-backs	-			
7.5	<b>+Convertible debt securities (description)</b>				
7.6	Changes during quarter				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				
7.7	<b>Options</b>			<i>Exercise price</i>	<i>Expiry date</i>
	<i>Non Employee Options</i>	3,500,000	Not Quoted	\$0.20	30 June 2012
		2,900,000	Not Quoted	\$0.25	30 June 2012
		1,000,000	Not Quoted	\$0.40	31 July 2012
		2,250,000	Not Quoted	\$1.00	31 July 2013
		250,000	Not Quoted	\$1.00	31 July 2012
		1,000,000	Not Quoted	\$3.00	30 June 2012
	<i>Employee Options</i>	600,000	Not Quoted	\$1.00	31 July 2013
		50,000	Not Quoted	\$1.50	31 July 2013
		200,000	Not Quoted	\$2.00	31 July 2013
		1,200,000	Not Quoted	\$1.25	31 July 2014
7.8	Issued during quarter	1,200,000	Not Quoted	\$1.25	31 July 2014
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	<b>Debentures (totals only)</b>				
7.12	<b>Unsecured notes (totals only)</b>				

## Compliance statement

- This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX \(see note 4\)](#).
- This statement does give a true and fair view of the matters disclosed.

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+ See chapter 19 for defined terms.

Sign here:



Date: 27 January 2011

**Company secretary**

Print name: Patrick Tan

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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