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ASX Code: VMC

ARGYLE SMOKE CREEK ALLUVIAL DIAMOND PROJECT PROCESSING OF DIAMONDIFEROUS GRAVELS COMMENCES FOR ECONOMIC EVALUATION

The Directors of Venus Metals Corporation Limited ("Venus") are pleased to report that processing of diamondiferous gravels at the Argyle Smoke Creek Alluvial Diamond project has commenced for economic evaluation.

Venus' Argyle Smoke Creek Alluvial Diamond Project lies adjacent to the Argyle diamond mine (Figure 1).

The Smoke Creek Alluvial Diamond Project has a **JORC Inferred Diamond Resource of 6,000,000 carats.**

After economic and resource confidence consideration, with a cut-off of 10 CPHT applied, the Inferred Resource has been estimated at 21.5 Mt at an average grade of 28 CPHT for a total of 6,000,000 carats (refer ASX announcement 7 September 2011).

The 1979 discovery of alluvial diamonds in Smoke Creek led to the discovery of the world-class Argyle diamond deposit.

Argyle Diamonds Ltd has operated its Argyle diamond mine in WA since 1985 although it had commenced alluvial diamond mining at nearby Smoke Creek in 1983. Argyle was the largest diamond mine in the world for many years, peaking at approximately 42.8m carats in 1994. Argyle Diamond Mines (ADM) operated an alluvial mine in upper Smoke Creek for many years, supplementing the hard rock AK1 production with the alluvial product which had a better quality distribution than AK1 and included the rare pink diamonds.

ADM's bulk sampling within the Venus ground recorded the presence of diamonds within all the samples taken (sample size was typically around 30 tonnes). The highest grade ADM recorded was from bulk sample SC24-6 which returned 200 carats/hundred tonnes (CPHT) from the sample depth interval 5-6 metres. Other encouraging results included bulk sample SC22-1 which returned 186 CPHT from surface to one metre depth, and sample SC31-3 which returned 185 CPHT from 2-3 metres.

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In February 2012 Rio Tinto announced that it had discovered Australia's biggest rough pink diamond at Argyle weighing 12.76 carats with an estimated value of around \$20million. Indeed, one report in the Daily Mail (UK) speculated it could fetch as much as £25m at auction. This stone is currently being cut & polished at Argyle and may be included in Argyle's Pink Diamonds Tender. This stone, while it is rare, demonstrates that the AK1 pipe can produce some very special stones.

The Venus Smoke Creek Alluvial Diamond Project contains the same diamondiferous gravels as those already mined by Argyle in upper Smoke Creek and are derived from the Argyle (AK1) lamproite pipe at the head of Smoke Creek.

Tom Albanese, Chief Executive Officer of Rio Tinto was quoted in the company's "Rare and Collectable" press release (July 2010) saying:

"Thirty years ago there were very few people who believed Australia could hold the secret of diamonds – even fewer could foresee the discovery of the rarest of all diamonds – the Argyle pink diamond."

The release further stated **"....with only a decade of remaining mine life at Argyle, these rare pink diamonds are becoming rarer"**.

Another Rio Tinto press release (September 14, 2010) states that: **"the Argyle Diamond Mine ... produces virtually the entire supply of the world's pink diamonds"**. Also - **"Pink diamonds are among the most intriguing and highly valued gems in the world both because of their richness, colour and rarity"**.

Venus' Argyle Smoke Creek Alluvial Diamond Deposit potentially provides a new source of genuine, Kimberley Process compliant, issue-free Australian diamonds including the rare pinks.

The purpose of Venus' bulk sampling and diamond recovery program is to establish the quality and value distributions of diamonds recovered for economic modelling for international marketing and funding proposals and commercialisation strategies.

Diamond results from the program will be announced to ASX as soon as they become available.



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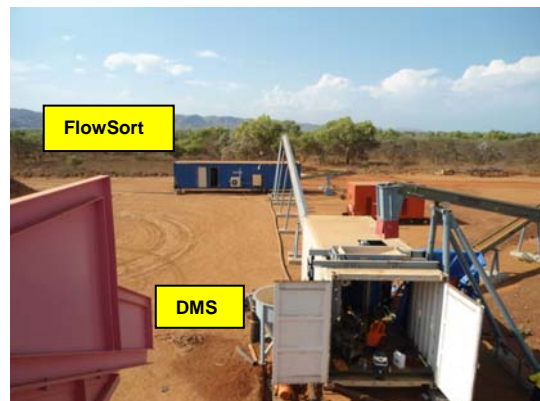


Rock on: The gem was found at Rio Tinto's Argyle mine in the east Kimberley region of Western Australia

Extract of article which appeared in the Daily Mail (UK) Feb. 23, 2012



Gravel processing at Smoke Creek



Dense Medium Separation and FlowSort X-ray sorting modules at Smoke Creek

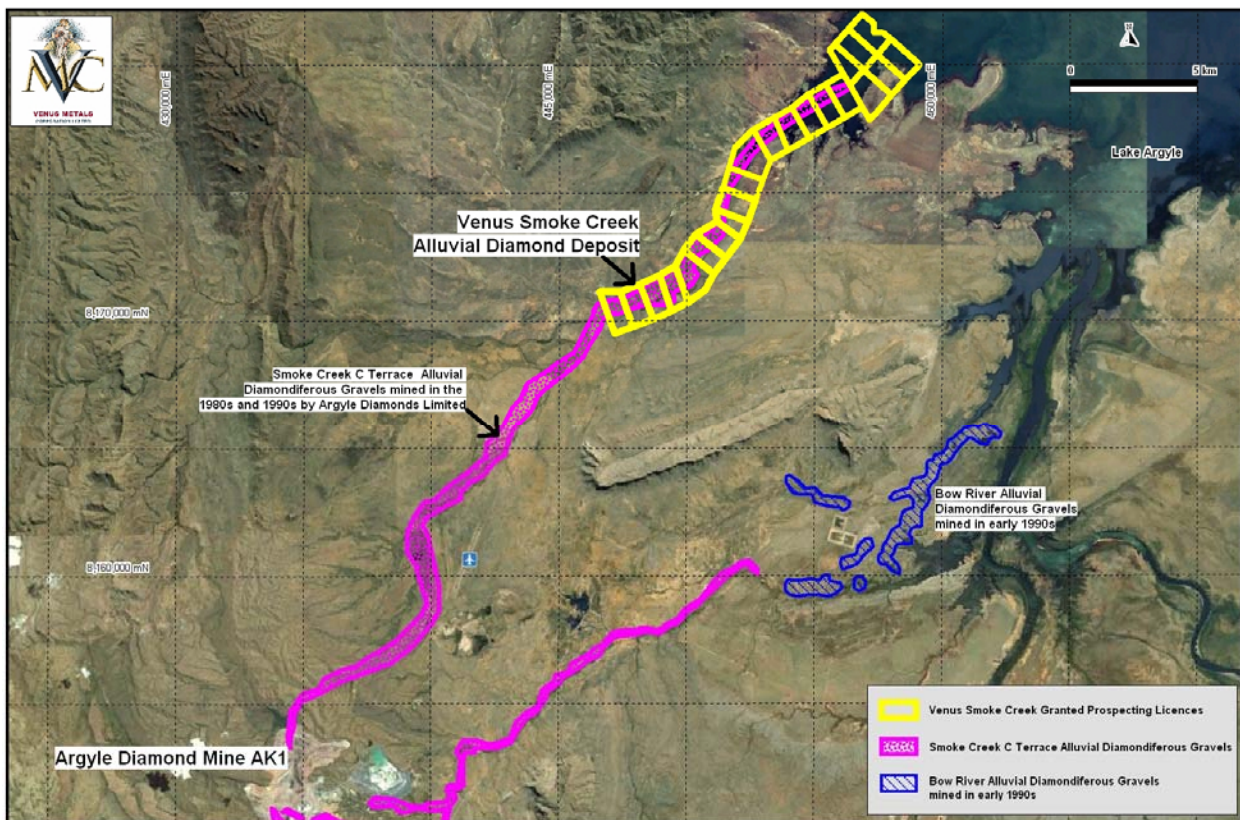


Gravel Stockpiles at Smoke Creek



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Smoke Creek Diamond Project - Location



Venus Smoke Creek Alluvial Diamond Project Location Plan



References:

ADM Final Surrender Report 2008. Lower Smoke Creek Alluvial Deposits Mining Leases M80/42, M80/43, M80/44 and M80/45, East Kimberley, Western Australia.

Lynn Widenbar, 2011 Smoke Creek Inferred Diamond Resource Estimate September 2011.

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Rio Tinto press release, September 14, 2010. Iconic Argyle Pink Diamonds Tender is showcased for the first time in China.

Shigley J.E, 2010. The Market for Pink Diamonds, Chapter 1: Rare and Collectable, published by Rio Tinto.

Rio Tinto media release February 21, 2012

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The Mail Online: <http://www.dailymail.co.uk/sciencetech/article-2104896/Rare-pink-diamond-Australias-largest-rosy-diamond-discovered.html>

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 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.

Mr Barry Fehlberg, who is a Member of the Australasian Institute of Mining and Metallurgy and is a 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.

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.