VENUS METALS
CORPORATION LIMITED

ASX Release: 16 February 2011 **ASX Code: VMC**

YALGOO IRON ORE PROJECT

SCOPING STUDY INDICATES POTENTIAL NPV of A$1.14 BILLION

The Directors of Venus Metals Corporation Limited ("Venus") are pleased to report the results of the Scoping Study on the Yalgoo Iron Ore Project (as completed by Mineral Engineering Technical Services Pty Ltd ('METS") **Their financial model indicates a potential net present value ("NPV") of A$1.14billion with internal rate of return ("IRR") of 24.4% based on a 30 Mtpa mine.**

Table-1 Summary of Financial Model analysis

NPV of Cash Flow (A$m)	$ 1,142.8
IRR Pre-Tax	24.4%
IRR Post-Tax	20.7%
Profitability Index	1.86
Simple Payback	4 Years 5 Months
Discounted Payback	5 Years 9 Months

- Please refer Key Assumptions for the financial model Table 2, and forward looking risk disclosure.

Venus commissioned ("METS") to undertake a scoping study of the Yalgoo Iron Ore Project ("YIOP") in the Mid-West region of Western Australia.

Highlights

- Potential NPV of A$1.14billion with IRR of 24.4% pre-tax.
- The Yalgoo deposit contains a large and well identified JORC inferred magnetite mineral resource**.
- The scoping study concluded that the ore is amenable to conventional treatment with magnetic separation and reverse sulphur flotation.
- Benchmarking of the plant capital and processing costs of the Yalgoo concentrator showed the project compared favourably among many emerging magnetite projects in Australia.
- Pre-Feasibility study to commence.

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The YIOP is located 200 km to the east of Geraldton in the vicinity of the town of Yalgoo, approximately 500 km north of Perth. Strategically situated in the Mid-West iron ore province in Western Australia approximately 80 kilometres north of the Gindalbie Metals Ltd Karara Iron Ore Project ("Karara").

The JORC mineral resource estimate** for Bilberatha Hill of the YIOP (refer ASX release 16th December 2010) is summarised as:

Material	Fe Cut-off (%)	MT	Fe (%)	Al2O3 (%)	SiO2 (%)	P (%)	LOI (%)
Oxide	20	71.1	30.51	2.02	48.22	0.042	1.31
Fresh	20	372.8	30.24	1.75	47.86	0.048	0.86
Total	20	443.9	30.29	1.79	47.91	0.047	0.94

The scoping study covered six major aspects of the project:

- Metallurgical testwork;
- Process selection;
- Infrastructure review;
- Factored capital cost;
- Plant operating cost estimate; and
- Preliminary financial modelling.

The metallurgical testwork programme was designed and supervised by METS. The results from the testwork programmes, which comprised head assays, Davis Tube tests, LIMS tests, sulphide flotation and comminution tests provided design criteria for the scoping study design work. The tests were carried out on two diamond drill cores which were composited into three master composites based on head assay and Davis Tube Recovery test results.

Based on the metallurgical testwork results, METS developed a preliminary process flowsheet (see *Preliminary Process Flow Diagram*) for the YIOP, to produce approximately 11.4Mtpa of magnetite concentrate. The proposed plant will have a capacity to process 30Mtpa.

The YIOPY is strategically situated near to existing infrastructures for transport energy and water. The Yalgoo bore field which draws water from the local fractured rock aquifer can adequately supply water for the processing plant. Energy may possibly be sourced from the Mid-West natural gas pipeline which passes within 10km of the project area for power generation of the concentrator.

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The processing costs for the concentrator are mainly driven by the power consumption. This is typical for iron ore processing plants.

The costs were estimated based on:

- Concentrate production rate: 11.4 Mtpa
- Fe head grade: 30.3% Fe
- Fe recovery: 85.7%
- Mass recovery: 37.9%
- Power cost: $0.16 kWh

Benchmarking of the plant capital and processing costs of the Yalgoo concentrator showed the project compared favourably among many emerging magnetite projects in Australia. The estimated plant capital cost was in line with other projects based on concentrate production. The plant processing costs are also comparable to projects such as Karara and Australasian Resources Ltd Balmoral South Project.

Concentrator capital cost for the development at YIOP is estimated at A$1.04 billion with processing costs estimated at A$7.37/tonne of ore treated. The capital investment associated with the port and rail infrastructures including owner's costs is estimated at A$399.3 million.

The NPV of the project is calculated at A$1,142.8 million at 8% discount rate, with a pre-tax IRR of 24.4%. The mine life is estimated at 14.8 years based on the current resource size. The plant costing and financial modelling is within an accuracy of +/- 35%.

Venus in conjunction with its farm-in/JV partners Shandong Provincial Bureau of Geology and Minerals plan to develop the project as a key supplier of iron ore to steel mills in the Shandong Province of China.

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Table 2. Key Assumptions and Calculations:

Assumptions	**Unit**	**Value**
Project Funding	%	100% Equity
Company Tax Rate	%	30.0%
Discount Rate	%	8.0%
Royalties	%	6.25% of Revenue
Mining Rate	Mt/a	30.0
Fe head grade	%	30.3%
Resources	Mt	443.9
Production Rate	Mt/a	11.4
Overall Mass Recovery	%	37.9%
Concentrate Grade	%	68.0%
Mine Life	Years	14.8
Foreign Exchange	USD/AUD	0.80
Magnetite Concentrate	UScents/dmtu FOB	99.5
Depreciation	Years	5
Capital Costs		
Process Plant	A$m	$1,041.7
Port Infrastructure	A$m	$44.7
Rail Infrastructure	A$m	$276.0
Owners Cost	A$m	$68.6
Total	A$m	$1,430.5
Operating Costs		
Processing Cost	A$/t ore	$7.37
Mining Cost	A$/t ore	$5.00
Administration	A$/t product	$2.00
Product Transport	A$/t product	$10.00
Wharfage & Shiploading	A$/t product	$5.00

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References:

Lynn Widenbar, 2010 Yalgoo Inferred Resource Estimate December 2010

Mineral Engineering Technical Services Pty Ltd (METS), 2011 Yalgoo Iron Ore Scoping study Report dated 14th February 2011.

***In accordance with the JORC Code (2004), the potential quantity and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource.*

Forward Looking and Exploration Target Statements:

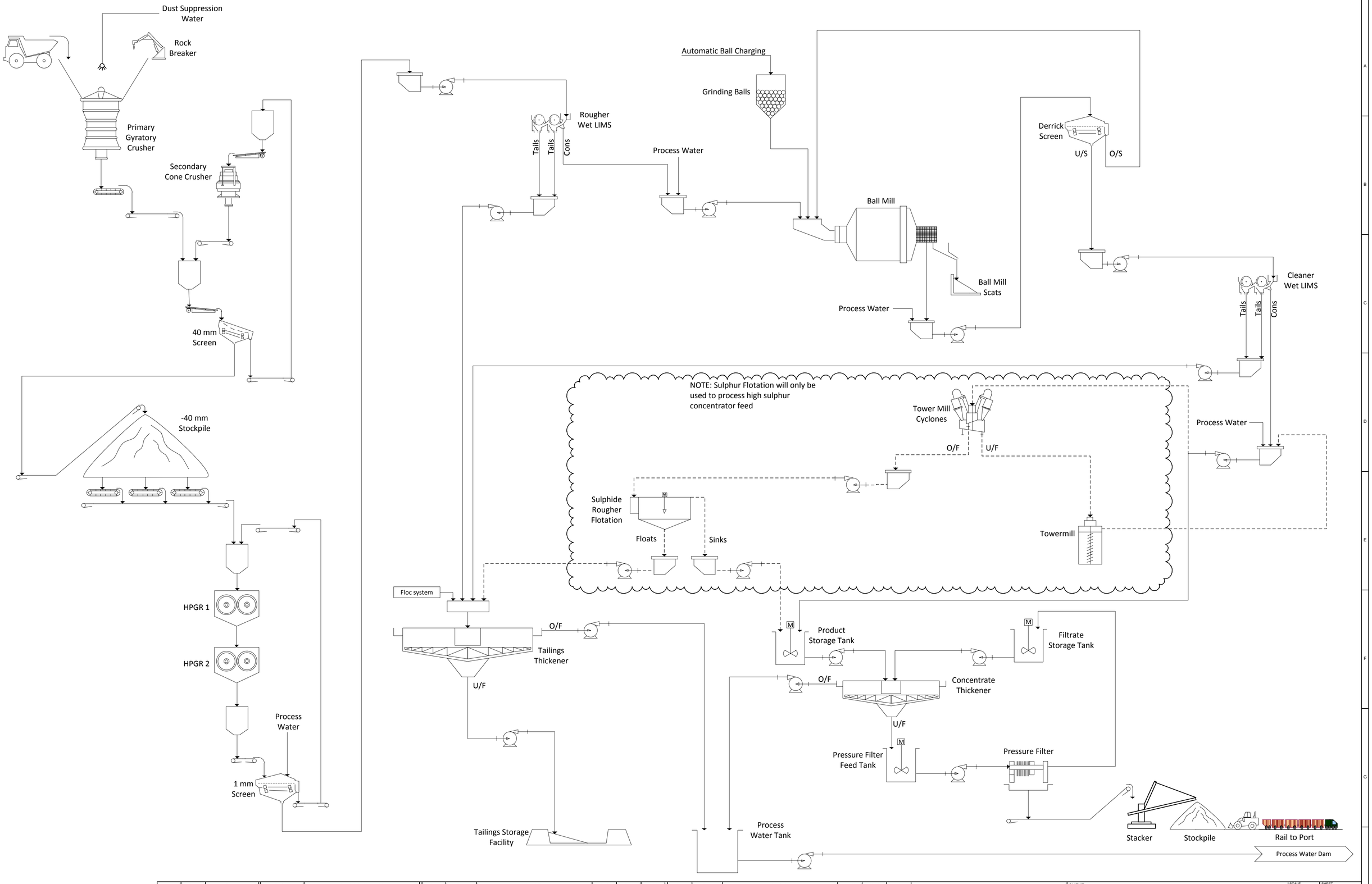
This release includes forward-looking statements that are based on management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Venus that could cause actual results to differ materially from such statements. Forward looking statements include, but are not limited to, statements concerning the Company's exploration program, outlook, target sizes, resource and mineralised material estimates. They include statements preceded by words such as "potential", "scheduled", "substantial", "planned", "estimate", "possible", "future", "prospective", and similar expressions. Also, Venus makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.

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.

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.



REV	DATE	CLIENT

DWG No	REFERENCE DRAWINGS

REV	DATE	REVISION	DWG	CHK	APP

REV	DATE	REVISION	DWG	CHK	APP
C	18/01/11	ADD FLOTATION, INSERT THICKENER, TOWER MILL AND FILTER	BN	SWL	
B	10/12/10	UPDATED HPGR, REMOVE CONC THICKENER	RL	SWL	
A	01/12/10	ISSUED FOR INTERNAL REVIEW	RL	SWL	

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METS
MINERAL ENGINEERING TECHNICAL SERVICES

CLIENT: VENUS METALS CORPORATION

PROJECT: J489 – YALGOO IRON ORE PROJECT – SCOPING STUDY

TITLE: PROCESS FLOW DIAGRAM

SCALE	SHEET
NTS	1 OF 1
DRAWN	DATE
BN	18/01/11
APPROVED	DATE
DC	
DWG NO.	REV
J489-P-000-001	C

FILENAME: J489-P-000-001-C4.VSD