

Venus Metals Corp Ltd

Two JORC resources, new targets & upcoming catalysts

This marketing communication is directed to professional investors only and is non-independent research. As such, it has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of research.

Investment Opportunity

In the last two months Venus Metals Corp Ltd ('Venus' or 'the Company') has defined two maiden JORC resources: 443.9mt @ 30.29% Fe magnetite resource at the Biberatha Hill project, which is subject to a farm-in/JV with Chinese Shandong Provincial Bureau of Geology & Mineral resources ('SDGM') for its Yalgoo Iron Ore Project ('YIOP'); and, 5m carats at its Smoke Creek alluvial diamond project, which is part of its 100% owned Argyle North Super Project. The Company is a relatively unknown and tightly held junior which now has two development projects and six exploration targets focused on large geophysical anomalies in structurally favourable settings targeting IOGC, precious/base metals and diamond deposits predominately within Proterozoic orogenic belts under surface cover. Within these there are considered to be three 'Super Projects' targeting 'giant' discoveries in regions with existing world-class mines/deposits. Venus's high priority initial targets within these 'Super Projects' are to be drilled for the first time in the next six months.

In our view Venus has two company making development projects already in its portfolio which offer considerable upside, and geophysical/structural interpretations at other various priority early stage but large scale targets which will be drilled in 1H'11. On the balance of probabilities we believe Venus is set to make the transition from being just one of many early stage speculative 'exploration plays' to having potentially a 1M carat pa alluvial diamond operation in 2012, a strong initial iron ore development project (de-risked by its farm-in/JV with a Chinese strategic investor) and a portfolio of assets with billion dollar+ potential blue sky – refer to our October 13th initiation report for further details.

Review of 2010

In Dec'10, Venus announced a maiden JORC compliant resource for YIOP that exceeded the Company's upper target range and initial metallurgical testwork has been extremely positive. The Company is now in the final stages of completing a scoping study for YIOP and has commenced initial discussions with parties to commercialise the project. YIOP is subject to an earn-in agreement with SDGM, providing for a potential 50:50 JV subject to SDGM spending A\$8m in exploration, which is expected to add significant JORC resources and result in an advanced feasibility study/development stage project. In Jan'10 Venus signed a A\$12m term sheet with SDGM involving a A\$4m placement of shares (2m shares at A\$2/sh when Venus was trading at A\$0.60/sh) and the farm-in agreement for YIOP.

Venus's iron ore update followed the recent (Nov 11th) grant of 9 Prospecting Licences (13 applications still pending) covering the Smoke Creek project that were previously Mining Leases held by Argyle Diamond Mines ('ADM', a 100% subsidiary of Rio Tinto) and host a 5m carat JORC-compliant inferred resource at 28 cph (in-line with the average grade of the historic Bow River operation). Venus' Smoke Creek deposit potentially provides a new source of genuine, Kimberly Process compliant, Australian diamonds including rare pink diamonds. The Company plans to undertake a 10,000t bulk sample after the end of the wet season in 2011 (estimated cost ~A\$1-1.5m) to establish a quality and value distribution that will enable definitive feasibility studies for an alluvial diamond operation to be completed in 2H'11, with operations potentially commencing in 2012.

Outlook for 2011

A detailed and fully funded drilling/development programme at all of Venus's key projects for 2011, has been approved by the board and we expect 2010 to be a transformational period for Venus. In our view blue sky comes from exploration projects which will be subject to upcoming first phase drill programmes in the next six months which, coupled with the Company's tight shareholder structure and its modest current valuation (Venus's market cap is still only A\$56m, fully diluted A\$72m) provides an extremely favourable risk/reward scenario supported by two existing development projects.

Venus is currently being valued at A\$0.25/t of its maiden YIOP iron ore resource or A\$0.83/t_{FE units} (assuming SDGM completes its earn-in spending). Relative to its early stage peer group Venus appears modestly valued. For example Atlas's proposed merger with Giralda is valued at A\$1.94/t or A\$3.46/t_{FE units}, which helps illustrate that little or no value is currently being ascribed to Venus's 100% owned Smoke Creek alluvial development project and other significant scale exploration targets which on a risk adjusted basis are likely to make a meaningful, if not significant, scale discovery. The Company remains comfortably funded with ~A\$3m in the bank, further funds being received from the conversion of listed options (expected to provide ~A\$4.2m in capital by 31st Jul'11) and ~A\$3.5m recently received from the outstanding earn-in with SDGM for YIOP to commence PFS's.

OCEAN EQUITIES Ltd

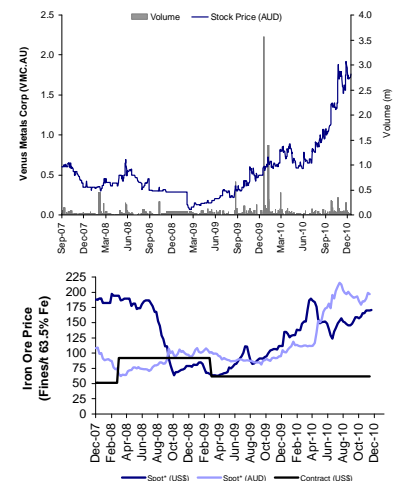
Iron ore + diamonds: Australia

January 4th 2011

Market Cap	\$57m
Listing:Ticker	ASX – VMC
Share Price	\$1.76
Shares o/s	32.3m
52 wk High/Low	\$2.10/0.50
Cash (Sep'10)	~\$3.3m
Cash – Other ¹	~\$3.5m
Listed Options	VMCO
Listed Options o/s ²	9.2m
'10 performance	231%

Cash – Other¹: Outstanding earn-in funding recently received from the \$8m sole spend agreement with HD Mining & Investment – Shandong subsidiary – for the Yalgoo Iron Ore project (ex conversion of in-the-money options)
Listed Options o/s²: American style options due 31 Jul'11 as at Sep'10 with a strike price of \$0.40/sh which are expected to result in Venus receiving \$4.2m in cash by the end of Jul'11.

Resources (Inferred) 443.9mt @ 30.29% Fe



* Spot prices are quoted CFR while contract price is quoted FOB basis.
Current shipping rate from the Pilbara to China is US\$8.40/t

Highlighted Related Research:

Dec 22nd Venus Metals Corp

"Maiden iron ore JORC resource provides a second development project; 2011 set to be a transformation year"

Nov 11th Venus Metals Corp

"Grant of tenements results in a 5M carat JORC resource & a potential alluvial diamond operation as soon as 2012"

Oct 13th Venus Metals Corp

"Modest valuation, tight corporate structure, big brother, big targets and upcoming catalysts; Initiation of Coverage"

Analysts

Simon Gardner-Bond +44 (0) 20 7786 4382
Sam Spring, CFA, CA +44 (0) 20 7786 4378
Chris Welch +44 (0) 20 7786 4377
Natasha Liddell +44 (0) 20 7786 4386

Disclosures & Disclaimer

Ocean Equities has a proprietary investment in, and is seeking investment business from, Venus Metals Corp Ltd.

This report must be read with the disclaimer and disclosures on the final page that forms part of this report.

Ocean Equities Limited. Authorised and Regulated by the Financial Services Authority. Member of the London Stock Exchange.

OCEAN EQUITIES Ltd
INDEPENDENT PARTNERSHIP SPECIALISING
IN THE NATURAL RESOURCE SECTOR
3 Copthall Avenue
London EC2R 7BH
Tel: +44 (0)207 786 4370
Fax: +44 (0)207 786 4371
E-mail: info@oceanequities.co.uk
Website: www.oceanequities.co.uk
Bloomberg: OELR [GO]

PARTNERS

Guy Wilkes

CEO
+44 (0) 20 7786 4372
guy.wilkes@oceanequities.co.uk

Rupert Williams

Director, Head of Sales
+44 (0) 20 7786 4373
rupert.williams@oceanequities.co.uk

Will Slack

Director, Corporate Finance
+44 (0) 20 7786 4375
will.slack@oceanequities.co.uk

Will Hodson

Senior Equity Sales Executive
+44 (0) 20 7786 4376
will.hodson@oceanequities.co.uk

RESEARCH

Simon Gardner-Bond

Senior Mining Analyst
+44 (0) 20 7786 4382
simon.gardner-bond@oceanequities.co.uk

Sam Spring, CFA, CA

Senior Mining Analyst
+44 (0) 20 7786 4378
sam.spring@oceanequities.co.uk

Natasha Liddell

Mining Analyst
+44 (0) 20 7786 4386
natasha.liddell@oceanequities.co.uk

Chris Welch

Mining Analyst
+44 (0) 20 7786 4377
christopher.welch@oceanequities.co.uk

SALES

Justin Tooth

Senior Equity Sales Executive
+44 (0) 20 7786 4385
justin.tooth@oceanequities.co.uk

Jeremy Woodgate

Executive, Sales & Trading
+44 (0) 20 7786 4381
jeremy.woodgate@oceanequities.co.uk

James McLucas

Executive, Sales
+44 (0)207 786 4384
james.mclucas@oceanequities.co.uk

Amanda van Dyke

Executive, Sales
+44 (0) 20 7786 4387
amanda.vandyke@oceanequities.co.uk

Kelly Edwards

Manager, Trading and settlements +44 (0) 20 7786 4374

kelly.edwards@oceanequities.co.uk

Katie Pollard

Executive Assistant / Office Manager +44 (0) 20 7786 4370

katie.pollard@oceanequities.co.uk

Authorised and Regulated by the Financial Services Authority
Member of the London Stock Exchange

DISCLAIMER

Copyright 2011 Ocean Equities Limited. All rights reserved.

This document does not purport to be impartial investment research as defined by the Conduct of Business Rules of the FSA and as such constitutes marketing communication. This document has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This material does not in itself constitute an offer or invitation to sell, or any solicitation of any offer to purchase or subscribe for, any securities in the Company or any other body corporate or an invitation or an inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000 nor shall it or any part of it form the basis of or be relied on in connection with any contract therefore. We are not soliciting any action based on this material. It is for the general information of clients of Ocean Equities Limited. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide to future performance. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives (including options) thereof of companies mentioned herein. No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of Ocean Equities Limited.

Neither this material nor any copy of it may be taken, transmitted or distributed, directly or indirectly, into the United States of America, its territories or possessions or passed to US Persons (as defined in Regulation S of the United States Securities Act of 1933 (as amended)), United States residents, corporations or other entities, save pursuant to an applicable exemption. Neither this material nor any copy of it may be taken or transmitted into any jurisdiction outside the UK or distributed to persons with addresses outside the UK where such distribution would be a breach of relevant securities laws or regulations. Distribution of this summary in the United States and certain other jurisdictions may constitute a violation of relevant securities law. No recipient of the information in this Summary should deal in or arrange any dealing in or otherwise base any behaviour (including any action or inaction) in relation to any securities to which this document relates (including behaviour referred to in section 118(6) of the Financial Services and Markets Act 2000) which would or might constitute market abuse (as defined in section 118 of the Financial Services and Markets Act 2000).

In the UK this document has been issued by Ocean Equities Limited. It is not intended for private customers. In the UK, this document is only being distributed to persons who are reasonably believed to be persons who fall within Articles 19, 47, 48, 49, 50 or 51 of The Financial Services and Markets Act 2000 (Financial Promotions) Order 2001 and Schedule 11 to the Financial Services and Markets Act 2000 or to other persons to whom this summary may otherwise be lawfully distributed. Ocean Equities Limited is registered in England No 3994976, and is authorized and regulated by the FSA.