

29 July 2011

JUNE 2011 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- **JAMBREIRO IRON ORE PROJECT**
 - **Interim JORC Resource Upgrade.**
 - **High Grade Hematite Product Produced from Metallurgical test work.**
 - **Continued Positive Results from Ongoing Drilling.**
 - **New Prospect Identified.**
 - **Active Community Consultation Process Ongoing.**
- **SERRA DO LONTRA IRON ORE EXPORT PROJECT ACQUIRED.**
- **STRATEGIC ALLIANCE ENTERED INTO WITH ATLAS IRON LIMITED POST QUARTER END.**

DOMESTIC IRON & STEEL BUSINESS IN BRAZIL

During the June Quarter, Centaurus continued to progress the development of its Domestic Iron & Steel Business in south-east Brazil's "Iron Quadrangle" region, where it is targeting initial iron ore production of 3Mtpa by the end of 2013, to be sold into the domestic steel industry.

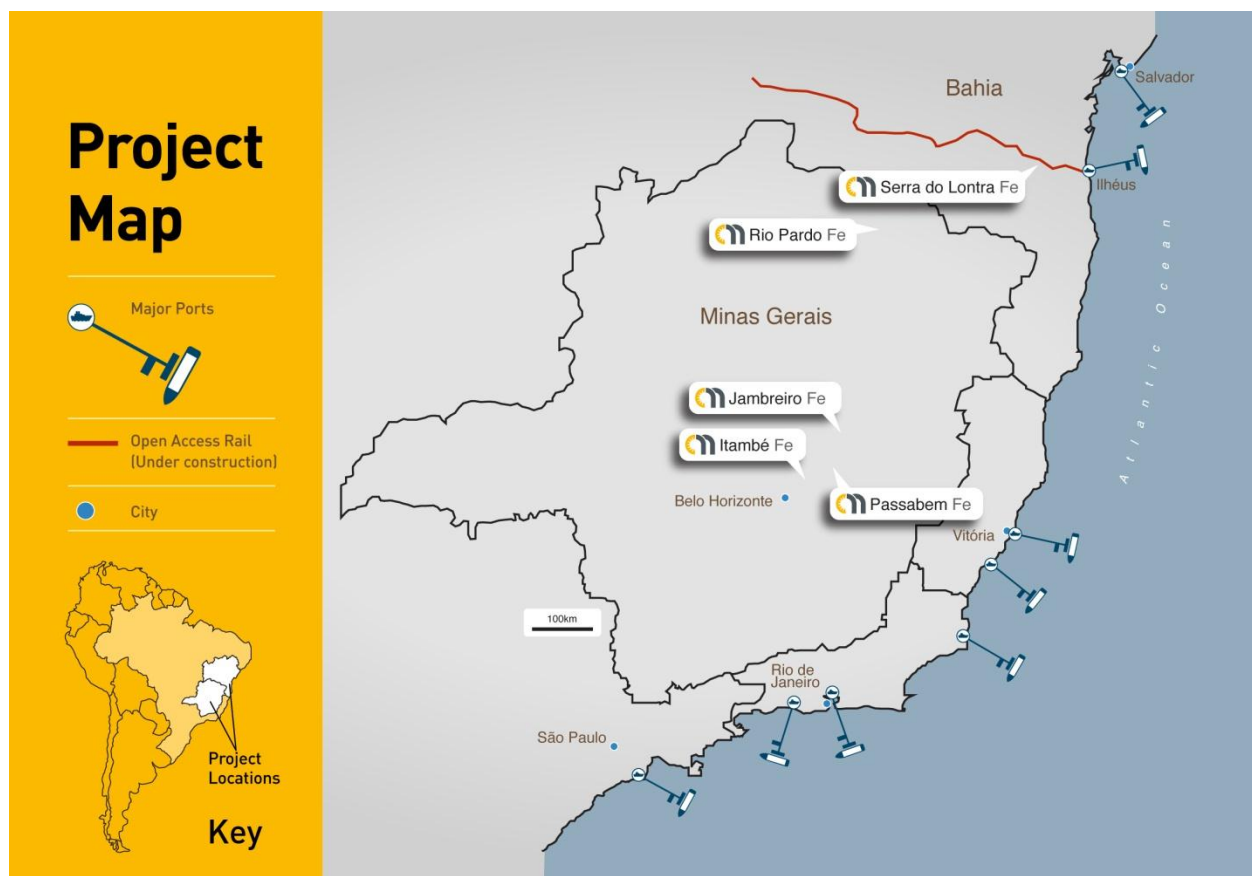
In order to meet this production target, the Company has been developing three iron ore projects located in this region – Jambreiro, Itambé and Passabem, which collectively host JORC compliant resources totalling 120 million tonnes at a grade of 30% Fe.

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Beneficiation testwork completed on the itabirite mineralisation at each project indicates that the current JORC resource base should produce over 50Mt of high grade (+63% Fe) hematite product for the domestic steel industry.

Most of the Company's focus during the June Quarter has been on the Jambreiro Iron Ore Project due to its larger resource base, its potential to be a 2Mtpa producer in its own right, and its simplified land ownership structure compared to the other projects.



JAMBREIRO IRON ORE PROJECT (CTM 100%)

Interim JORC Resource Upgrade

In June 2011, Centaurus announced an interim upgrade to the JORC resource estimate for its Jambreiro Iron Ore Project, located in the State of Minas Gerais, Brazil following the completion of successful in-fill drilling on the main Tigre Prospect area.

The JORC Resource estimate (combined Measured, Indicated and Inferred) now stands at **70.6 million tonnes at an average grade of 28.0% Fe**. This JORC Resource upgrade and recent beneficiation test work at Jambreiro, demonstrating that the friable mineralisation can be upgraded to a +65% Fe hematite product, confirms the potential of the Jambreiro Project to become a cornerstone of the Company's domestic iron ore production business in Brazil.

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Importantly, 50% of the resource – a total of **35.2 million tonnes grading 28.3% Fe** – has now been classified in the Measured and Indicated categories, providing a substantial increase in the Company's overall confidence level in the resource base. This is the first time Centaurus has been able to define both Measured and Indicated Resources as part of the overall resource base at Jambreiro.

In-fill drilling is continuing on the Cruzeiro, Galo and Coelho Prospects at Jambreiro as well as first-pass drilling at the South East Extension Zone of the main Tigre Prospect (Figure 1). This drilling is expected to underpin a further upgrade to the resource classification and lead to an overall increase in the resource tonnage by September 2011.

The current Jambreiro JORC Mineral Resource estimate is set out in Table 1 below:

Table 1 – Jambreiro Iron Ore Project – June 2011 Resource Estimate

JORC Category	Million Tonnes	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	LOI %
Measured	6.0	29.7	49.3	4.7	0.04	1.9
Indicated	29.2	28.0	51.6	4.1	0.04	1.4
Measured + Indicated	35.2	28.3	51.2	4.2	0.04	1.5
Inferred	35.4	27.7	51.7	3.6	0.05	1.1
TOTAL	70.6	28.0	51.5	3.9	0.05	1.3

20% Fe Cut-off

At this stage, the resource upgrade only includes new results from in-fill drilling completed on the Tigre Prospect. Drilling at the South East Extension Zone of the Tigre Prospect (*see Figure 1*) is continuing to prove up additional strike length to the main Tigre Prospect outside the current resource estimate. In this area drilling has encountered shallow, +40 metre wide intersections of friable itabirite mineralisation which is expected to extend the Tigre resource by at least another 400 metres (25%).

With a total resource of 61.2Mt grading 27.7% Fe, including 35.2Mt at 28.3% Fe of Measured and Indicated Resources, the Tigre Prospect represents 85% of the Resource base at Jambreiro and will be the main focus of activities as the project develops. The Tigre Prospect is a continuous zone of itabirite mineralisation with a current strike length of some 1.2 kilometres and an average true width of between 40 to 80 metres.

A total of 58 holes were drilled for a total of 6,500 metres to define this interim resource estimate. The Indicated Resource has been drilled on a 200 metre x 50 metre spacing. The Inferred Resource is mostly down plunge (deeper) extensions of the Indicated Resource.

The outcropping Tigre mineralisation is coarse-grained and friable and continues to a depth of 80 metres before becoming more compact. Figure 2 shows a cross-section through the Tigre deposit. The in-fill drilling has identified 100% more friable mineralisation at depth than the previous resource estimate. Table 3 below shows the split of friable and compact ore for the Tigre Prospect only.



Table 2 – Comparison of Tigre Prospect Resource Base by Material Type – 2011 versus 2010

Mineralisation Type	2011 Resource Estimate		2010 Resource Estimate	
	Million Tonnes	Fe %	Million Tonnes	Fe %
Friable	21.9	28.8	9.5	32.0
Compact	39.3	27.1	59.5	28.9
TOTAL	61.2	27.7	69.0	29.3

Of the 21.9Mt of friable mineralisation, the in-fill drilling successfully converted 80% (17.5Mt at 29.3% Fe) to Measured and Indicated status. The extent of the friable mineralisation is expected to increase as results from the drilling of the South East Extension Zone of the Tigre Prospect are received. Results from these drill holes are due in the coming weeks and will feed into the next resource up-date planned for September 2011.

Preliminary open pit optimisation work is underway as part of the current Scoping Study work. The geometry and material characteristics of the Tigre mineralisation indicate the potential for a low strip ratio and low-cost open cut mining operation.

The Jambreiro Project has very good access to existing local infrastructure and is well located approximately 130km from the city of Ipatinga, home to Usiminas' existing 4.5Mtpa steel mill. Arcelor Mittal also has major steel operations, within the same general radius, at the João Monlevade blast furnace and Timóteo stainless steel plant.

Beneficiation Test Work

Further beneficiation testwork completed during the Quarter demonstrates that a high-grade hematite product grading 65.8% Fe with low impurities can be produced at a mass recovery of 50% and metal recovery above 90% using a dry magnetic separation process.

It is the first time that the Company has undertaken dry magnetic separation test work on any of its iron ore projects in Brazil. The positive results, from test work undertaken on friable ore from Jambreiro, provides encouragement that an initial dry processing route can be established as part of the ultimate process flow sheet for a significant portion of the Jambreiro orebody.

Environmental regulations in Brazil allow for a shorter approvals process for dry beneficiation circuits, albeit at lower production rates than currently contemplated, and this may offer the Company an opportunity to commence production early, on a smaller scale, while completing construction of the full-scale wet processing circuit.

This would enable the Company to generate earlier cash flows while deferring some of the capital expenditure associated with wet processing such as the construction of a tailings dam.

The dry magnetic separation test work was undertaken by ALS Ammtec Laboratories in Perth under the supervision of ProMet Engineers. The test work undertaken included both Dry Low (DLIMS) and Dry Medium Intensity Magnetic Separation (DMIMS). The DLIMS work was undertaken at 1,200 gauss to remove the strong magnetic portion with the "tails" from the DLIMS process being processed via DMIMS at 6,500 gauss.



The head grade of the friable surface sample from Jambreiro was 35.5% Fe. A summary of the test work results is set out in Table 3 below:

Table 3 – Summary of the Dry Magnetic Beneficiation Test Work on Jambreiro Friable Sample

	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	Mass Recovery %
Head Grade from Core	35.5	47.2	0.72	0.018	
Beneficiated Product – at -4mm Feed	65.8	4.1	0.93	<0.018	50.0

Following the positive test work results, the Company will investigate the cost of undertaking dry magnetic separation as an option as part of planned Feasibility Study work for the Jambreiro Project later this year.

Centaurus is continuing to undertake wet beneficiation test work on friable ore from Jambreiro with Fundação Gorceix in Ouro Preto.

It is expected that by adopting a flow sheet similar to the dry test work – that is wet low intensity magnetic separation followed by wet medium-to-high intensity magnetic separation – similar results should be achieved from both a grade and recovery perspective, which bodes well for the overall economics of the Jambreiro Project.

Coelho Prospect Exploration

During the Quarter, ongoing trenching at the Jambreiro project identified a new prospect known as the Coelho Prospect, 500 metres to the south-west of the main Tigre Prospect (Figure 1) with drilling undertaken to test the prospectivity of the area.

Some key results from the Coelho trenching program included:

Trench ID	Trench Interval	Fe%*	SiO ₂ %	Al ₂ O ₃ %	P%
TR 0037	36.00	28.6	50.9	5.1	0.024
TR 0039	24.00	29.5	55.0	1.7	0.017

**20% cut-off; continuous intervals*

The mineralization identified in the trenches is friable itabirite which is expected to beneficiate easily to a high grade hematite product consistent with the itabirite ore found within the other prospect areas at Jambreiro.

Following the trenching work, the Coelho Prospect was drilled as part of the ongoing RC and diamond drill program at Jambreiro. Results from the drilling are expected in July before a resource upgrade in September 2011.

Environmental and Mining Approvals

During the Quarter, work continued on the collection of data for the EIA/RIMA, the key document required to be prepared to gain the relevant environmental approvals for the Jambreiro Project.

The key areas of data collection include flora, fauna, surface water and ground water.



Water monitoring will continue over the course of the year with the EIA/RIMA to be lodged with the environmental agency, SUPRAM, in February 2012.

In addition to the environmental monitoring work, significant work is underway to allow Centaurus to convert the existing Exploration Licences at Jambreiro into Mining Leases. The main step in this process is to complete Feasibility Study work and lodge an Economic Exploitation Plan (PAE) with the Department of Mineral Production.

Community Consultation

Centaurus has continued its proactive approach to community consultation in the regions where the Company intends to operate, as community support for the Company's projects will be an essential part of the approvals process.

Regular presentations have been made to the local communities and other key stakeholders since the beginning of 2011. The presentations provide a forum for the two way communication of the benefits of the Jambreiro Project and any perceived issues to its development by the relevant stakeholders.

Presentations have been made to the public administration of the Sao Joao Evangelista municipality (where the Jambreiro Project is located) and the Guanhães municipality (commercial centre of the region).

Initial meetings with the SUPRAM, the environmental agency that will approve the EIA/RIMA, have also been held and will continue on a regular basis to assist in the smooth and timely passage of environmental approvals.

Centaurus prioritises the local community when selecting new workers and purchasing goods and services for the Project and in this regard during the Quarter we implemented an internship arrangement with the colleges in Guanhães and Sao Joao Evangelista. We currently have four inturns working on the Project. This arrangement will help foster understanding of our Project in the community and provide the inturns with excellent practical work experience relevant to their chosen area of study.

ITAMBÉ PROJECT (CTM 100%)

Beneficiation Test Work

Beneficiation testwork is continuing on drill core from the Itambé Project. Results have been delayed due to the extensive work being undertaken on the Jambreiro Project drill samples and core. There was no detailed field work undertaken during the Quarter.

Environmental and Mining Approvals

In line with the environmental work being undertaken on the Jambreiro Iron Ore Project, similar data collection took place for the Itambé Iron Ore Project during the Quarter. This data collection, in the areas of flora and fauna and water monitoring, will form the basis of the EIA/RIMA document required to be completed to secure the necessary environmental approvals for the Project.

It is expected that the EIA/RIMA document for the Itambé Project will be ready for lodgement in the first quarter of 2012.



The PAE document required to commence the Mining Lease application process was lodged with the DNPM in June 2011.

PASSABEM IRON ORE PROJECT (CTM 100%)

No field work was undertaken at Passabem during the Quarter. The final research (exploration) report for the Project is due to be completed by September 2011.

Subsequent to Quarter end, the Company completed its obligations to the original vendor of Passabem and paid the final consideration owing to remove the previously disclosed advanced royalty from the Project. The buy-out of the advanced royalty is the subject of a confidentiality agreement and is commercially sensitive with regards to negotiations with other parties in the region.

The removal of the advanced royalty structure will allow Centaurus the flexibility it needs to bring this Project on stream as part of its wider business plans without any further involvement from the original vendor.

REGIONAL IRON ORE PROJECTS IN BRAZIL

ACQUISITION OF SERRA DO LONTRA IRON ORE PROJECT FOR EXPORT BUSINESS

In June 2011, Centaurus made a significant strategic acquisition by acquiring a portfolio of tenements in the State of Bahia, Brazil known as the Serra do Lontra Iron Ore Project as the initial basis of its strategy to export 1-2Mtpa of high-grade hematite to international markets by mid-2014.

Centaurus' export strategy in Bahia is to beneficiate itabirite ore into a high grade saleable hematite product, use existing roads to truck product to either the existing multi-purpose port at Ilhéus, or the proposed new nearby bulk shipping facility of Porto Sul, and then export to international markets. Both the existing open access port and the planned new open access port are well located to the major iron ore markets of the Middle East and Europe.

Following meetings with key government departments in the State of Bahia and discussions with CODEBA, the Port Authority that manages a number of ports in Bahia including the Ilhéus Port Facility, Centaurus expects that it will be able to secure a positive outcome with regard to accessing the required port space for a future operation.

The Serra do Lontra Project

Located 140 kilometres via sealed road from the major regional export port of Ilhéus, in the State of Bahia, Brazil (*see Figure 3*), the project (the "Project") consists of 12 tenements, 1 being a granted Exploration Licence which the Company has acquired ("the Granted Exploration Lease") and 11 being Exploration Licence Applications made by Centaurus. The Exploration Licence Applications should be granted within 6 months.

Under the terms of the acquisition, Centaurus will pay a total of US\$3 million for the Granted Exploration Lease, with an initial payment having already been made concurrent with the transfer of title to the Company. Further payments are to be made over an 18 month period based on the progress of the exploration activities on the Granted Exploration Lease.

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In establishing the Exploration Target¹ of 30 to 50 million tonnes, Centaurus has mapped the outcropping iron formation on the Granted Exploration Lease only (not the entire Project) over a strike length of some 1.5 kilometres on the main target (Serra Pelada) and over 0.5 kilometres on the secondary target (Boa Esperança) with solid mineralisation widths of 40 to 55 metres.

Based on this initial geological mapping of the outcropping itabirite mineralisation, limited surface sampling and the comparison of the mineralisation to Centaurus' existing itabirite projects in Brazil, it is estimated that the outcropping itabirite mineralisation will grade between 35% and 45% Fe and beneficiate to a high grade (+64%) hematite product.

Exploration and Development on Exploration Lease

Centaurus will focus its initial exploration activities on the Granted Exploration Lease with a view to defining a JORC Resource which can be developed into a project capable of producing iron ore for international export markets. Approvals work, both environmental and mining has commenced.

The relatively low capital expenditure likely to develop the Project, and the ability to access existing infrastructure, means that Centaurus will be able to apply the same principles being proven in the execution of the Company's domestic projects.

By the end of the Quarter, Centaurus had engaged a number of personnel who established a field office in the closely located township of Ibicui. A team of geologists commenced further mapping and sampling of the key prospect areas and a team of field technicians commenced clearing lines for a ground magnetic survey scheduled for August 2011.

RIO PARDO IRON ORE PROJECT (CTM 100%)

The Rio Pardo region is in the heart of the recently discovered Northern Minas Gerais Iron Ore Province. Several major exploration and mining companies including Vale, Eurasian Natural Resources Corporation (ENRC), Honbridge Holdings Limited and Mtransminas are actively exploring in the district.

Drilling commenced at the Rio Pardo Iron Ore Project during May. An initial Reverse Circulation (RC) scout drill program was undertaken to test canga outcrops and magnetic anomalies identified in the tenement areas.

The samples from the RC drilling were sent for assay in June but await clearance of a back log of sample from the Company's Jambreiro Project.

The logging, however, of the RC drilling indicates that while iron mineralisation was intersected in most holes at the Rio Pardo Project, it is unlikely to host a +500Mt deposit of iron ore that would be required for a stand-alone export operation.

¹ Note: It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information above relating to the exploration target should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resources have not been used in this context. The potential quantity and grade range is conceptual in nature, since there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.



CORPORATE

Liberdade Legal Proceedings

Following the successful award of damages by CAMARB in July 2010 of BRL\$2,698,918 (which now totals BRL\$4,402,769 with interest and inflation adjustments), the Company has been pursuing settlement through the courts.

In June 2011, the Company received approximately half of the damages claim BRL\$2,253,922 with the balance to be received over the course of the second half of 2011.

Cash Position

At 30 June 2011, the Company held cash reserves of approximately A\$10.3 million.

Shareholder Information

At 30 June 2011, the Company had 848,998,637 shares on issue with the Top 20 holding 36.8% of the total issued capital. Directors and Senior Management held 11% of the total issued capital.

Subsequent to quarter end on 27 July 2011, the Company announced that it had entered into a strategic alliance with Atlas Iron Ltd. Under the alliance Atlas will invest \$18.7 million, in two tranches, to secure a 19.9% equity position in the Company. Further to this, Atlas will provide technical, development and product marketing advice as required by Centaurus. Atlas has the right to maintain its equity position should future equity raisings be undertaken and will have a member of its executive management team join the Centaurus Board.

The Company intends to call a shareholders meeting for mid to late September to approve Tranche 2 of the Placement. At this meeting it is also intended to seek approval for the Company to consolidate its capital on a 1 for 8 basis.

A handwritten signature in black ink, appearing to read 'Darren Gordon'.

Darren Gordon
MANAGING DIRECTOR

Competent Person's Statement

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Roger Fitzhardinge who is a Member of the Australasia Institute of Mining and Metallurgy and Volodymyr Myadzel who is a Member of Australian Institute of Geoscientists. Roger Fitzhardinge is a permanent employee of Centaurus Metals Limited and Volodymyr Myadzel is the Senior Resource Geologist of BNA Consultoria e Sistemas Limited, independent resource consultants engaged by Centaurus Metals.

Roger Fitzhardinge and Volodymyr Myadzel have sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which they are 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 Reserve'. Roger Fitzhardinge and Volodymyr Myadzel consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.



Figure 1 – Jambreiro Iron Ore Project Showing Drill Hole Locations and Prospects over Initial Ground Magnetic Survey

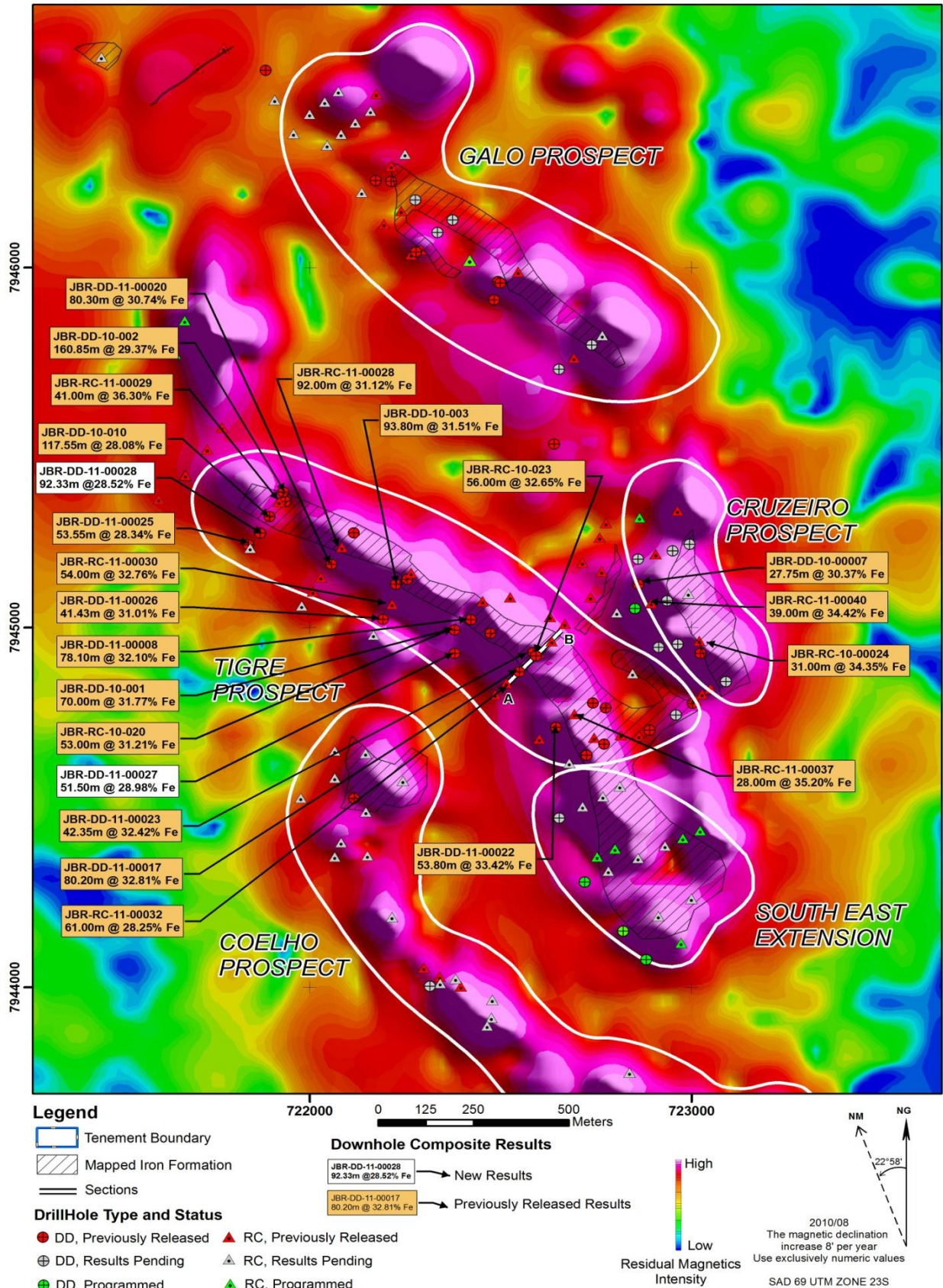




Figure 2 – Jambreiro Cross Section (A – B on Figure 1)

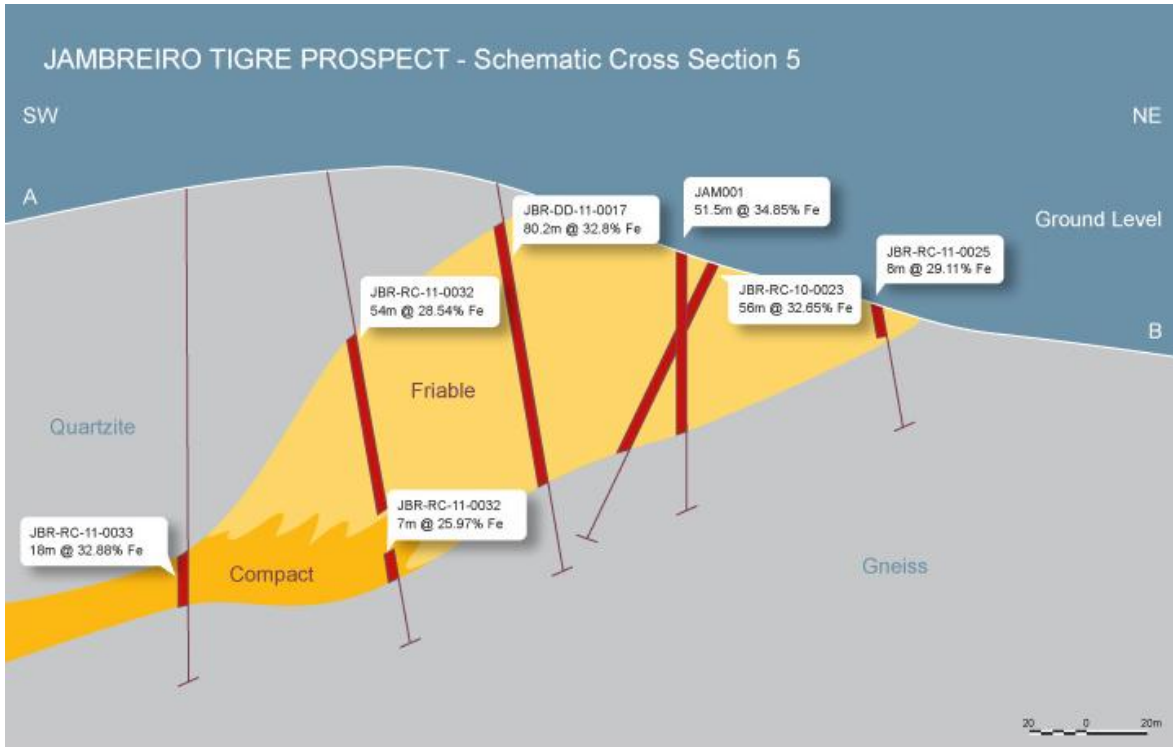


Figure 3 – Map of the Serra do Lontra Iron Ore Project

