

27 July 2011

CENTAURUS FORMS STRATEGIC ALLIANCE WITH ATLAS IRON

Leading iron ore producer to acquire a 19.9% stake in Centaurus through \$18.7M placement

Centaurus Metals Limited (ASX code: CTM) (“Centaurus” or “the Company”) is very pleased to advise that Atlas Iron Limited (“Atlas” – “AGO”) has agreed to **take a strategic 19.9% stake** in Centaurus as part of a wide-ranging strategic alliance that includes technical, development and product marketing support. Centaurus and Atlas have entered into a subscription agreement with respect to the strategic alliance (“Subscription Agreement”).

Under the Agreement, Atlas will subscribe \$18.7 million to Centaurus through a share placement comprising 212 million shares at 8.8 cents per share, strengthening Centaurus’ cash resources to over \$25 million and enabling it to accelerate development of its domestic and export iron ore projects in south-eastern Brazil.

The strategic alliance will deliver significant benefits to Centaurus, giving it the financial and technical backing of one of Australia’s leading mining groups.

Centaurus’ Managing Director Mr Darren Gordon said: *“Entering into a strategic alliance with a well-respected and proven iron ore producer such as Atlas is a very positive step as we move to become an iron ore producer over the next two years.”*

“The decision by Atlas to take up a strategic shareholding in Centaurus reflects the fact that it sees a lot of parallels between our business today and its business several years ago. Centaurus has an excellent suite of projects that have the potential to generate very significant cash flows for a modest capital investment, and Atlas has clearly recognised this potential.”

“Having Atlas as a major shareholder positions Centaurus for its transition to an iron ore producer, from both our Export and Domestic projects in Brazil, and with Atlas’ support we hope to replicate the sort of growth and success that Atlas has been able to achieve.”

Atlas’ Managing Director, Mr David Flanagan said: *“We are very pleased to have secured an investment in Centaurus as they progress the development of their Brazilian iron ore assets, giving us exposure to an exciting emerging iron ore business in one of the world’s great iron ore provinces.”*

“The investment provides us with great exposure to a very well managed business that is poised to make the progression from iron ore explorer and developer to a producer. As part of our strategic alliance, we will provide technical advice and assistance to help Centaurus realise the full potential of its asset base and unlock substantial cash flows over the next few years.”

Under the Subscription Agreement, Atlas will subscribe for 212 million fully paid ordinary shares (“Shares”) at an issue price of 8.8 cents per Share to raise \$18.656 million via two tranches, subject to certain conditions described below (“Placement”). Upon completion of the Placement, Centaurus will have approximately \$25 million in cash and will be well funded to accelerate growth of its Brazilian Iron Ore Projects.



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Centaurus intends to use the funds raised from the Placement for the following purposes:

- completion of a Feasibility Study and approval processes at the Jambreiro Iron Ore Project;
- accelerated exploration and development of the export-focused Serra Do Lontra Project;
- securing port capacity to assist in the development of the planned future export business;
- ongoing exploration and review of new project opportunities to support the Company's planned iron ore export business from Brazil; and
- general working capital.

The placement price represents a 10% premium to the closing Share price of the Company on 25 July 2011 and a 10% premium to the 20-day VWAP of the Company.

Under the Subscription Agreement, Atlas will also receive 30 million options over the Company's Shares ("Options") which will provide Atlas with 19.9% of the total number of Options on issue. The Options will be unlisted, have an exercise price of 15 cents per share, and expire on 31 August 2014.

As part of the strategic alliance, Centaurus will appoint an Atlas nominee to the Centaurus Board of Directors. Atlas has indicated that it will nominate one of its executive management team for this position.

Subject to obtaining necessary waivers from ASX and provided Atlas continues to hold a 5% interest in Shares in the Company, Atlas will also have a right to maintain its equity interest in the Company in the event that further equity issues are undertaken for future funding requirements or as a means of securing further assets (other than by a takeover bid or scheme of arrangement). Atlas will be given the opportunity to participate in these future equity issues of the Company on the same terms as those being offered to third parties.

Under the Placement, the first tranche will comprise of 110 million Shares and 16 million Options to raise \$9.68 million ("Tranche 1"). Tranche 1 is not subject to shareholder approval and falls within the Company's ASX Listing Rule 7.1 15% placement capacity.

The second tranche will comprise of 102 million Shares and 14 million Options to raise a further \$8.976 million ("Tranche 2"). Tranche 2 will be issued, subject to the Company obtaining shareholder approval at a meeting of shareholders currently planned for mid-September 2011 ("Meeting") and provided that no material events occur before the Tranche 2 Shares and Options are issued. These events are set out in Appendix 1.

In conjunction with the placement to Atlas, the Company plans to reconstruct its capital on a 1-for-8 basis ("Consolidation"). The Consolidation will be subject to shareholder approval, which will be sought at the same time as shareholder approval of Tranche 2 of the Placement. The Company is in the process of finalising the timetable for the Consolidation, and full details of the Consolidation will be set out in the notice of meeting for the Meeting.

Under the Subscription Agreement, in the event that the Consolidation process is finalised before the issue of Shares and Options under the Placement, the number of Shares and Options to be issued under the Placement shall be reduced by the same ratio as under the Consolidation, and the exercise price of the Options shall be amended in inverse proportion to that ratio in accordance with the ASX Listing Rules.

-ENDS-

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APPENDIX 1
CONDITIONS PRECEDENT TO ISSUE OF SHARES AND OPTIONS UNDER TRANCHE 2

The issue of the 102 million Shares and the 14 million Options to Atlas under Tranche 2 shall be conditional upon and subject to the following matters being satisfied (or waived by Atlas):

- (i) the Company obtaining the approval of its Shareholders in general meeting pursuant to and for the purposes of ASX Listing Rule 7.1; and
- (ii) there being no Specified Material Event occurring between the date of this announcement and the completion date for the issue of the Tranche 2 securities.

Specified Material Event means any of the following:

- (a) **(material adverse change)** any change, effect, event, occurrence, state of facts or development that could reasonably be expected to be substantially and materially adverse to the business, financial position or performance, assets or liabilities, profits or losses or prospects of the Company;
- (b) **(equity issue)** issue of any additional equity securities where Atlas was not given a right to participate in the issue on equal terms;
- (c) **(asset disposals)** any sale, lease, exchange or other disposition of any assets or part of the Company's business exceeding A\$7 million in value;
- (d) **(insolvency event)** an Insolvency Event; or
- (e) the entering into an agreement to implement or give effect to any of the above.

Insolvency Event means any of the following:

- (a) an order is made, or a resolution is passed for the winding up, dissolution or administration of the Company or one of its related bodies corporate (other than for the purpose of a reconstruction or amalgamation while solvent);
- (b) the Company institutes any proceedings or arrangements for the liquidation of, or a receiver is appointed to, the Company or one of its related bodies corporate;
- (c) a receiver, a receiver and manager, administrator or similar officer is appointed over or a distress or execution is levied over the assets of the Company or one of its related bodies corporate;
- (d) the Company, or one of its related bodies corporate, suspend payment of its debts or is unable to pay its debts as and when they fall due; and
- (e) other than for the purpose of a reconstruction or amalgamation while solvent, the Company, or one of its related bodies corporate, makes or offers to make an arrangement with its creditors or a class of them.