Centaurus Metals Limited (ASX: CTM) ("Centaurus" or “the Company”) provides the following update on its Jambreiro Iron Ore Project and development strategy in south-eastern Brazil.

**Jambreiro Project**

Jambreiro is fully permitted for 3Mtpa of production and ready for development under the staged 1Mtpa start-up scenario outlined last year. Discussions for off-take are ongoing and debt funding discussions have progressed to an advanced stage.

However, the recent deterioration in market sentiment and conditions in the iron ore sector has impacted the Company’s ability to finalise a timely life-of-mine off-take arrangement for Jambreiro, and has tightened the conditions under which financiers and investors globally will support the development of new greenfields supply. From recent discussions with potential financiers, it has become evident that debt funding for Jambreiro will remain conditional on off-take, even at the lower staged production rate and initial cap-ex spend.

For Centaurus, the finalisation of a long-term off-take agreement has been awaiting the re-commencement of construction and the finalisation of development of the Sudeste port development in south-eastern Brazil.

This new port is an important asset for many resource groups in the region and, in the case of Centaurus, provides the opportunity to establish long-term supply arrangements with potential off-takers for lower cost Jambreiro supply as a substitute for some of their existing integrated supply which is likely to be more profitably supplied into the export market.

Importantly, construction work on this port resumed during the March Quarter with commissioning expected later this year.

Centaurus believes that debt funding can be finalised relatively quickly in a more favourable market and with off-take arrangements in place. However, in the current environment the Company now does not expect to be able to finalise a debt and equity funding package in time to meet its previously announced mid-2014 construction timeline.

The Company will continue to progress funding and off-take discussions for Jambreiro in order to achieve a final investment decision as quickly as possible.

As a result of the delay to the Jambreiro development timeline, Centaurus has undertaken a review of its cost structure in both Brazil and Australia to achieve some significant cost savings and to optimise its staff and contractor arrangements in order to reduce the Company’s cash burn while off-take and funding arrangements are finalised.
Candonga and Other Projects

Notwithstanding current market conditions, the Company has identified opportunities outside of Jambreiro to continue to pursue its key corporate objective of establishing a production base in south-eastern Brazil as rapidly as possible.

The Company will continue in the short term to accelerate development of the Candonga Project, located near Jambreiro, and to identify and develop other opportunities for either small-scale DSO operations or larger itabirite deposits located close to established export infrastructure, whether they be in the Company’s existing tenement portfolio or new project opportunities.

Candonga provides an opportunity to campaign mine a high-grade DSO resource with the potential to supply a high-grade lump and coarse sinter product into the Brazilian domestic market. As previously announced, the Company has commenced the simple approvals process to develop a low-cost 300,000tpa DSO operation at Candonga with a view to generating early cash flows.

Centaurus now believes that Candonga can potentially be brought on stream within 6-9 months at a low capital cost due to the processing plant being a simple modular crushing and dry screening facility of which many are available in Brazil. Based on other similar scale plants in Brazil, the total installed capital cost of a plant of this nature is expected to be less than A$5 million.

Management Comment

Centaurus’ Managing Director, Mr Darren Gordon, said: “Based on a number of discussions with debt and equity providers, it is evident that the current challenging market environment is restricting our ability to secure the necessary development funding without a long-term off-take agreement in place.

“While we have a strong belief in our ability to sell ore into the domestic market in Brazil, debt and equity markets clearly want to see a long-term off-take agreement in place first, even for the smaller volumes contemplated by our staged development approach.

“It is disappointing that we can’t proceed with Jambreiro construction at this point in line with our existing plan; however, we will continue to press ahead with funding and off-take discussions in order to achieve a positive outcome for our shareholders as quickly as we can.

“Jambreiro is a rare opportunity in Brazil, being a fully licensed project that can be developed with low capital intensity, and we are determined to unlock the inherent value of this asset despite the short-term challenges presented by the current market environment.

“We are also pleased with the solid recent progress which has been made at the Candonga DSO Project, with all relevant licensing applications now lodged and awaiting approval. We look forward to working up Candonga concurrently with taking the final key steps required to commence development at Jambreiro.”

-ENDS-

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