



MARCH 2015 QUARTERLY ACTIVITIES REPORT

30 April 2015



MARCH QUARTER HIGHLIGHTS

CANDONGA IRON ORE PROJECT

- ▶ Review of the Candonga Project Feasibility Study completed in response to the recent significant falls in seaborne iron ore prices. The key outcomes of this review included:
 - A 47% reduction in direct pre-production capital cost (including contingency) to A\$1.9 million for the same 300,000tpa¹ operation and total direct CAPEX of A\$2.4 million;
 - Mine gate cash operating costs (life-of-mine C1 cost plus royalties) of A\$15.9/tonne of ore sold; and
 - Life-of-mine revenue estimated at A\$36.8 million and EBITDA of A\$20.9 million, over a 3-year mine life with an annual average operating pre-tax cash flow of A\$7.0 million.
- ▶ While Candonga remains capable of generating positive cash-flows even at current iron ore prices, the extremely negative global market sentiment towards the iron ore sector has made it very challenging to obtain development finance.
- ▶ Accordingly, the Company intends to pursue opportunities to extract value from the Project via either an outright sale or joint development proposition. Non-committal early stage interest has already been received from local parties on both outright sale and joint development.

CORPORATE

- ▶ In light of the uncertain outlook for iron ore, Centaurus is exploring opportunities to diversify its asset base in Brazil outside of the bulk commodities sector.
- ▶ A total of \$1.3M raised at 2.5 cents per share through a share placement and associated rights issue.
- ▶ Cost reduction program implemented to ensure the Company minimises corporate overheads and appropriately manages its cash position.

¹ Refer to ASX announcements on 30 September 2014 and 21 April 2015 for full details of Candonga Feasibility Study and JORC Ore Reserve estimate and Feasibility Study update. The Company is not aware of any new information or data that materially affects the information noted in the update of 21 April 2015.

BRAZILIAN IRON ORE PROJECTS

Centaurus owns a portfolio of advanced, high-grade iron ore assets in the south-eastern region of Brazil, specifically in the state of Minas Gerais.

Figure 1: Location of Centaurus Projects in Brazil



CANDONGA IRON ORE PROJECT

The Candonga Project is situated in the municipality of Guanhães, 15km by road from the town centre, 35km by road from the Jambreiro Project and about 250km north-east of the state capital, Belo Horizonte (Figure 1). The Candonga Project comprises the Coruja Deposit and the Águia and Urutau Prospects (see Figure 2).

Revised Development Strategy

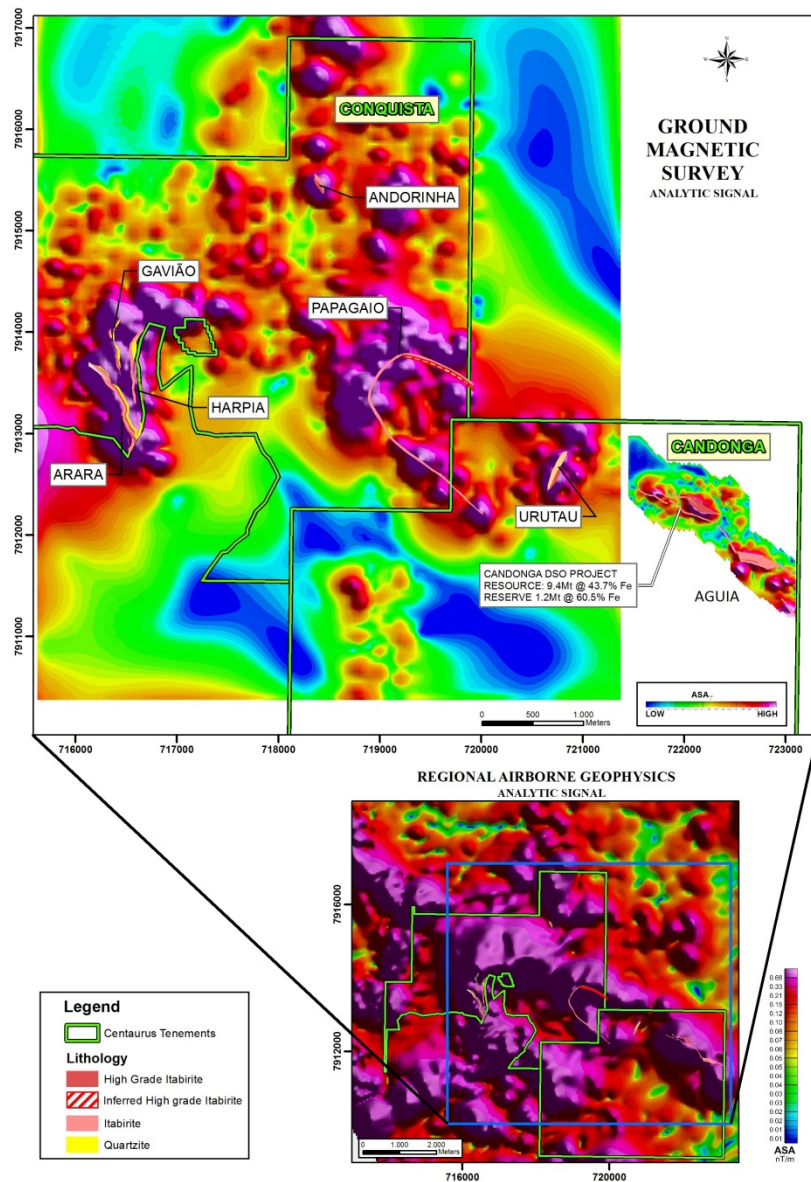
Centaurus has been pursuing a low capital cost development of its 100%-owned Candonga Direct Shipping Ore (DSO) Project in south-east Brazil in order to establish a near-term pathway to production and cash flow.

In response to the recent significant falls in seaborne iron ore prices during the Quarter, the Company initiated a review of the Feasibility Study on the Candonga Project completed in September 2014.

This review has delivered several positive outcomes, confirming the technical and financial viability of a 300,000tpa DSO project at Candonga even with significantly lower iron ore prices in the international seaborne market. The anticipated product mix from Candonga, combined with the structure of the domestic market in Brazil, provides a niche development and cash-flow opportunity to produce a suite of high-grade DSO products to the local steel and pig iron industries, provided that funding can be secured in a timely fashion.

The Project is able to produce high grade (+62.5% Fe) lump and hematitinha products and a high grade (64% Fe) sinter feed product. Both products will have low impurities with a silica level in the range of 5.5% to 6.5% and Phosphorus levels of less than 0.03%. High grade, low impurity hematitinha remains in high demand in the local pig iron industry where economic product substitution is generally not available.

Figure 2: Location of Key Prospects at Candonga and Conquista Projects



The key outcomes of the Feasibility Study review included:

- A 47% reduction in direct pre-production capital cost (including contingency) to A\$1.9 million for the same 300,000tpa operation. Total direct CAPEX has reduced to A\$2.4 million and total CAPEX (including corporate overhead) now stands as A\$2.7 million;
- A slight increase in mine gate cash operating costs (life-of-mine C1 cost plus royalties) to A\$15.9/tonne of ore sold. Total operating costs including corporate overhead A\$17.7/tonne of ore sold;
- Life-of-mine revenue estimated at A\$36.8 million and EBITDA of A\$20.9 million, over a 3-year mine life (using an average mine gate life-of-mine domestic sale price of A\$41/tonne of product); and
- Annual average operating pre-tax cash flows of A\$7.0 million: capital payback forecast to be achieved in under six months.

A more detailed summary of the Feasibility Study review is set out in the Company's ASX Announcement dated 21 April 2015.

While the Company remains confident that the Candonga Project is capable of generating positive cash-flows even at current iron ore prices, the extremely negative global market sentiment towards the iron ore sector has made it very challenging to finance the development of any new production capacity anywhere in the world, even for low CAPEX and niche market projects like Candonga.

This means that, despite the significant progress that has been achieved in advancing the project to a development-ready stage, the Company is unable to pursue a standalone development of Candonga at this point in time without the required project development funding being available. Accordingly, the Company intends to pursue opportunities to extract value from the Project via either an outright sale or joint development proposition.

The attractive economic fundamentals of the Candonga Project, together with its high grade, excellent quality product and proximity to market, make the asset highly desirable to local Brazilian groups who have an understanding of the strong domestic market for high grade, low impurity ore.

Non-committal early stage interest has already been received from local parties on both outright sale and joint development.

Mines Department Approvals

During the Quarter, the Company achieved another key permitting milestone for Candonga, with approval received from the Brazilian Department of Mines (DNPM) for the Trial Mining Licence Application.

The approval, which is only subject to receipt of the Operating Licence (LO) by the State environmental agency once project construction has been completed, represents the penultimate DNPM approval required before the issue of the formal Trial Mining Licence (Guia de Utilização – “GU”).

The Company also lodged the full Mining Lease Application for the broader Candonga Project on 6 January 2015. Based on the Company’s experience with its fully licensed Jambreiro Iron Ore Project, it will take some 6-9 months before the full Mining Lease is formally approved through the gazetting process.

Environmental Approvals

The Company has also lodged a combined Preliminary Licence/Installation Environmental Licence application (LP/LI) for the Candonga Project in May 2014, which is now awaiting approval.

The delivery of the grant of the LP/LI has been delayed by rolling strikes in the relevant regional office of the State environmental agency, Supram, but delivery of the LP/LI is expected before the end of June 2015 if there are no further delays by Supram. The Company is not expecting any issues with the approval process as the Project is located on pasture land that does not require any native vegetation to be removed.

Furthermore, the strong social and economic benefits that will flow to the region from the development of the Candonga Project have also helped create a very positive relationship with local communities and stakeholders.

CONQUISTA PROJECT (formerly named Candonga West)

The 100%-owned Conquista Project comprises a portfolio of highly prospective tenements with extensive Direct Ship Ore (DSO) mineralisation located just 8km along well maintained gravel roads from the Candonga Project. Conquista represents a significant opportunity either to expand or extend the mine life of a future mining operation at Candonga, with the addition of high-grade, high quality tonnes.

As outlined above, Centaurus intends to pursue opportunities to extract value from the Candonga Project via either an outright sale or joint development proposition, and the Conquista Project could potentially be included in any sale or joint venture agreement.

Ore Characterisation and Classification Test Work

During the Quarter, results from ore characterisation and classification test work on surface material from Conquista demonstrated that the project can produce high-grade direct shipping ore (DSO) products of similar or better quality to that of Candonga ore.

The results, which were based on recent outcrop and rock chip sampling, show that the high-grade itabirite mineralisation at Conquista can deliver approximately 60% of the mineralisation as a direct shipping ore (DSO) Lump product (+6.3mm) grading between 64%² and 69% Fe with very low impurities using the same dry screening process proposed for Candonga.

Importantly, the balance of the sample produces a coarse Sinter Feed product grading 61-69% Fe with low impurities. The +1mm size fraction is more than 60% with this coarse material being in high demand in the domestic market as Sinter Feed products are generally becoming finer.

These encouraging results provide further evidence of the commercial potential of the Conquista Project, which represents an attractive strategic growth opportunity for Centaurus alongside its Candonga DSO Project.

Samples of both in-situ high grade itabirite mineralisation and float were taken from three locations (see Figure 2). Sampling was completed by hand resulting in sample weights ranging from 70-100kg.

Table 1 below shows the average of the dry screening results for the three high-grade itabirite samples taken. Complete results can be found in the Company's ASX Announcement dated 19 March 2015.

Table 1 – Average of Dry Screening Results for High Grade Itabirite Feed Samples 1 to 3

Product	Grades (%)						Mass Recovery (%)
	Fe	SiO ₂	Al ₂ O ₃	P	Mn	LOI	
Lump (-31.5 + 16mm)	67.6	1.1	1.1	0.01	0.3	-0.3	34.3
Hematitinha (-16 + 6.3mm)	67.4	1.3	1.2	0.02	0.3	-0.1	25.7
Sinter Feed (-6.3mm)	66.2	2.3	1.6	0.02	0.2	0.3	40.0
Total Products	67.2	1.4	1.3	0.01	0.3	-0.1	100.0

The results of the dry screen process demonstrate that 60% of the material produced was a Lump product (+6.3mm) with an average grade of 67% Fe and very low impurities, with the remaining 40% of the DSO material being classified as Sinter Feed (-6.3mm) at an average iron grade of approximately 66% Fe and with approximately 60% of this material having physical sizing of >1mm.

The Conquista Project ore is similar to that found at Candonga in chemistry, but appears to have a higher lump portion. These initial tests indicate that the Conquista ore may be processed through the proposed Candonga plant.

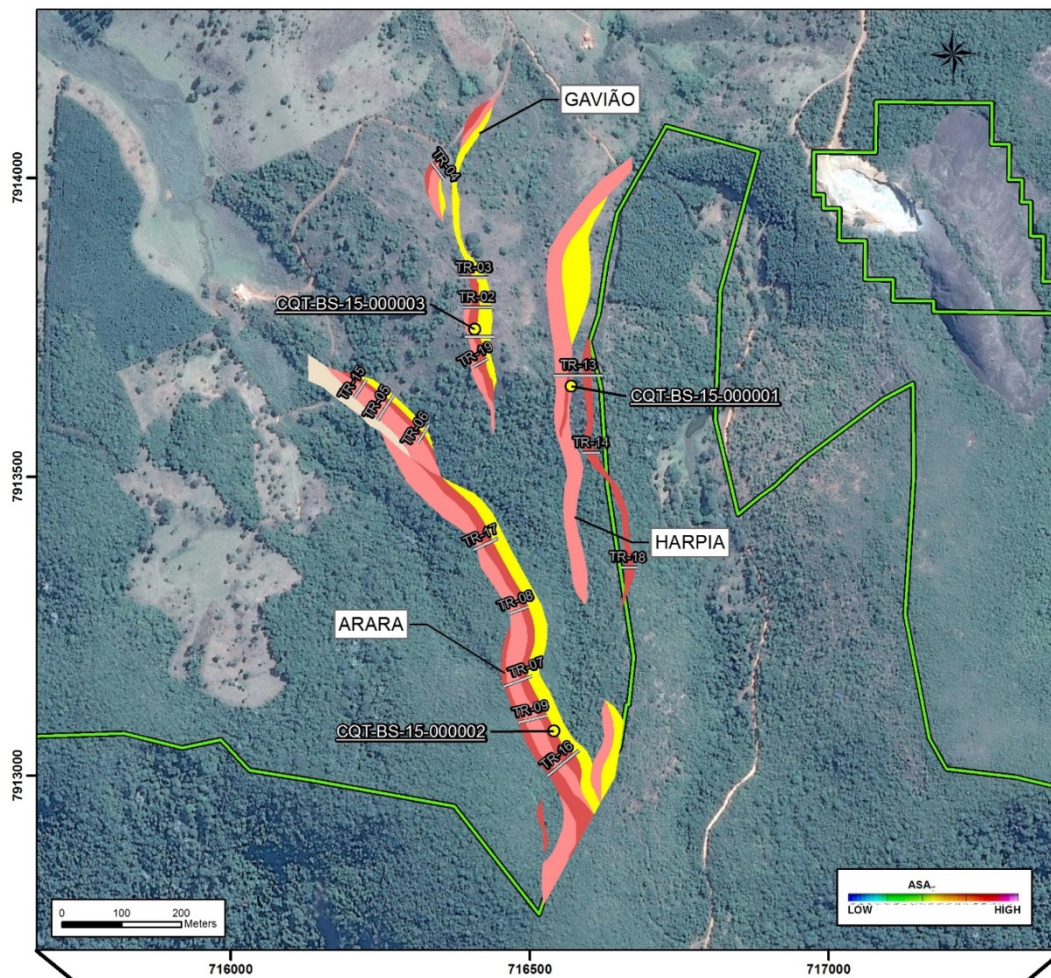
JAMBREIRO IRON ORE PROJECT

The Company's 100%-owned Jambreiro Project, located in south-east Brazil, is a shovel-ready project that is licenced for 3Mtpa of wet production and which represents a strategic asset in the Brazilian domestic iron ore and steel sector.

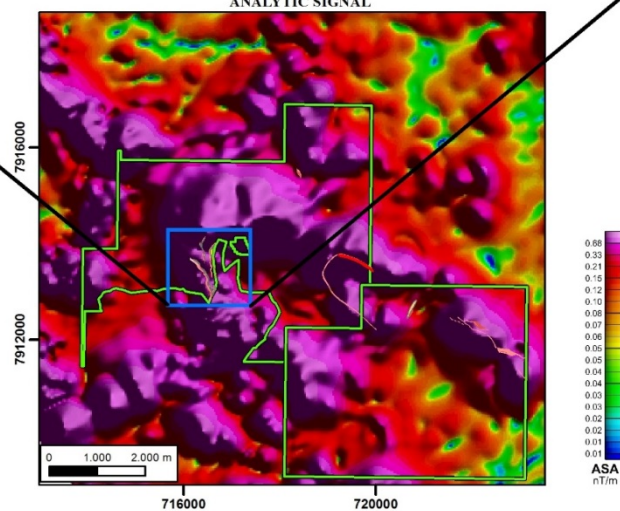
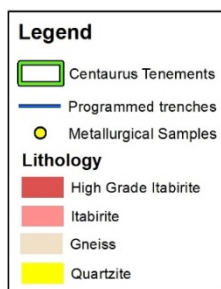
The Company has recently received an unsolicited expression of interest in the Jambreiro Project and is currently assessing this interest as well as exploring other avenues to realise value from this substantial asset.

² Refer ASX announcement dated 19 March 2015.

Figure 3: Conquista Project – Process Sample Locations and Proposed Trench Program



REGIONAL AIRBORNE GEOPHYSICS
ANALYTIC SIGNAL



CORPORATE

Corporate Strategy

In light of the challenging environment confronting the iron ore sector and the uncertain medium and longer term outlook for iron ore, Centaurus is exploring opportunities to diversify its asset base in Brazil outside of the bulk commodities sector.

While the Company has no intention of abandoning its iron ore assets and remains determined to realise the maximum possible value from these projects for its shareholders, the Board is cognisant of the need to create value for its shareholders by investing in commodities and assets capable of being funded and generating a meaningful return within a reasonable time horizon.

The Company has an extensive and highly prospective tenement position totalling 437 square kilometres in Brazil. This existing portfolio includes areas which are prospective for other commodities, and the Company is aware of a number of project opportunities in the State of Minas Gerais which could provide diversification and growth outside of iron ore.

Centaurus remains attracted to the opportunities in Brazil due to country's significant mineral endowment, the Company's existing tenement holding and its highly skilled in-country team, which has experience in a range of other commodity areas including gold, copper, zinc and nickel.

Capital raising

Share placement

During the Quarter, Centaurus successfully raised \$1.1 million through a share placement comprising 44 million shares at \$0.025 and 14.67 million options to professional and sophisticated investors of Canaccord Genuity Ltd and some of the Company's major shareholders. \$0.9 million was received prior to quarter end with the balance to be received on shareholder approval. All options under the share placement are also subject to shareholder approval. Shareholder approval will be sought at the Company's Annual General Meeting scheduled for 26 May 2015.

The options issued as part of the Placement will have an exercise price of \$0.05 and will expire on 31 March 2017.

Investors participating in the Placement include the Company's major shareholder, Atlas Iron Limited, the Directors of the Company and other institutional, sophisticated and professional investors of Canaccord Genuity Ltd.

Rights Issue

The Company also undertook a non-renounceable Rights Issue to enable the Company's broader shareholder base to participate in the capital raising.

The Rights Issue was undertaken on a pro rata 1-for-2 basis on the same terms as the Placement, being \$0.025 cents per share, together with a free attaching option on a 1-for-3 basis. The options will have an exercise price of \$0.05 cents per share and expire on 31 March 2017.

The Rights Issue closed on Tuesday 31 March 2015. Applications were received under the Entitlement Offer for a total of 7,726,363 fully paid ordinary shares comprising 6,447,762 entitlement shares and 1,278,601 additionally subscribed shares and 2,575,454 attaching free options. Of the total subscription amount of \$193,159, funds received subsequent to Quarter end were \$175,261.

Pursuant to ASX Listing Rule 7.40 and Appendix 7A, the Company has provided notice of a shortfall in subscriptions of 130,167,597 shares.

Under the terms of the Entitlement Offer as outlined in section 1.12 of the Prospectus, the Directors may issue the Shortfall Shares at their discretion within 3 months of the offer close date.

New Shares and New Options applied for under the Entitlement Offer were issued and allotted on Thursday 9 April 2015 as per the Entitlement Offer timetable. The Company has been granted, quotation of the new options to be issued under both the Placement and the Rights Issue on the ASX.

The Board of Directors wishes to express its appreciation to all participating shareholders for their support of the Rights Issue.

Cost Reduction Program

In addition to the capital raising and rights issue outlined above, Centaurus has implemented a number of additional cost reduction measures to ensure that the Company minimises corporate and administrative overheads and appropriately manages its cash position to ensure it is able to move quickly to develop its Candonga DSO Project in Brazil as market conditions allow.

As part of the ongoing review of costs, from 1 April 2015 the Board has decided to reduce fees payable to the Non-Executive Chairman and Non-Executive Directors by one-third. In addition, the Managing Director has offered, and the Board has accepted, to reduce his remuneration by 10 per cent.

This follows the reduction in the size of the Board from six Directors last year to four Directors currently.

A number of other cost saving initiatives were also implemented last year including a substantial downsizing of the Company's corporate head office in Perth, an office relocation to smaller premises and a restructure of the Company's Brazilian operations.

In light of the further deterioration in market conditions and the Company's decision to explore other avenues to extract value (including joint venture and outright sale) from its Candonga and Jambreiro assets, subsequent to the end of the Quarter the Company has implemented further cost saving measures both in Australia and Brazil. These include:

- ▶ a further significant reduction (approx. 45%) in overall staffing levels;
- ▶ a move to smaller premises in Brazil reducing rent to one-third of the previous cost; and
- ▶ key management personnel agreeing to take a portion of their salary in Centaurus shares.

The remaining team will allow the Company to continue to realise value from its Brazilian iron ore assets while at the same time exploring and progressing meaningful diversification opportunities.

Termination of Mandate for Debt Funding Arrangement

On 6 January 2015, Centaurus entered into an exclusive mandate with RMB Resources Limited ("RMBR") to arrange a Working Capital Facility from RMB Australia Holdings Ltd of up to A\$6 million to underpin the development of the Candonga Project.

On 13 February, Centaurus was advised by RMBR that, as a result of a change in RMBR's corporate strategy, it was not able to complete its remaining due diligence activities or continue the approval process for the proposed Working Capital Facility. Consequently, RMBR terminated the debt funding mandate with Centaurus.

RMBR indicated that its parent Rand Merchant Bank had decided to focus on financing for African-based projects.

Cash Position

At 31 March 2015, the Company held cash reserves of A\$1.0 million.

Shareholder Information

At 31 March 2015, the Company had 275,787,919 shares on issue with the Top 20 holding 62.9% of the total issued capital. Directors and Senior Management held 3.3% of the total issued capital.

Annual General Meeting

The Company's 2015 Annual General Meeting is scheduled for 26 May 2015. The Notice of Meeting was sent to Shareholders on 23 April 2015.



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 Micromine do Brasil Consultoria e Sistemas Ltda, 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 2012 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.

The information in this report that relates to Ore Reserves is based on information compiled by Beck Nader who is a professional Mining Engineer and a Member of the Member of Australian Institute of Geoscientists. Beck Nader is the Managing Director of Micromine do Brasil Consultoria e Sistemas Ltda and is a consultant to Centaurus.

Beck Nader has 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve'. Beck Nader consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.