21 April 2015

PROJECTS, CORPORATE AND STRATEGY UPDATE

Centaurus Metals (ASX Code: **CTM**) is pleased to provide shareholders with an update on the status of its iron ore projects in south-east Brazil, progress with cost reduction initiatives and the outcomes of a recent review of the Company's corporate and strategic direction.

Candonga Project – Feasibility Study Review

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, 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.

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 Annexure 1 to this Announcement.

Both the environmental and mining approvals processes for the Candonga Project are well advanced. The trial mining licence (GU) has been granted by the DNPM and only requires the requisite environmental approval to become fully effective. The Company lodged its combined Preliminary and Installation Licence (LP/LI) application in May 2014.

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.

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.

Jambreiro Project Update

The Company's 100%-owned Jambreiro Project, also located in south-east Brazil, is a significantly larger, 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.

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.

Cost Reductions

Following the recently completed capital raising, Centaurus implemented a number of additional cost reduction measures to ensure that the Company minimises corporate and administrative overheads.

Since the cost reduction measures outlined last month, and 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, 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.

-ENDS-

Released By:
Nicholas Read
Read Corporate
Mb: (+61) 419 929 046
Tel: (+61-8) 9388 1474

On behalf of:
Mr Darren Gordon
Managing Director
Centaurus Metals Ltd
Tel: (+61-8) 9420 4000

ANNEXURE 1 – CANDONGA FEASIBILITY STUDY REVIEW ASSUMPTIONS AND OUTCOMES

Pre-Production Capital Costs

The total direct capital costs for the Candonga Project have been reduced by 35% to a very modest A$2.4 million at an AUD:BRL exchange rate of 2.3. In addition to this, corporate overhead costs of A$0.3 million would be incurred between the period of the Project Go Ahead (PGA) decision and first production.

Of the direct capital costs, A$0.5 million will be able to be deferred until after first cash flows are achieved. The Company has been able to run a competitive process for the dry crushing and screening plant purchase and achieve significant savings on the supply of this plant compared to the Feasibility Study ("FS") estimate.

Table 1 – Candonga Project Capital Cost Schedule

Capital Expenditure	Total (A$ M)	Pre-Production (A$ M)
DIRECT COSTS		
Pre-Strip & Mine Preparation	0.3	0.3
Infrastructure	1.0	1.0
Crushing & Screening Plant	0.9	0.4
Direct Owners Costs	0.1	0.1
Contingency	0.1	0.1
TOTAL DIRECT CAPEX	2.4	1.9
INDIRECT COSTS		
Corporate Overhead	0.3	0.3
TOTAL CAPEX	2.7	2.2

Operating Cash Costs

The C1 operating cash costs plus royalties over the life-of-mine (LOM) at the mine gate are a very attractive A$15.8 per wet tonne of product. A breakdown of the operating cash costs is provided in Table 2 below:

Table 2 – Candonga Project Life-of-Mine Operating Cash Costs

Operating Costs	(A$ per wet tonne product)
Mining	10.3
Processing	1.9
General & Administration	2.1
SITE OPERATING CASH COSTS (C1)	14.3
Royalties – Government and Other	1.6
TOTAL OPERATING CASH COSTS (C1 + Royalties)	15.9
Corporate Overhead	1.8
TOTAL OPERATING COSTS	17.7

Since the completion of the FS, mining costs have increased slightly in BRL due to a change in the proposed operating philosophy in order achieve more productive plant operations and control the final product specifications of the Candonga production.

The mine operation costs are the largest component of the total operating cost. It is proposed to use a mining contractor for the mining operations. Detailed quotes have been received from a number of groups and the preferred contractor, with whom contractual terms have been agreed, has been selected.

In the plant area, the largest operating cost will be the diesel consumption used in the crushing and screening plant.

In addition to the operating cash costs, the Company has applied a Federal Government (CFEM) Royalty of 2%, a State-based mining fee of R$1.06 per wet tonne of product sold and a production royalty of 0.85% relating to the original acquisition of the Project tenement to determine the overall operating costs of the Project.

Key Assumptions

The key assumptions in relation to the Project have been updated to arrive at the current financial outcomes. The new key assumptions are set out in Table 3 and the financial outcomes are set out in Table 4. The Site Layout Map for the Candonga Project is shown in Figure 1:

Table 3 – Key FS Review Assumptions

Key Assumption	
DSO Ore Reserves	1.2Mt
Grade	60.5% Fe
Reserve – Final Product	0.9Mt
Grade	62-64% Fe
Waste Movement	0.7Mt
Total Material Movement (including pre-strip)	1.9Mt
Waste to Ore Ratio (LOM)	0.57 to 1
Production Rate	300,000tpa
LOM Exchange Rate AUD to BRL	2.30
LOM Exchange Rate AUD to USD	0.77
LOM Exchange Rate USD to BRL	3.00
Average Sales Price – FOB Mine Gate	A$41/wmt

Table 4 – Key FS Review Financial Outcomes

Key Financial Outcome	Total
Total Revenue	A$36.8M
EBITDA	A$20.9M
Total Capital Costs	A$2.7M
Annual Average Operating Cash Flow Pre Tax	A$7.0M
C1 Operating Cash Costs (per tonne of Product)	A$14.3/tonne
C1 Operating Cash Cost plus Royalties	A$15.9/tonne
Total Operating Cash Costs	A$17.7/tonne

Pricing Assumptions & Domestic Sales Market

The products produced at Candonga will include lump, hematitinha and sinter feed. Hematitinha is predominantly sold to domestic pig iron producers who use the material in their mini blast furnaces (MBF). Pig iron producers have limited cost effective means of substituting out hematitinha for sinter or pellets in the MBF and as such there is a true domestic market pricing regime for hematitinha.

Lump and sinter feed is predominantly sold to the integrated steel mills but could also be sold to other mining groups as a quality enhancer for their own product mix. Domestic market operators have indicated that FOB mine gate prices of R$105-R$130/tonne (A$45-55/tonne) are presently being achieved for lump/hematitinha whilst sinter feed prices are circa US$20-30/tonne (A$25-A$35 tonne), both depending on project location relative to the customer base and product quality.

For the purpose of this project update and based on the likely product mix, Centaurus has estimated an average FOB mine gate price of A$41 per wet tonne (US$31/wmt) over the life of the project.

Project Implementation Plan

The project site implementation program can start upon the approval of the Installation Licence (LI), which is now due before the end of June 2015. As discussed above, while the key capital and operating cost items have been locked down and the preferred suppliers of the crushing and screening plant and contract mining services have been selected, project development is now dependent on securing a suitable funding path.

The project has advanced to the stage where it is now possible to;

a) order the proposed crushing and screening plant, which can be commissioned 4 months after order;
b) execute freehold land purchase agreements; and
c) engage the preferred mining contractor

Until a suitable development path is identified, however, a PGA decision will not be made by the Company.

The dry crushing and screening plant contemplated for the Candonga Project is “off-the-shelf” equipment in Brazil and procurement lead-times are relatively short. The equipment can be easily transported to site.

Environmental Approvals

The Company lodged a combined Preliminary Licence/Installation Licence application (LP/LI) in May 2014 and is now awaiting approval. Originally expected to be received in February 2015, the LI is now expected in the next two months. This is as a result of rolling strikes of the relevant regional office of the state environmental agency, Supram, over the last six months. The Company is not expecting any technical issues with the approval process as the Project is located on pastoral land and no native vegetation removal is required.

Ore Reserve

Due to the fact that operating costs, product prices and other Modifying Factors from the project are consistent with the FS and capital costs have reduced, the Company has not had to update the JORC 2012 Proved and Probable Ore Reserve estimate of **1.2 million tonnes at an average grade of 60.5% Fe[1].**

[1] Refer to ASX announcements on 30 September 2014 for full details of Candonga JORC Ore Reserve estimate. The Company is not aware of any new information or data that materially affects the information in the JORC Ore Reserve estimate of 30 September 2014.

As lump products (lump and hematitinha) achieve a healthy pricing premium in the Brazilian domestic market, a simple blending strategy has been designed to optimise their recovery. The ore is categorised into:

- **Direct Shipping Ore** (DSO) – ore that requires no beneficiation to produce saleable lump, hematitinha or sinter feed products; and
- **Lump Blending Ore** (LBO) – ore that produces lump and hematitinha products within market specifications after blending with appropriate DSO products.

The DSO component of the Ore Reserve estimate is 726,000 tonnes at an average grade of 64.8% Fe. The LBO component of the Ore Reserve estimate is 483,000 tonnes at an average grade of 53.9% Fe. Sinter feed product from the LBO ore is not intended to meet immediate sales specifications and will be stockpiled as "Low Grade Fines" for future processing.

The in-situ Ore Reserve produces 0.9Mt of high grade product over the 3-year mine life of the Project. Lump and hematitinha products make up approximately 50% of the total product at an average grade of 62.8% Fe. The balance of production is a Sinter Feed product with an average grade of 64.0 % Fe.

Full details of the Ore Reserve estimate were released on 30 September 2014. A summary of the Ore Reserve estimate is provided in Table 5 below:

Table 5 – Candonga Ore Reserves and Mineral Resources, September 2014

Ore Reserve Classification	Ore Category	wmt (000's)	Fe%	SiO_2%	Al_2O_3%	P%	LOI %
Proved	DSO*	446	64.8	4.5	0.03	1.3	0.2
	LBO**	362	53.9	17.9	0.04	2.5	1.4
Total		**808**	**59.9**	**10.5**	**0.03**	**1.9**	**0.7**
Probable	DSO*	280	64.8	5.2	0.03	0.9	0.1
	LBO**	121	53.9	18.0	0.04	2.5	1.2
Total		**401**	**61.5**	**9.1**	**0.03**	**1.4**	**0.4**
	DSO*	726	64.8	4.8	0.03	1.2	0.1
	LBO**	483	53.9	17.9	0.04	2.5	1.3
Total		**1,209**	**60.5**	**10.0**	**0.03**	**1.7**	**0.6**
Mineral Resource Classification (Friable + Compact)							
Measured		795	60.4	10.1	1.7	0.03	0.58
Indicated		3,088	43.8	29.0	3.5	0.08	2.74
Inferred		5,511	41.3	30.9	4.1	0.08	3.28
Total		**9,394**	**43.7**	**28.5**	**3.7**	**0.07**	**2.87**

**61.3% Fe cut-off grade applied; **45.0% Fe cut-off grade applied; Mineral Resources are inclusive of Ore Reserves*

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.

Figure 1 – Candonga Project Site Layout Map