

26 October 2011

SEPTEMBER 2011 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS



■ JAMBREIRO IRON ORE PROJECT – DOMESTIC

- Further positive results from resource drilling program.
- Upgraded JORC Resource of 116.5Mt @ 26.8% Fe.
- Measured and Indicated component comprises 72.1Mt @ 27.6% Fe.
- Significant component of Measured and Indicated Resource is friable mineralisation (52.1Mt).
- Metallurgical test work confirms that a high-grade hematite product can be produced: ~40Mt of +65% Fe produced at 35% mass recovery.
- Active community consultation process ongoing.

■ SERRA DA LONTRA IRON ORE PROJECT – EXPORT

- Seven Exploration Licence Applications granted.
- Surface mapping & sampling results demonstrate average grade of itabirite of 47.2% Fe.
- Over 2 kilometres of strike length in key Prospect areas.

■ OPTION ACQUIRED OVER RIBEIRÃO MANGANESE PROJECT

■ STRATEGIC ALLIANCE AND 19.9% SHARE PLACEMENT TO ATLAS IRON LIMITED FINALISED.

■ 1-for-8 CONSOLIDATION OF CAPITAL APPROVED BY SHAREHOLDERS.

■ CASH RESERVES OF \$23.4 MILLION AT QUARTER END.



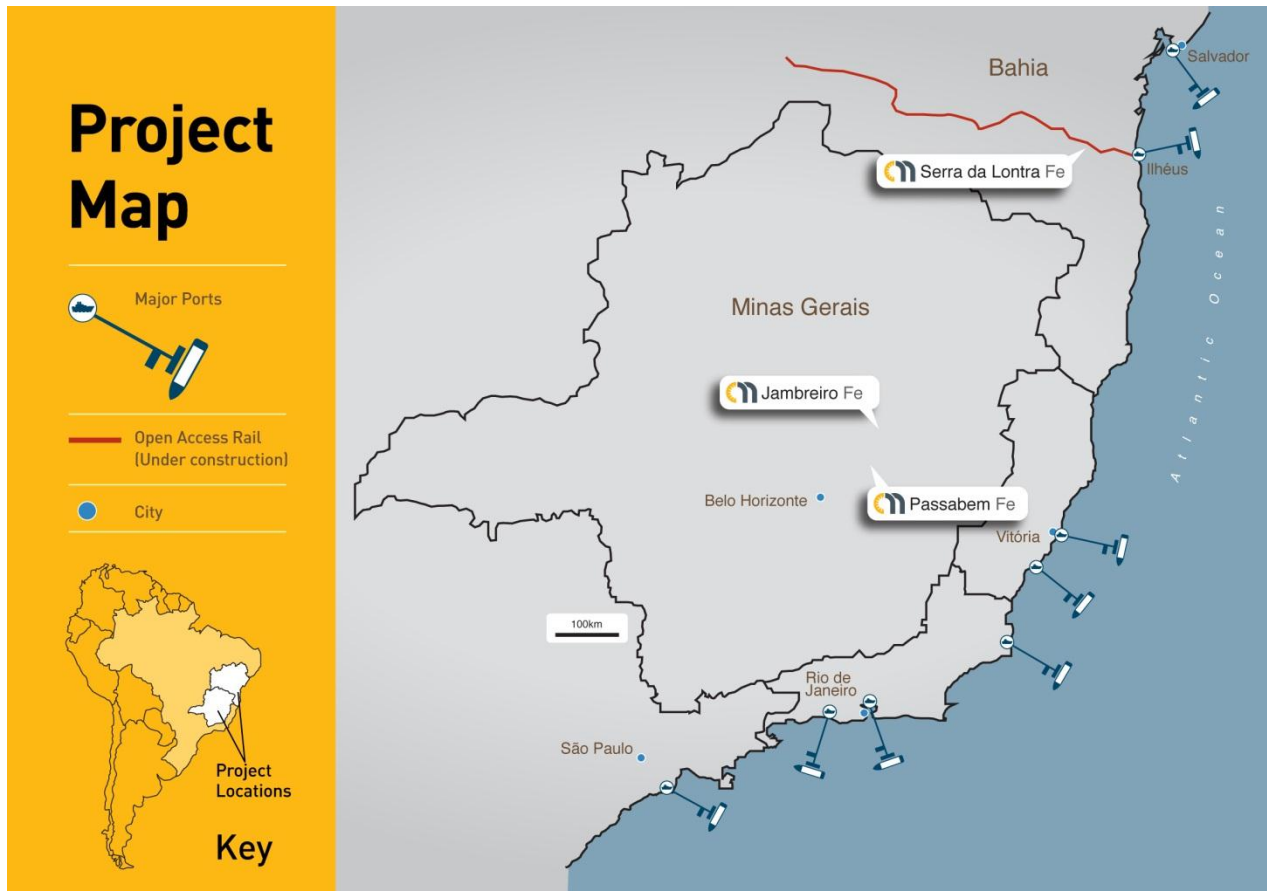
DOMESTIC IRON & STEEL BUSINESS IN BRAZIL

During the September 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 Passabém, which now collectively host JORC compliant resources totalling 165 million tonnes at a grade of 28.4% Fe.

Beneficiation testwork completed on the itabirite mineralisation at each project indicates that the current JORC resource base could produce over 60Mt of high grade (+65% Fe) hematite product for the domestic steel industry.

The main focus of the Company's activities during the September 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.





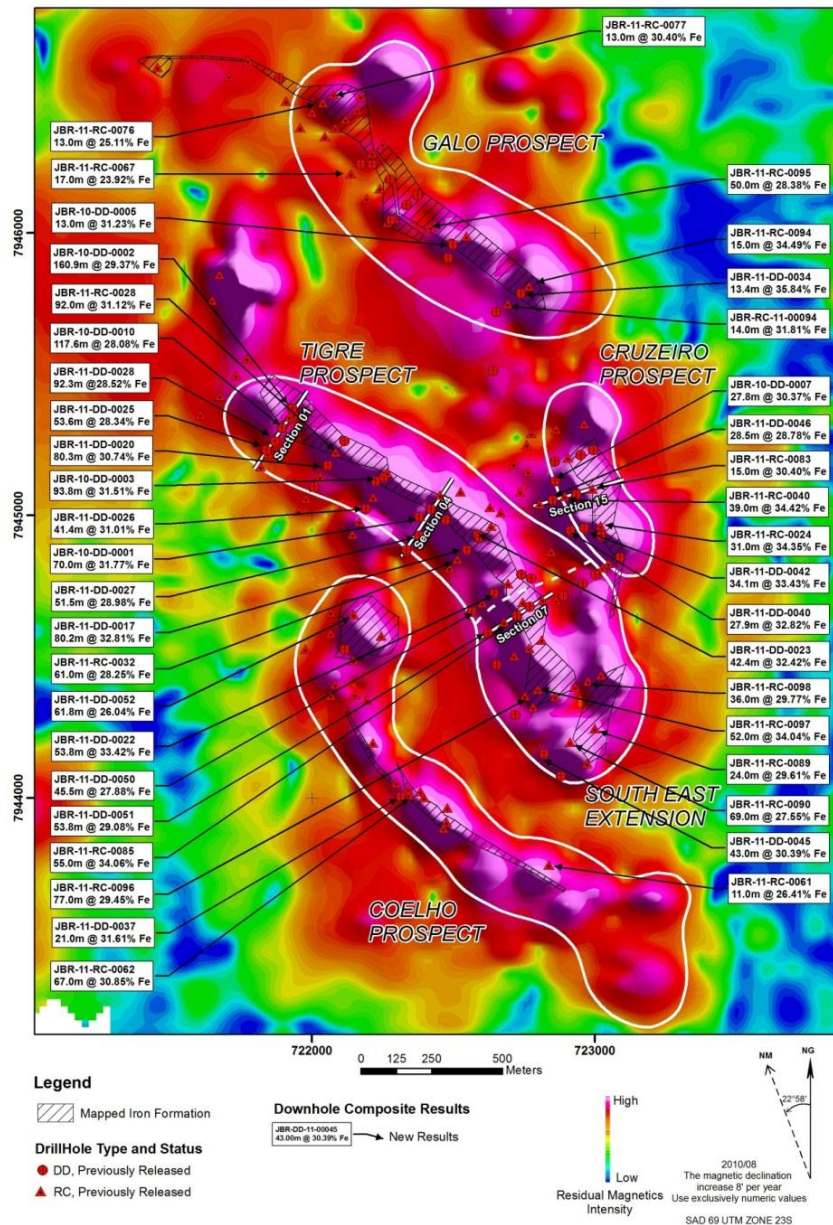
JAMBREIRO IRON ORE PROJECT

Resource Drilling

During the Quarter, the Company continued its active resource drilling program at the Jambreiro Project. The drilling targeted all of the key prospect areas with the objective of upgrading the resources for each prospect into the Measured and Indicated categories.

Many of the drill results for the main Tigre Prospect were received in the June Quarter, with most results received during the September Quarter relating to drilling in the South East Extension Zone and the satellite prospects of Cruzeiro, Galo and Coelho (see Figure 1).

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





South East Extension Zone (“SEEZ”)

The SEEZ is located at the south eastern end of the main Tigre Prospect at Jambreiro (*see Figure 1*). During the Quarter, wide intersections of friable itabirite were encountered in this zone and the drilling extended the main Tigre Prospect by 400 metres into this area. Approximately two-thirds of the mineralisation in the SEEZ is considered to be friable itabirite.

Highlights of the drilling in the SEEZ included the following continuous intervals:

- **77.0 metres @ 29.4% Fe, 2.7% Al₂O₃ and 0.04% P** from surface in Hole JBR-11-RC-0096
- **57.1 metres @ 26.7% Fe, 1.7% Al₂O₃ and 0.05% P** from 80.2 metres in Hole JBR-11-DD-0043
- **51.0 metres @ 34.7% Fe, 2.9% Al₂O₃ and 0.03% P** from 33.0 metres in Hole JBR-11-RC-0085, including **21.0 metres @ 40.1% Fe, 1.9% Al₂O₃ and 0.03% P** from 61.0 metres
- **49.0 metres @ 28.0% Fe, 2.4% Al₂O₃ and 0.04% P** from 48.0 metres in Hole JBR-11-RC-0090
- **43.0 metres @ 30.4% Fe, 0.7% Al₂O₃ and 0.06% P** from 37.0 metres in Hole JBR-11-DD-0045
- **36.0 metres @ 29.8% Fe, 2.3% Al₂O₃ and 0.05% P** from 44.0 metres in Hole JBR-11-RC-0098
- **33.0 metres @ 30.6% Fe, 2.8% Al₂O₃ and 0.04% P** from 38.0 metres in Hole JBR-11-RC-0091
- **30.0 metres @ 35.8% Fe, 3.6% Al₂O₃ and 0.03% P** from surface in Hole JBR-11-RC-0084
- **26.0 metres @ 41.7% Fe, 2.4% Al₂O₃ and 0.04% P** from surface in Hole JBR-11-RC-0097
- **17.0 metres @ 34.5% Fe, 4.4% Al₂O₃ and 0.05% P** from 10.0 metres in Hole JBR-11-RC-0099
- **13.0 metres @ 42.8% Fe, 3.9% Al₂O₃ and 0.03% P** from surface in Hole JBR-11-RC-0100
- **11.2 metres @ 41.1% Fe, 3.8% Al₂O₃ and 0.03% P** from surface in Hole JBR-11-DD-0049

The mineralised zone in the SEEZ dips sub-parallel to the natural surface; when combined with the higher grade nature of the ore, this is expected to result in lower strip ratios and higher mass recoveries than in the main zone of the Tigre deposit. These attributes are expected to make the SEEZ a very good option for the start of future mining activities.

By the end of the Quarter all drilling within the SEEZ had been completed.

Cruzeiro Prospect

The Cruzeiro Prospect is located approximately 250 metres east of the main Tigre Prospect (*see Figure 1*). During the Quarter, all resource drilling at Cruzeiro was completed with some strong drill assays received. Significant results included the following continuous intervals:

- **38.4 metres @ 33.4% Fe, 2.3% Al₂O₃ and 0.03% P** from surface in Hole JBR-11-DD-0030
- **34.1 metres @ 33.4% Fe, 3.4% Al₂O₃ and 0.05% P** from 6.9 metres in Hole JBR-11-DD-0042
- **28.5 metres @ 28.8% Fe, 0.8% Al₂O₃ and 0.05% P** from 32.4 metres in Hole JBR-11-DD-0046
- **27.8 metres @ 32.8% Fe, 1.41% Al₂O₃ and 0.03% P** from 23.8 metres in Hole JBR-11-DD-0040

The new results continue to confirm the continuity of friable mineralisation at the Cruzeiro Prospect with consistent widths of 30-35 metres in the main zone of the Prospect.

New drill hole JBR-11-DD-0030 (38.4m at 33.4% Fe from surface) is located on the same section as previously released hole JBR-11-RC-0040 (39m at 34.4% Fe from 5 metres) and over 150 metres along strike from JBR-10-RC-0024 (31.0m at 34.4% Fe). The Cruzeiro Prospect is shaping up as the most attractive satellite prospect from a grade perspective.

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Galo Prospect

The Galo Prospect is located approximately 750 metres north of the main Tigre Prospect (see Figure 1). During the Quarter, all resource drilling at Galo was completed with some strong drill assays received. Significant results included the following continuous intervals:

- **37.0 metres @ 29.5% Fe, 7.0% Al₂O₃ and 0.06% P** from 13.0 metres in Hole JBR-11-RC-0095
- **17.0 metres @ 30.9% Fe, 3.4% Al₂O₃ and 0.01% P** from surface in Hole JBR-11-RC-0069
- **16.0 metres @ 31.3% Fe, 8.7% Al₂O₃ and 0.03% P** from surface in Hole JBR-11-RC-0053
- **15.0 metres @ 34.5% Fe, 2.9% Al₂O₃ and 0.01% P** from 11.0 metres in Hole JBR-11-RC-0094
- **13.4 metres @ 35.8% Fe, 3.0% Al₂O₃ and 0.02% P** from surface in Hole JBR-11-DD-0034

Coelho Prospect

The Coelho Prospect is located approximately 500 metres south of the main Tigre Prospect (see Figure 1). During the Quarter, an initial drill program at Coelho was completed with some strong drill assays received. Significant results included the following continuous intervals:

- **67.0 metres @ 30.8% Fe, 2.0% Al₂O₃ and 0.02% P** from 2 metres in Hole JBR-11-RC-0062*
- **16.0 metres @ 31.8% Fe, 1.6% Al₂O₃ and 0.02% P** from surface in Hole JBR-11-RC-0074.

**This hole, JBR-RC-11-0062, has been interpreted to have been drilled sub parallel to the mineralisation dip. The true width of mineralisation at the Coelho Prospect is estimated to be between 15-20 metres.*

Tigre Deposit

During the Quarter, the Company also received assay results from some late drilling undertaken at the main Tigre prospect. The drilling targeted the deeper parts of the ore body where pit optimisation work indicated that part of the Inferred Resource base would fall within the planned pit limits.

Highlights of the drilling into these deeper zones at Tigre included:

- **54.1 metres @ 26.2% Fe, 2.3% Al₂O₃ and 0.06% P** from 121.2 metres in Hole JBR-11-DD-0052
- **53.8 metres @ 29.1% Fe, 1.4% Al₂O₃ and 0.04% P** from 78.6 metres in Hole JBR-11-DD-0051
- **45.5 metres @ 27.9% Fe, 1.6% Al₂O₃ and 0.05% P** from 89.1 metres in Hole JBR-11-DD-0050

JORC Resource Upgrade

Immediately subsequent to the end of the Quarter, the Company announced an upgraded Resource for the Jambreiro Project based on the drill results received over the June and September Quarters. The updated JORC Resource estimate (combined Measured, Indicated and Inferred) now stands at **116.5 million tonnes at an average grade of 26.8% Fe**.

Beneficiation testwork on resource grade mineralisation has so far demonstrated that both the friable and compact mineralisation types can be beneficiated to a high quality hematite product to suit various customers and markets, ranging from a **premium 67% Fe product with less than 2% silica to the more economical 63% Fe product with less than 5% silica**, at mass recoveries of 35% to 40%.

In addition, the beneficiated product from Jambreiro is expected to have very low phosphorus grades ranging between 0.01% and 0.02% P and low alumina grades ranging between 0.7% and 0.9% Al₂O₃.

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Ore characterisation and beneficiation testwork is ongoing for both mineralisation types, with both responding well to magnetic separation circuits, indicating the potential to provide operational and price flexibility by using this beneficiation process. Centaurus' intention is to undertake the plant design at Jambreiro to tailor the iron and silica grades for individual customer requirements.

Importantly, 72.1 million tonnes grading 27.6% Fe of the overall Jambreiro resource base is now classified in the Measured and Indicated categories. This represents 62 per cent of the total Resource and provides an excellent foundation for the upcoming Jambreiro JORC Ore Reserve estimate.

The updated Resource will now form the basis of the Pre-Feasibility Study which is due for completion by mid-November.

The current Jambreiro JORC Mineral Resource estimate is set out in Tables 1 & 2 below:

Table 1 – Jambreiro Iron Ore Project – October 2011 JORC Resource Estimate - By Prospect

Prospect	JORC Category	Million Tonnes	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	LOI %
Tigre (Including South East Extn)	Measured	13.5	28.4	51.0	4.4	0.04	1.7
	Indicated	44.3	27.1	51.3	4.1	0.04	1.6
	Measured + Indicated	57.8	27.4	51.2	4.2	0.04	1.7
	Inferred	27.9	25.6	52.1	3.8	0.05	1.1
	TOTAL	85.7	26.8	51.5	4.1	0.05	1.5
Cruzeiro	Measured						
	Indicated	6.3	30.8	48.6	4.0	0.04	1.8
	Measured + Indicated	6.3	30.8	48.6	4.0	0.04	1.8
	Inferred	2.2	29.4	45.2	6.2	0.06	2.8
	TOTAL	8.6	30.5	47.7	4.6	0.04	2.1
Galo	Measured						
	Indicated	7.9	26.6	49.8	7.5	0.04	3.4
	Measured + Indicated	7.9	26.6	49.8	7.5	0.04	3.4
	Inferred	7.6	25.1	52.5	6.3	0.04	2.9
	TOTAL	15.5	25.9	51.1	6.9	0.04	3.2
Coelho	Inferred	6.7	23.8	59.6	4.3	0.03	1.5
	TOTAL	6.7	23.8	59.6	4.3	0.03	1.5
Jambreiro Total	Measured	13.5	28.4	51.0	4.4	0.04	1.7
	Indicated	58.5	27.5	50.8	4.5	0.04	1.9
	Measured + Indicated	72.1	27.6	50.8	4.5	0.04	1.9
	Inferred	44.4	25.4	53.0	4.4	0.05	1.6
	TOTAL	116.5	26.8	51.6	4.5	0.04	1.7
Friable	Measured	12.1	28.6	51.2	4.6	0.03	1.7
	Indicated	39.9	27.9	51.1	5.3	0.04	2.2
	Measured + Indicated	52.1	28.0	51.1	5.1	0.04	2.1
	Inferred	15.0	24.9	55.2	5.3	0.04	2.1
	TOTAL	67.0	27.3	52.0	5.1	0.04	2.1
Compact	Measured	1.4	27.4	48.8	2.8	0.05	1.6
	Indicated	18.6	26.6	50.2	3.0	0.06	1.2
	Measured + Indicated	20.0	26.6	50.1	3.0	0.05	1.3
	Inferred	29.5	25.7	51.9	4.0	0.05	1.3
	TOTAL	49.5	26.1	51.1	3.6	0.05	1.3
	TOTAL	116.5	26.8	51.6	4.5	0.04	1.7

Cut-off 20% Fe

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A significant part of the increase in the resource base at Jambreiro has resulted from successful drilling of the South East Extension Zone (*see Figure 1*), where drilling encountered a zone of mineralisation that dips sub-parallel to the natural surface and intersected a high proportion of friable mineralisation.

Figures 5 to 8 in Appendix A show typical cross-sections through the various prospect areas at Jambreiro.

Table 2 – Jambreiro Iron Ore Project – October 2011 JORC Resource Estimate by Mineralisation Type

Prospect	Material Type	Million Tonnes	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	LOI %
Tigre (Including South East Extension)	Friable	45.4	27.7	51.9	4.8	0.04	1.9
	Compact	40.3	25.8	51.0	3.3	0.06	1.0
	TOTAL	85.7	26.8	51.5	4.1	0.05	1.5
Cruzeiro	Friable	5.1	30.5	49.0	4.2	0.04	1.9
	Compact	3.4	30.4	45.9	5.1	0.06	2.3
	TOTAL	8.6	30.5	47.7	4.6	0.04	2.1
Galo	Friable	11.2	26.0	50.6	7.4	0.04	3.4
	Compact	4.3	25.6	52.4	5.4	0.04	2.8
	TOTAL	15.5	25.9	51.1	6.9	0.04	3.2
Coelho	Friable	5.3	23.8	58.8	4.6	0.03	1.6
	Compact	1.4	24.0	62.5	3.3	0.03	1.0
	TOTAL	6.7	23.8	59.6	4.3	0.03	1.5
Jambreiro Total	Friable	67.0	27.3	52.0	5.1	0.04	2.1
	Compact	49.5	26.1	51.1	3.6	0.05	1.3
	TOTAL	116.5	26.8	51.6	4.5	0.04	1.7

Cut-off 20% Fe

The Jambreiro Project has excellent access to existing local infrastructure and is well located approximately 140km 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 - and the recently spun out Aperam Timóteo plant – South America's largest stainless steel producer.

Pre-Feasibility Study

During the Quarter, significant progress was made on a Scoping Study for the Jambreiro Project. This Study was initially designed to provide high level financial metrics on the Main Tigre Resource, however the excellent drilling results from the SEEZ and satellite prospects demonstrated that the significant amount of friable mineralisation in these areas could fundamentally change the nature of the Jambreiro Project.

Accordingly, the Company decided in late August to expand the current Jambreiro Scoping Study work to take into account the extensive zones of friable material intersected in the drilling.

The expanded study will be delivered to Pre-Feasibility Study standard and will now be based on the Tigre Prospect, the SEEZ as well as all of the satellite prospects.



The significant scale of the friable mineralisation underpins the potential for an enhanced operation at Jambreiro, with an extended period of low operating costs anticipated. The friable mineralisation at Jambreiro does not require drilling and blasting, lies closer to surface (which lends itself to a low strip ratio) and requires minimal crushing, and no grinding.

The expanded Study will result in the completion of a Pre-Feasibility Study (“PFS”) by mid-November. Much of the Scoping Study work has already been prepared to PFS standard.

Friable Project Option for Jambreiro

The Jambreiro Project now has an estimated 67.0 million tonnes of friable mineralisation grading 27.3% Fe, of which 52.1 million tonnes grading 28.0% Fe is in the Measured or Indicated resource categories. This friable component of the Resource highlights the potential for a +8 year friable start-up development option. The friable mineralisation is continuous along strike, outcropping and coarse-grained, and extends to depths of up to 100 metres before becoming more compact.

The South Eastern Extension Zone of the Tigre Prospect and the satellite Cruzeiro Prospect are located in the south eastern area of the Jambreiro Project (*see Figure 1*). Both of these prospects have relatively higher grade friable mineralisation that dips sub-parallel to the natural surface (*see sections 7 and 15 at Figure 7 and 8 respectively*).

These zones are ideal for the commencement of future mining activities based on mining higher grade material with a lower strip ratio, and are likely to become the source of early ore production.

Coincidentally, the general location of these prospects is adjacent to the Company’s preferred site for the Project’s beneficiation plant. The proposed location of the beneficiation plant will be less than 1 kilometre from both the Tigre and Cruzeiro Prospects.

As a result of these positive operating characteristics, it is expected that most of the friable mineralisation will fall within the pit optimisation limits. Open pit optimisations and Ore Reserve estimations have commenced. The Company is currently preparing a number of project operating scenarios to test the robustness of a possible friable start-up project.

Beneficiation Test Work

Existing beneficiation test work results on friable itabirite mineralisation of similar grade to the Exploration Target in the SEEZ has shown that a high grade (+65% Fe) hematite product can be produced at a mass recovery of approximately 35% to 40%.

Centaurus is continuing to undertake wet beneficiation testwork on friable ore from Jambreiro with UFMG in Belo Horizonte.

A 6-tonne sample of friable mineralisation is currently being tested in the planned process flowsheet and the results will assist in further confirming the product specifications for the potential domestic steel industry customers.



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.

During the Quarter, the Company presented the Jambreiro Project to the mayor of Guanhões, key business groups in São João Evangelista and also to SUPRAM (environmental agency) representatives in Valadares.

ITAMBÉ PROJECT

Beneficiation Testwork

Beneficiation testwork is continuing on drill core from the Itambé Project. The 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 has been lodged.



PASSABÉM IRON ORE PROJECT

No field work was undertaken at Passabém during the Quarter. The final research (exploration) report for the Project was lodged with the DNPM in September 2011.

In July 2011, the Company completed its obligations to the original vendor of Passabém 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.

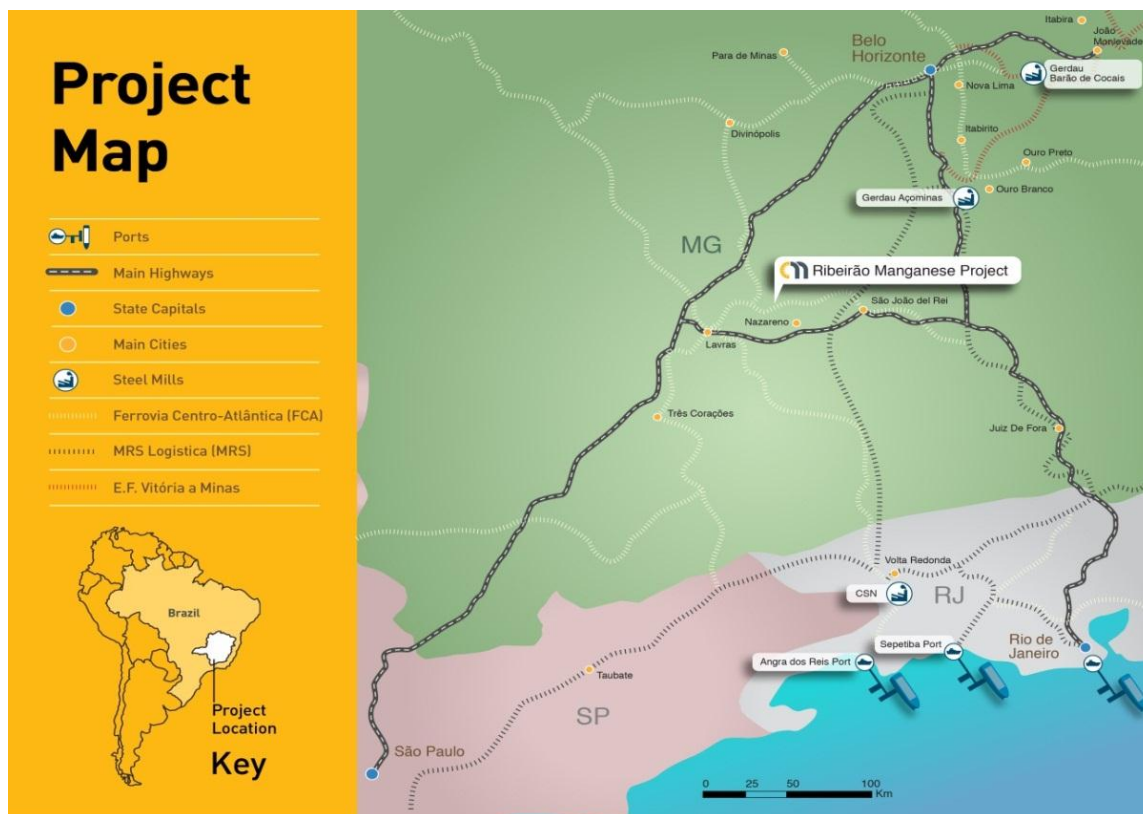
The removal of the advanced royalty structure will give Centaurus the flexibility it needs to bring this Project on stream as part of its wider business plans without any further involvement from the original vendor.

RIBEIRÃO MANGANESE PROJECT (OPTION TO ACQUIRE 100%)

During the Quarter, the Company secured an exclusive option over a strategically located manganese project in the State of Minas Gerais, south-eastern Brazil. The Project has the potential to underpin a small-scale manganese operation that would complement the Company's emerging iron ore operations.

The Ribeirão Manganese Project is located 120 kilometres from Gerdau's 4.5mtpa Açominas Steel Facility, 200 kilometres from the open access export port of Sepetiba and 25 kilometres from the open access MRS railway line (see Figure 2).

Figure 2 – Location Map of Ribeirao Manganese Project



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The Project – which comprises three tenements (two with Final Reports approved and one Exploration Lease) covering an area of approximately 7 km² which was mined artisanally several decades ago from an historic open pit – has an Exploration Target of 1 to 2 million tonnes grading 25-33% Mn¹.

Centaurus has completed a number of field visits to the Project which have enabled the Company to map and sample the outcropping manganese mineralisation. The manganese has been mapped in an old pit area over a strike length of some 200 metres and the mineralisation appears to be approximately 20 metres in width. Assay results from the initial rock chip sampling indicate that the manganese grades between 25% and 33% Mn, with low phosphorus levels. Only small amounts of iron, between 4% and 7% Fe, were found in the samples collected.

The mineralised zone appears to extend for more than 1 kilometre outside of the old pit but the widths and grade of mineralisation need to be tested in this area.

Manganese, which is in high demand from the local Brazilian steel mills, is a logical and high margin addition to the Centaurus project portfolio in south-eastern Brazil. As a frequently used additive (with few substitutes) in making certain steels, manganese complements Centaurus' emerging domestic and export iron ore business.

The mineralisation, evident in the old pit area at Ribeirão, is a manganese oxide with supergenic enrichment. Early stage crushing and screening indicates that a saleable product can be produced at a size fraction greater than 10mm. Limited surface rock chip sampling has to date shown that a product grading up to 35% Mn can be produced via simple crushing and screening at the >10mm size fraction.

EXPORT IRON ORE PROJECTS IN BRAZIL

SERRA DA LONTRA IRON ORE 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 Serra Da Lontra Project consists of 12 tenements, one of which was granted an Exploration Licence which the Company has acquired ("the Granted Exploration Lease") and 11 of which were Exploration Licence Applications made by Centaurus.

By Quarter end, seven of the Exploration Licence Applications were granted with four remaining to be granted. The grant of the remaining applications should occur in the December Quarter.

The Serra da Lontra Project forms the initial basis of the Company's 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.

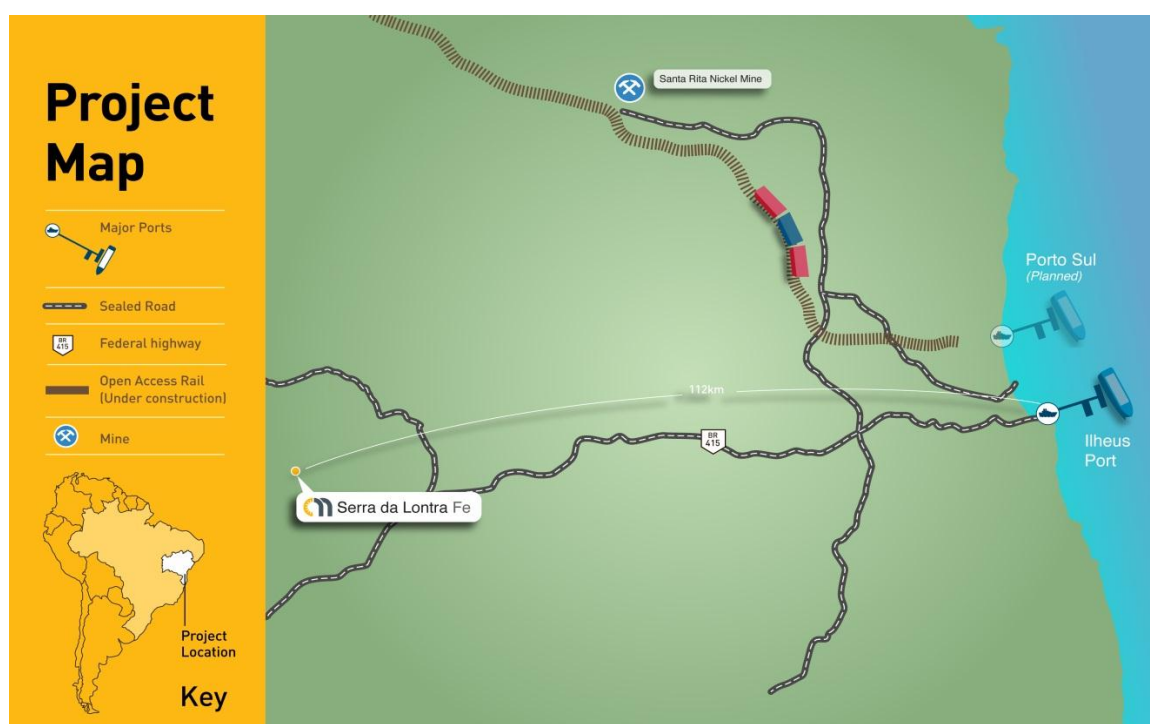
¹ Note: It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information above relating to the exploration target should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resources have 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.



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.

During the Quarter, the Company commenced exploration on the Serra da Lontra Project with encouraging results received from the detailed mapping and sampling program. The results of this work will provide a strong foundation for the first drilling program planned to start in November 2011.

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



Mapping has confirmed that the main itabirite zone, called the Senna Prospect, has a strike length of some 1.2 kilometres (*see Figure 4*) with an estimated true width of between 40 to 55 metres and dipping 40-60° towards the east, sub-parallel to the slope of the ridge.

The Fittipaldi Prospect, located 1.2 kilometres to the northeast of the Senna Prospect, has been extended, through the mapping work, by approximately 600 metres to around 1.1 kilometres of strike length with a second itabirite zone of similar length running in parallel (*see Figure 4*). Both zones within the Fittipaldi Prospect have estimated true widths of between 30 to 40 metres and dip between 40-60° towards the east.

Systematic outcrop sampling was undertaken during the mapping process with the results confirming that the iron grade of the itabirite ranges between 39% and 55% Fe (with an average grade of 47.2% Fe) (*see Figure 4*).

Alumina (Al_2O_3) grades are between 0.50% and 2.00% and Phosphorus (P) grades are between 0.05% and 0.10%. The Canga material, which is located down slope from the primary itabirite outcrops, has to date also shown iron grades ranging from 35% to 58% Fe (with an average grade of 48.8% Fe).

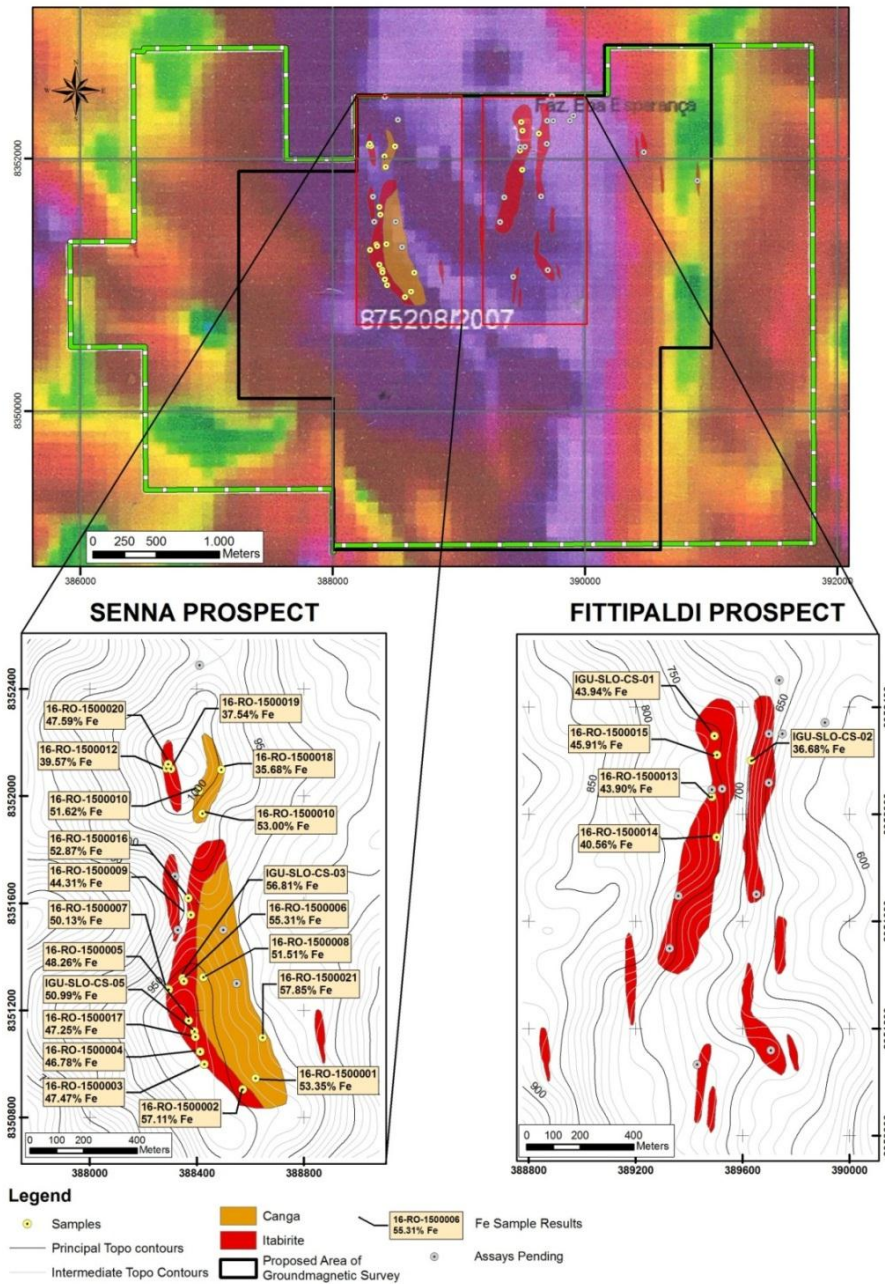
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The geological mapping and sampling results received so far provide strong support for the Exploration Target for the Serra da Lontra Project of 30 to 50 million tonnes of itabirite ore at 35-45% Fe².

Based on the physical nature of the itabirite and the outcrop assay results, the Company is confident that the itabirite mineralisation should beneficiate well to a high grade (+65%) hematite product at a relatively high mass recovery.

Figure 4 – Surface Map of Serra da Lontra Outcrop with Rock Chip Assays



² 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.

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The Company's exploration team has now also opened over 65 kilometres of survey lines in order to undertake a detailed ground magnetic survey over the tenement area.

This work, which is being undertaken by the Company's consultants InterGeo, commenced in late August and the data capture was completed by the end of September. The interpretation of the data collected is currently underway.

The first drill program at the Serra da Lontra Project is planned to start in November. Preliminary drill plans for the Project include 2,500 metres of diamond drilling and 5,000 metres of RC drilling. The award of the drill contract is now expected to be made in late October.

The principal landowner agreements have been signed and the environmental studies for the drilling licence have been completed. The application for the drilling licence was lodged at the end of September with the State environmental agency and should be approved within four to six weeks.

RIO PARDO IRON ORE PROJECT (CTM 100%)

During the Quarter, the Company received assay results from the initial drill campaign at Rio Pardo. 10 vertical RC holes were drilled for a total of 588 metres. Highlights of the drilling included:

- **11 metres @ 26.4% Fe, 9.3% Al₂O₃ and 0.06% P** from surface in Hole RPM-11-RC-00001
- **11 metres @ 23.5% Fe, 8.3% Al₂O₃ and 0.07% P** from surface in Hole RPM-11-RC-00002
- **7 metres @ 30.0% Fe, 8.5% Al₂O₃ and 0.04% P** from surface in Hole RPM-11-RC-00005

The results of the RC drilling indicates that while iron mineralisation is present across the project area at Rio Pardo, it is unlikely that the Project hosts a +500Mt deposit of iron ore that would be required for Centaurus to consider developing a stand-alone export operation.

The Company will now investigate its options with respect to the Project.

CORPORATE

Atlas Iron Strategic Alliance

During the Quarter, the leading Australian iron ore producer Atlas Iron Limited ("Atlas" – "AGO") 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 entered into a subscription agreement with respect to the strategic alliance ("Subscription Agreement").

Under the Agreement, Atlas subscribed for a share placement comprising 212 million shares at 8.8 cents per share, raising a total of \$18.7 million – strengthening Centaurus' cash resources and enabling it to accelerate development of its domestic and export iron ore projects in south-eastern Brazil. The placement price represented 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.

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

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

As part of the strategic alliance, Atlas was entitled to nominate a representative to the Centaurus Board of Directors. In late September, the Company appointed Atlas Iron's Chief Commercial officer, Mr Mark Hancock to the Board.

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 comprised 110 million Shares and 16 million Options to raise \$9.68 million. The second tranche comprised 102 million Shares and 14 million Options to raise a further \$8.976 million ("Tranche 2"). Tranche 2 was subject to the Company obtaining shareholder approval at a meeting of shareholders. This approval was obtained at a general meeting of Shareholders on 22 September 2011.

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.

During the Quarter, the Company received further payments of the claim in the amount of BRL\$1,178,379. This brings the total amount received to BRL\$3,432,031 with the balance to be received in the December Quarter.

Cash Position

At 30 September 2011, the Company held cash reserves of approximately A\$23.4 million.

Shareholder Information

At 30 September 2011 and on completion of the Atlas placement, the Company had 1.068 billion shares on issue with the Top 20 holding 48.1% of the total issued capital. Directors and Senior Management held 8% of the total issued capital.

At a Shareholders' Meeting held on 22 September 2011, shareholders approved a 1-for-8 reconstruction of capital ("Consolidation").

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Key dates in respect to the Consolidation are set out below:

- **4 October 2011** – Last day for trading in pre-consolidated shares.
- **5 October 2011** – Shares commence trading on a post-consolidated deferred settlement basis under the ASX code CTMDA.
- **11 October 2011** – Last day for registration of transfers on a pre-consolidation basis.
- **18 October 2011** – Deferred settlement trading ends. Post-consolidation holdings entered into holder's security holdings. New holding statements dispatched.
- **19 October 2011** – Normal trading commences following share consolidation under the ASX code CTM.
- **24 October 2011** – Settlement of all trades conducted on a deferred settlement basis and first settlement of trades conducted on a normal (T+3) basis.

Following the Consolidation, the Company will have 133.5 million shares on issue and 17.6 million unlisted options on issue with various exercise prices.

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.



APPENDIX A

Figure 5 – Tigre Prospect Cross Sections Showing Material Type – Section 1

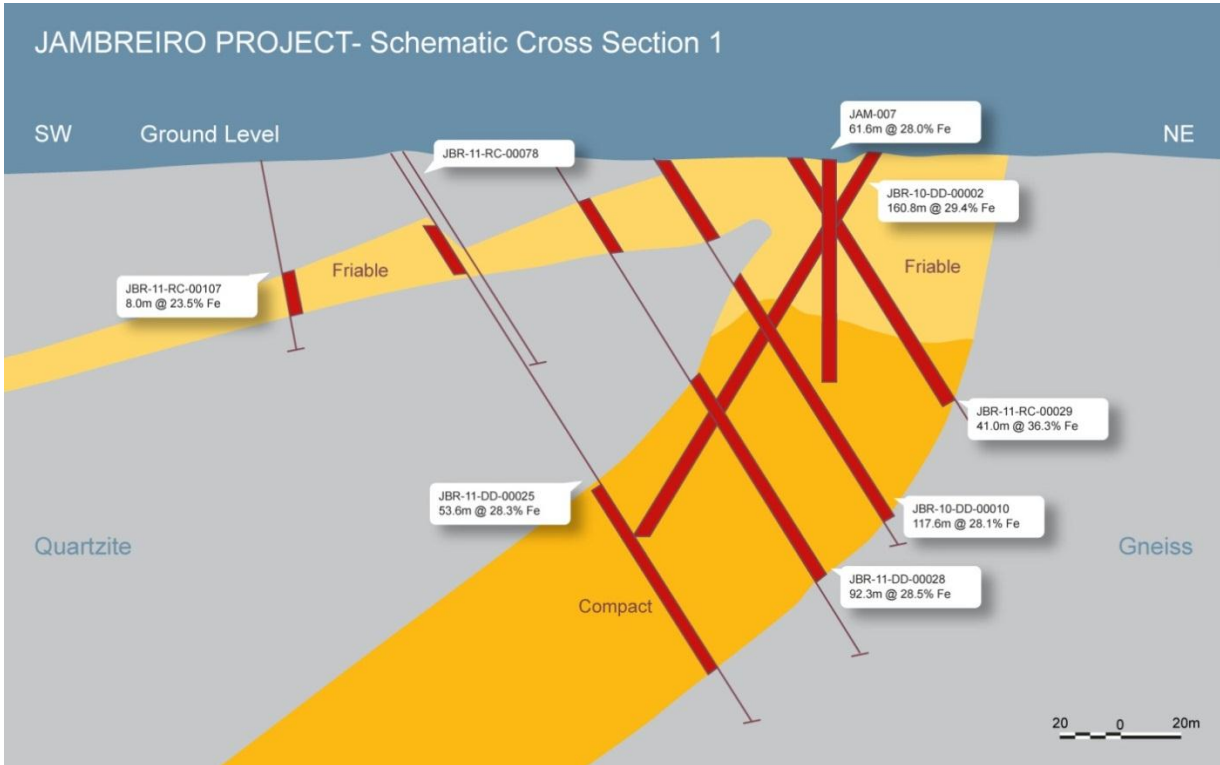
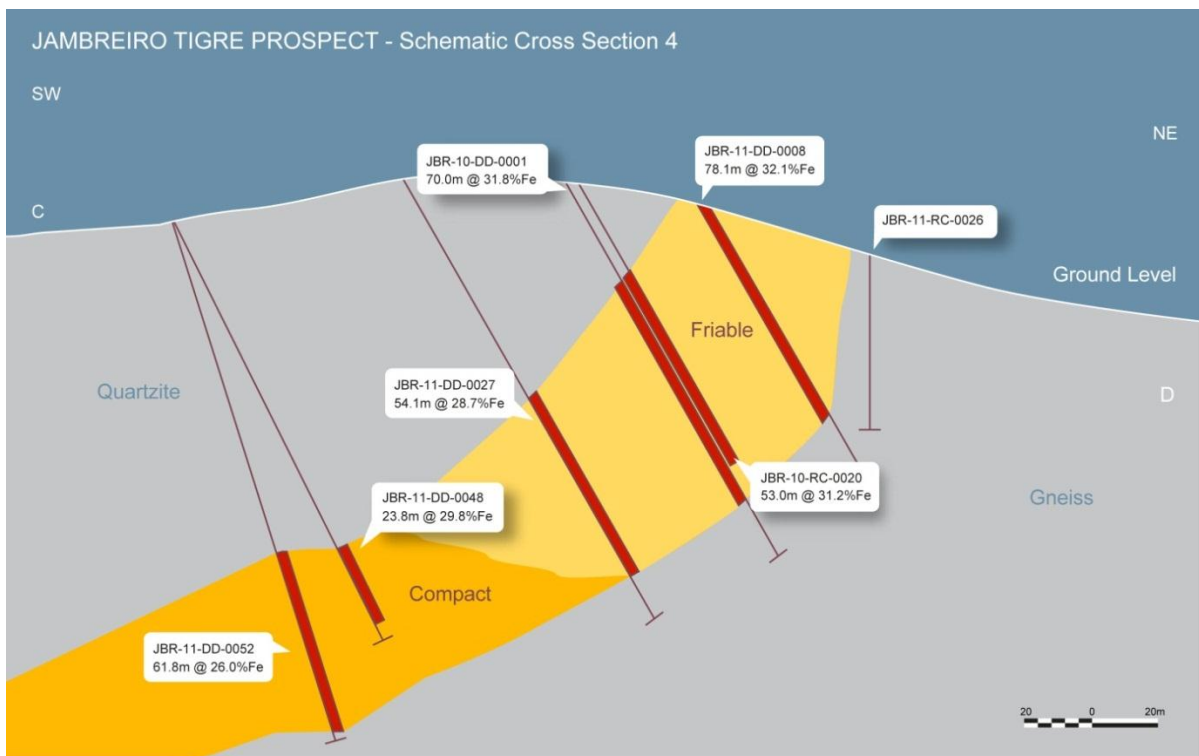


Figure 6 – Tigre Prospect Cross Section Showing Material Type – Section 4





APPENDIX A (Cont...)

Figure 7 – Tigre Prospect Cross Sections Showing Material Type – Section 7

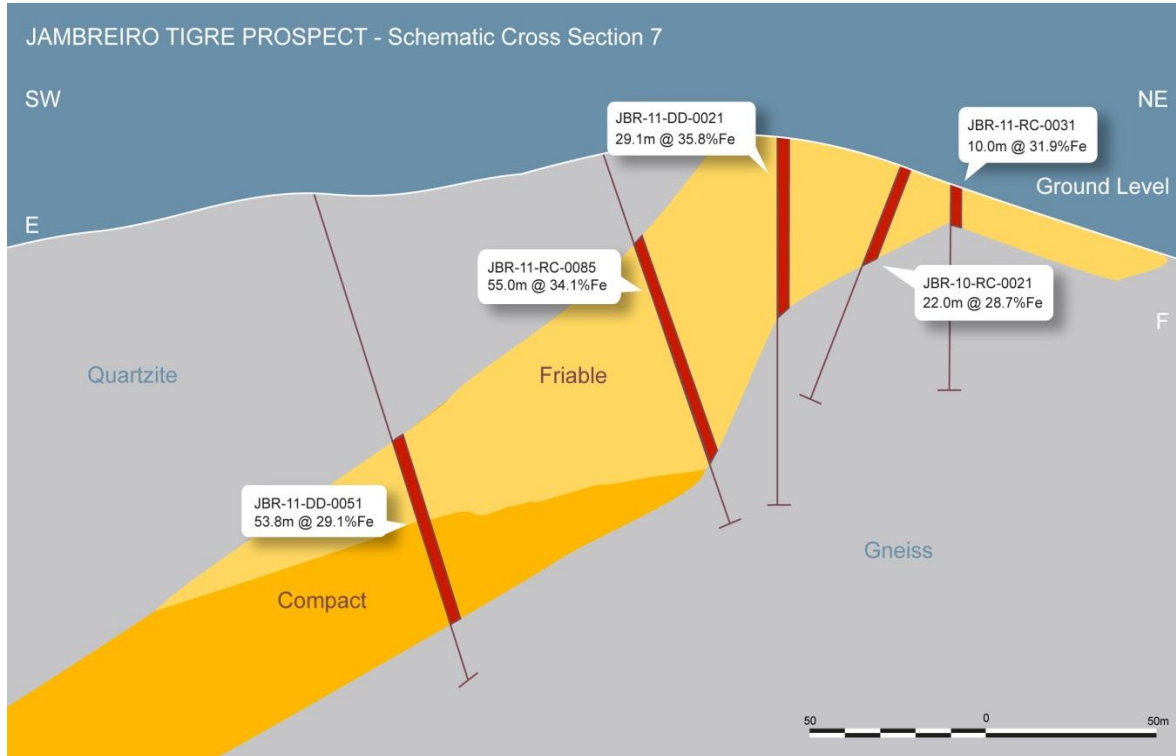


Figure 8 – Tigre Prospect Cross Section Showing Material Type – Section 15

