

18 January 2013

## CENTAURUS SIGNS MOU WITH MINAS GERAIS STATE GOVERNMENT TO FACILITATE JAMBREIRO PROJECT DEVELOPMENT

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### Key Points:

- **Memorandum of Understanding (MOU) signed with State of Minas Gerais and other key State Departments encompassing project facilitation arrangements for the Jambreiro Iron Ore Project.**
- **The project facilitation arrangements encompass important tax concessions relating to key capital and operating inputs for the Project.**
- **Concessions encompassed within the MOU are initially expected to deliver capital cost savings of A\$4 to 5 million.**
- **Signing of the MOU reflects the strong relationship which Centaurus has developed with the State Government in Minas Gerais, as well as with local communities and municipalities.**
- **State to provide support and assistance to the Company to access State Development Bank funding for equipment finance and for the licencing process.**
- **Jambreiro Project to result in a A\$136M investment by Centaurus in the State and the creation of more than 1,000 direct/indirect jobs during construction and approximately 300 direct and 200 indirect jobs during steady state operations.**

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Centaurus Metals (ASX Code: **CTM**) is pleased to advise that it has entered into a Memorandum of Understanding (MOU) with the State of Minas Gerais in south-east Brazil and a group of key State Departments which will result in the provision of important fiscal concessions and project facilitation benefits for the development of its flagship Jambreiro Iron Ore Project.

Importantly, the framework agreement – which is similar to the Preferred Project Status that exists in most states of Australia – is expected to deliver important tax concessions resulting in significant capital and operating cost savings for the Jambreiro Project, which is moving towards financing and development this year.

The MOU – which was signed in Brazil on Thursday, 17 January at a joint ceremony with the State Government, the State Department of Economic Development, the State Department of Finance and the Integrated Development Institute of Minas Gerais (“INDI”) – recognises the significant social and economic benefits that will be generated by the A\$136 million Jambreiro development.

It also reflects the strong relationship which Centaurus has developed with the State of Minas Gerais, represented at the ceremony by the Secretary of the State Department of Economic Development, Ms Dorothea Werneck, and the head of INDI, Mr José Álvares, since the Company acquired the Jambreiro Project in mid-2010.

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Key elements of the MOU include:

- a commitment by Centaurus to preferentially source employees required for the project locally, with the Jambreiro Project expected to generate approximately 1,000 direct and indirect jobs during construction and 300 direct and 200 indirect jobs during steady state operations;
- a commitment to use local suppliers and service providers, including engineering project and civil construction companies with head offices in Minas Gerais, provided they meet the Company's requirements in terms of price, quality and technical capability;
- the grant of key fiscal concessions to the Jambreiro Project by the State Government including;
  - removal of the ICMS tax payable on certain items of capital plant and equipment imported from abroad and other inputs,
  - removal of the ICMS tax uplift on goods acquired from other Brazilian States where no similar goods are produced in the State of Minas Gerais,
  - removal of the ICMS tax on capital goods acquired for the Project in Minas Gerais,
  - removal of the ICMS tax on operating inputs for the project purchased from local industrial suppliers, except for electricity, fuel, lubricants and communication services.

The quantum of the initial capital cost savings is expected to be in the order of A\$4-5 million; and

- preferential tax treatment of the iron ore products to be produced at Jambreiro and sold to local steel mills in the region, reflecting the value-adding to the ore that will be undertaken.

Further to the fiscal concessions provided under the MOU, the State will use its best efforts to assist Centaurus in securing working capital and equipment finance from the State Development Bank 'BDMG' should the Company choose to pursue this form of finance as part of its overall financing package.

In addition, the State of Minas Gerais, through INDI, will provide support and assistance in the licensing process as required by the Company to ensure the Project is delivered in a timely fashion.

Centaurus' Managing Director, Mr Darren Gordon, said the MOU with the State Government of Minas Gerais reflected the strong relationship which the Company has developed over the past three years, as well as the importance of the Jambreiro Project to local communities in the Municipality of São João Evangelista, where the project is located, and surrounding regions.

"The development of Jambreiro will see Centaurus initially invest some A\$136 million in the State of Minas Gerais, generating approximately 1,000 jobs during construction and 500 direct and indirect jobs during steady state operations, as well as creating significant opportunities for training and skills development for local residents" he said.

"We are very pleased that the State Government has recognised these opportunities and the substantial economic contribution that the development of Jambreiro will make by entering into the project facilitation arrangements for the key elements of the development and provide valuable fiscal and taxation concessions to the project.

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“This demonstrates the strong commitment of the State Government to facilitate the development of new resource projects in Minas Gerais and encourage and stimulate economic activity across the State,” he added.

“I would like to take this opportunity to acknowledge their strong and very positive commitment throughout this process, and also to thank our Brazilian based team for its hard work in concluding these important arrangements with the State Government.”

**-ENDS-**

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**About Centaurus**

*Centaurus is an emerging international iron ore company focused on developing a profitable domestic and export iron ore business in the iron ore rich, steel hungry region of south-east Brazil. Centaurus has a portfolio of highly prospective iron ore projects in this region including the flagship Jambreiro Project, which is expected to form the cornerstone of the Company's Domestic Iron Ore Strategy.*

*This Strategy is based on cost effectively beneficiating itabirite-hosted iron ore deposits to produce a high-quality, high-grade product for sale to the domestic steel industry. The Company is aiming to ramp-up production to 2Mtpa of high-grade hematite by developing and operating a low Capex/ low Opex mine at the Jambreiro Project by the end of 2013, establishing itself as a long-term supply partner to the domestic Brazilian steel industry.*

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