

18 February 2015

CANDONGA DSO PROJECT DEVELOPMENT UPDATE AND EQUITY RAISING

Key Points

- **Revised development strategy implemented for Candonga DSO Project, SE Brazil following the recently announced withdrawal of RMB Resources from the debt funding process.**
 - **The revised strategy is designed to maintain the current development momentum at Candonga while allowing alternative funding options to be pursued to underpin future project development.**
 - **The key elements of this strategy are to:**
 - *Complete the Candonga permitting and licensing process, which is currently at an advanced stage;*
 - *Continue to work on securing sales arrangements with the preferred customer base in the domestic market;*
 - *Commence diamond drilling at the highly prospective Conquista DSO Satellite Project to establish a maiden JORC Mineral Resource inventory and potentially enhance the scale and economics of the initial DSO production centre at Candonga; and*
 - *Investigate transactions that could deliver immediate value from the fully-licensed and shovel-ready Jambreiro Project.*
 - **To facilitate this strategy, Centaurus has engaged Canaccord Genuity Ltd as Lead Manager of an equity capital raising to assist with funding the above key activities.**
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Centaurus Metals (ASX Code: **CTM**) is pleased to announce that it has appointed Canaccord Genuity as Lead Manager of an equity capital raising to underpin the continued advancement of its Candonga Direct Shipping Ore (DSO) Project in south-east Brazil and to conduct exploration programs at the nearby Conquista DSO Project to establish a maiden JORC compliant resource inventory and underpin the growth of its DSO business.

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Candonga Project Update

Centaurus completed a positive Feasibility Study on the Candonga Project in September 2014, outlining a low capital, low operating cost project capable of producing 300,000tpa¹ of Direct Shipping Ore (DSO).

The Candonga Project will produce a high grade (63% Fe), low impurity (5-6% SiO₂, 1.5% Al₂O₃ and 0.025% P) small lump product (hematitinha) that is specifically required, and not readily available, in the domestic pig iron industry as part of its overall suite of products. Prices for this small lump product remain strong in the domestic market relative to the international market benchmark, reflecting the niche market and the general lack of supply of this specifically sized high grade ore.

The Candonga Project has a strong business case, with a very low capital pre-production cost of A\$3.6 million and forecast mine gate cash operating costs (C1 + royalties) of A\$14.90/tonne.

Centaurus has been progressing a funding strategy for Candonga based on securing a combined debt and equity funding package. As a result of the recent termination of the debt mandate with RMB Resources Limited, the Company will now reconsider all funding options available to it in order to pursue the future development of the Project. In this regard, it is important that the Company is able to maintain its current development momentum but progress the Candonga Project in focused and efficient manner.

The permitting and licensing process for Candonga is currently well advanced, with the Installation Licence expected in April 2015, clearing the way for the commencement of on-site earthwork activity. The commencement of development activity remains subject to securing a suitable development funding package.

Conquista DSO Project Update

The Conquista DSO Project, which was acquired late last year, is located 5km from the Company's Candonga Project. Initial field mapping and sampling and ground magnetic survey work has allowed the Company to establish a DSO Exploration Target at the Project of 3.5-8Mt grading 64-67% Fe and an Itabirite Exploration Target of 20-40Mt grading 35-45% Fe². The Exploration Target quantity and grade is conceptual in nature as there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

The Conquista Project hosts a number of strong prospects and drilling is now being planned to test the key targets and establish an initial JORC Resource. Due to the close proximity of the Conquista and Candonga Projects, any resource identified at Conquista could greatly enhance the returns that could be generated from an initial development at Candonga.

Conquista is considered to be an important part of the regional DSO footprint and the Company is of the view that defining resources quickly at this project will enhance the funding alternatives of the Candonga Project.

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

² Please refer to the ASX Announcement dated 11 November 2014 or the December 2014 Quarterly Activities Report dated 30 January 2015 for full details of the Exploration Target defined at the Conquista Project.

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Summary

While the withdrawal of RMB Resources from the proposed debt funding package has reshaped the Company's short-term funding and development strategy, the fundamentals of the Candonga Project remain strong and development activities will continue to be advanced to enable the Company to secure an alternative development funding package for the Project.

In the short-term, development activities will be undertaken in a staged and measured approach in parallel with focused drilling activities at the highly prospective Conquista Project to establish a maiden JORC Mineral Resource inventory and potentially enhance the scale and economics of the Company's initial DSO production centre.

In order to facilitate this strategy, the Company is preparing to undertake an equity raising for new and existing shareholders with terms to be released on completion of the trading halt.

Centaurus has reduced its fixed cost structure in recent weeks and will continue this process of cost reduction wherever possible without compromising its ability to progress the development of the Candonga Project and execute its key exploration programs at Conquista.

-ENDS-

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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.

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