

28 October 2010

SEPTEMBER 2010 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- **Passabem Iron Ore Project**
 - 13 hole, 852 metre, diamond drilling program completed.
 - Mineralisation confirmed along entire 5 kilometre strike length.
 - Large resource upgrade to 39mt @ 31% Fe (Indicated & Inferred).
 - Beneficiation test work underway.
- **Jambreiro Iron Ore Project**
 - 38 hole, 3,240 metre RC percussion and diamond drilling program confirmed the presence of significant zones of itabirite-hosted iron mineralisation.
 - Intersections included 98.2 metres @ 29.8% Fe and 93.8 metres @ 31.5% Fe.
 - Re-assay of historical drill core confirms significant intersections of mineralisation, including 85.8 metres @ 32.0% Fe.
 - Beneficiation work shows friable itabirite upgrades to a +63% Fe hematite sinter product via gravity separation process.
- **Expansion of Brazilian Iron Ore Portfolio**
 - Option exercised to acquire a further 16 prospective iron ore tenements from Cenibra.
- **Appointment of Strategic Consultant**
 - Leading iron ore executive, Mr George Jones, appointed as Strategic Consultant to the Company.
- **\$18.2 Million Capital Raising**
 - Share placement of \$14.4 million completed with international and domestic clients of Hartleys and Southern Cross Equities.
 - Fully subscribed \$3.8 million Share Purchase Plan to existing investors.
- **Non Core Assets**
 - South Brazil Copper/Gold assets farmed out to Brazilian mining group, Mining Ventures. Mining Ventures to spend up to US\$4.25 million to earn up to a 90% interest in the Project.
 - The Dish and Percyvale Projects in Australia divested into new IPO, Southern Crown Resources.



PASSABEM IRON ORE PROJECT (CTM 100%)

Following the conclusion of a 13 hole, 852 metre, diamond drilling program designed to build on the previously announced Passabem resource of 2.6mt, the Company reported positive results from the drilling and a subsequent substantial increase in the JORC compliant resource to **39 million tonnes grading 31.0% Fe** (see Table 1 below).

The diamond drilling program intersected itabirite mineralisation over the entire 5 kilometre strike length of the mapped iron formation at Passabem (see Figure 1). Importantly, the grade and width of the intersections appears to be very consistent over the entire strike length of the mineralisation.

Significant drill hole intersections included:

12.0 metres @ 35.1% Fe, 0.67% Al₂O₃ and 0.02% P from 16.5 metres (PSB-DD-0001)
16.0 metres @ 30.0% Fe, 0.41% Al₂O₃ and 0.05% P from 20.0 metres (PSB-DD-0002)
17.4 metres @ 30.8% Fe, 0.51% Al₂O₃ and 0.01% P from 26.5 metres (PSB-DD-0003)
21.6 metres @ 31.3% Fe, 0.33% Al₂O₃ and 0.02% P from 37.3 metres (PSB-DD-0004)
14.2 metres @ 30.3% Fe, 0.42% Al₂O₃ and 0.07% P from 20.4 metres (PSB-DD-0006)
23.0 metres @ 31.2% Fe, 0.33% Al₂O₃ and 0.11% P from 62.0 metres (PSB-DD-0010)
16.7 metres @ 34.3% Fe, 0.22% Al₂O₃ and 0.02% P from 31.2 metres (PSB-DD-0012)
13.4 metres @ 30.4% Fe, 0.98% Al₂O₃ and 0.07% P from 65.0 metres (PSB-DD-0013)

A full list of the drill hole results is set out in the ASX announcements of 8 July and 20 July 2010.

Following these drill results a new resource of 39mt @ 31% Fe was calculated. The new Indicated and Inferred Resource represents a **fifteen fold increase** on the previously reported Inferred Resource of 2.6Mt grading 31.3% Fe. The drilling has also allowed an upgrade of some of the orebody to Indicated Resource status. The revised Passabem Mineral Resource is summarised below:

Table 1 – Passabem Mineral Resource Statement

	Tonnes (Mt)	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	Mn%	LOI%
Indicated	2.8	33.0	48.8	1.90	0.03	0.10	0.64
Inferred	36.2	30.9	54.0	0.74	0.07	0.06	0.09
TOTAL	39.0	31.0	53.6	0.82	0.07	0.06	0.13

Note: Estimate calculated using Inverse Distance Squared technique with a cut off of 27% Fe applied.

Previous beneficiation test work completed on the Passabem ore in 2009 showed that a 28.5% Fe head grade sample could be upgraded to a **high-grade iron product (+66% Fe)** using a simple magnetic separation process. Further beneficiation tests are currently being conducted on the core collected from the recently completed drilling program with the results of this test work expected in the December Quarter.

Future Work Plans

Following the encouraging resource upgrade, further in-fill drilling is being planned to upgrade the resource to the Measured and Indicated categories. Additionally, further bench-scale metallurgical work needs to be conducted to facilitate the commencement of feasibility study work.

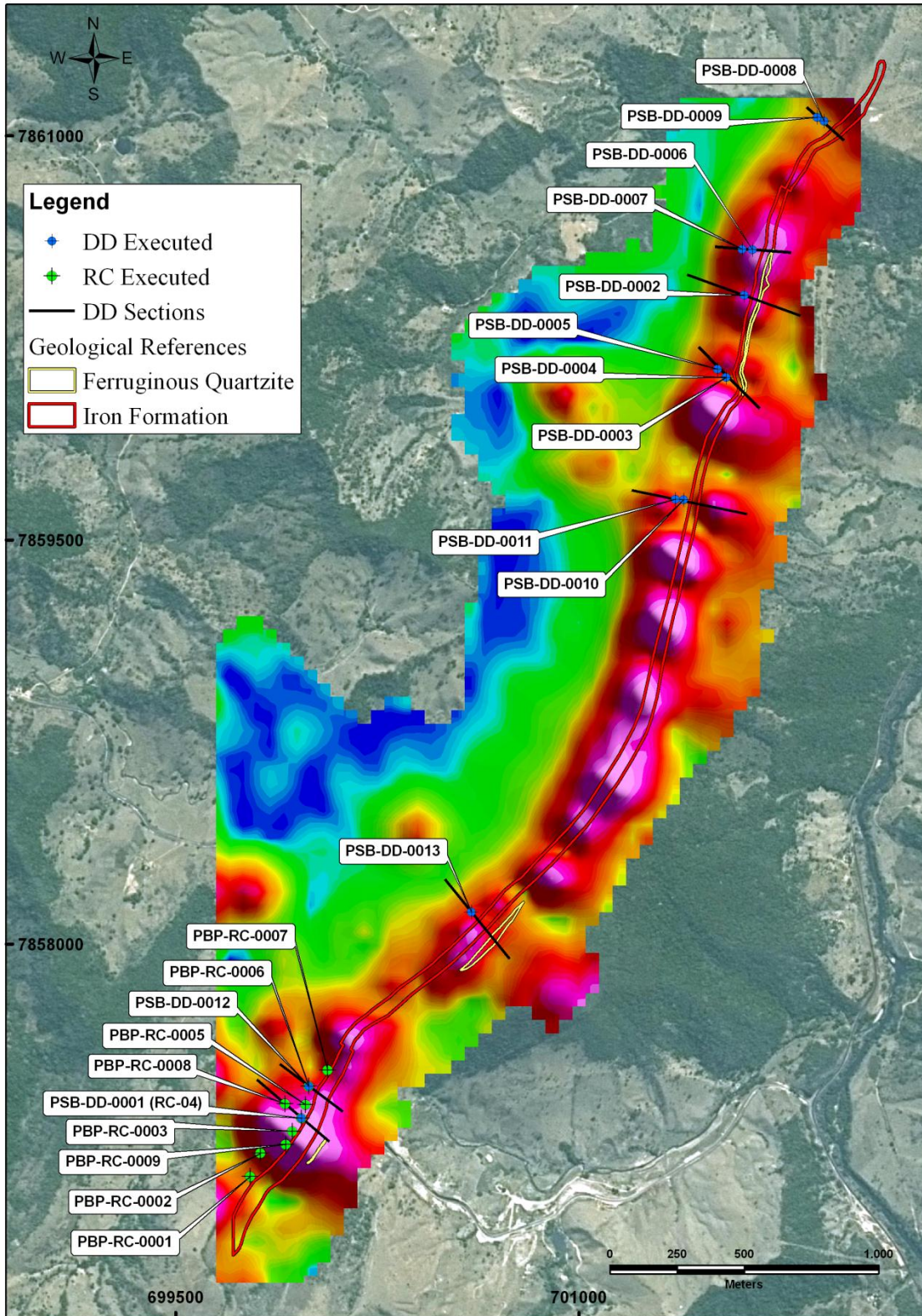


Figure 1 – Diamond Drill Hole Locations at Passabem with Magnetics and Mapped Iron Formation



JAMBREIRO IRON ORE PROJECT (CTM 100%)

Jambreiro Drilling Program

The recently acquired **Jambreiro Iron Ore Project** was the subject of much activity during the Quarter. Centaurus completed a 14 hole diamond and 24 hole RC percussion drilling program totaling 3,240 metres during the period. Recently completed drilling and re-assays of historic drilling confirmed the presence of wide zones of itabirite-hosted iron mineralisation, over a number of Prospect areas, which will form the basis of a maiden JORC Resource estimate.

Some of the intersections received included the following:

Tigre Prospect

98.2 metres @ 29.8% Fe, 3.9% Al₂O₃ and 0.05% P from 28 metres in Hole JBR-DD-002
93.8 metres @ 31.5% Fe, 5.5% Al₂O₃ and 0.04% P from 9 metres in Hole JBR-DD-003
70.0 metres @ 31.8% Fe, 3.3% Al₂O₃ and 0.03% P from 41 metres in Hole JBR-DD-001
62.5 metres @ 32.2% Fe, 2.0% Al₂O₃ and 0.03% P from 0.5 metres in Hole JBR-DD-011
53.0 metres @ 31.2% Fe, 3.5% Al₂O₃ and 0.03% P from 38 metres in Hole JBR-RC-020

Cruzeiro Prospect

31.0 metres @ 34.4% Fe, 1.4% Al₂O₃ and 0.02% P from surface in Hole JBR-DD-024
27.8 metres @ 30.4% Fe, 1.3% Al₂O₃ and 0.03% P from 10.9 metres in Hole JBR-DD-007

Galo Prospect

14.0 metres @ 35.1% Fe, 2.0% Al₂O₃ and 0.02% P from 56 metres in Hole JBR-RC-011
13.0 metres @ 31.2% Fe, 2.9% Al₂O₃ and 0.03% P from 12.3 metres in Hole JBR-DD-005

Importantly, many of the intersections form part of wider mineralised zones. For example, the 98.2 metre intersection in diamond drill hole JBR-DD-002 is contained within a wider zone of 160.8 metres with a down-hole composite grade of 29.4% Fe, while the 34.2 metre intersection in hole JBR-DD-010 is contained within a wider zone of 117.5 metres with a down-hole composite grade of 28.1 % Fe.

The Tigre Prospect

Some of the widest and most significant intersections encountered in the drilling program were at the Tigre Prospect. Drill hole JBR-DD-010 intersected mineralisation over an interval of 117.5 metres grading 28.1% Fe while hole JBR-DD-011 intersected mineralisation over an interval of 88.2 metres grading 32.0% Fe. These drill holes were positioned on the outcropping Itabirite iron formation over a strike length of approximately 700 metres.

Drill Hole JBR-DD-003, which intersected 93.8 metres at 31.5% Fe, is located between these two drill holes and demonstrates the continuity of the mineralisation along strike (see Figure 2).



The Tigre Prospect is located in the central zone of the Jambreiro Project, where detailed geological mapping has identified itabirite mineralisation over a continuous strike length of some 1.1 kilometres. The coarse-grained friable itabirite mineralisation identified at surface generally continues to a depth of approximately 50 metres with more compact itabirite continuing below this depth.

Preliminary geological interpretation indicates that the mineralisation at the Tigre Prospect has a true width of 70 to 80 metres and dips between 40° and 70° to the southwest.

The Cruzeiro Prospect

At the Cruzeiro Prospect, the itabirite mineralisation has been mapped over a strike length of some 500 metres and drilling has confirmed the friable nature of the mineralisation and grade tenor is consistent with the other Prospects at Jambreiro.

The Galo Prospect

Exploratory drilling completed to the north of the Tigre Prospect at the Galo Prospect has also returned encouraging intersections of itabirite mineralisation. The recent drilling and previous mapping of the Galo Prospect indicates the extensive nature of the friable itabirite over a strike length of some 1.5 kilometres.

Re-Assay of Historical Drilling

In addition to the drilling conducted by Centaurus Metals at Jambreiro during the Quarter, re sampling of seven historical vertical diamond drill holes was undertaken. Significant intersections of mineralisation were encountered in most of the holes, including **85.8 metres @ 32.0% Fe** in Hole JAM003.

Significant intersections include:

Hole JAM001	18.4 metres @ 33.1% Fe, 3.66% Al₂O₃ and 0.03% P from surface, 33.1 metres @ 35.8% Fe, 2.99% Al₂O₃ and 0.05% P from 20.4 metres
Hole JAM002	25.5 metres @ 34.2% Fe, 1.06% Al₂O₃ and 0.01% P from surface
Hole JAM003	85.8 metres @ 32.0% Fe, 4.20% Al₂O₃ and 0.03% P from surface
Hole JAM006	21.6 metres @ 30.3% Fe, 1.24% Al₂O₃ and 0.02% P from 2.4 metres
Hole JAM007	37.3 metres @ 27.5% Fe, 2.74% Al₂O₃ and 0.04% P from 51.3 metres

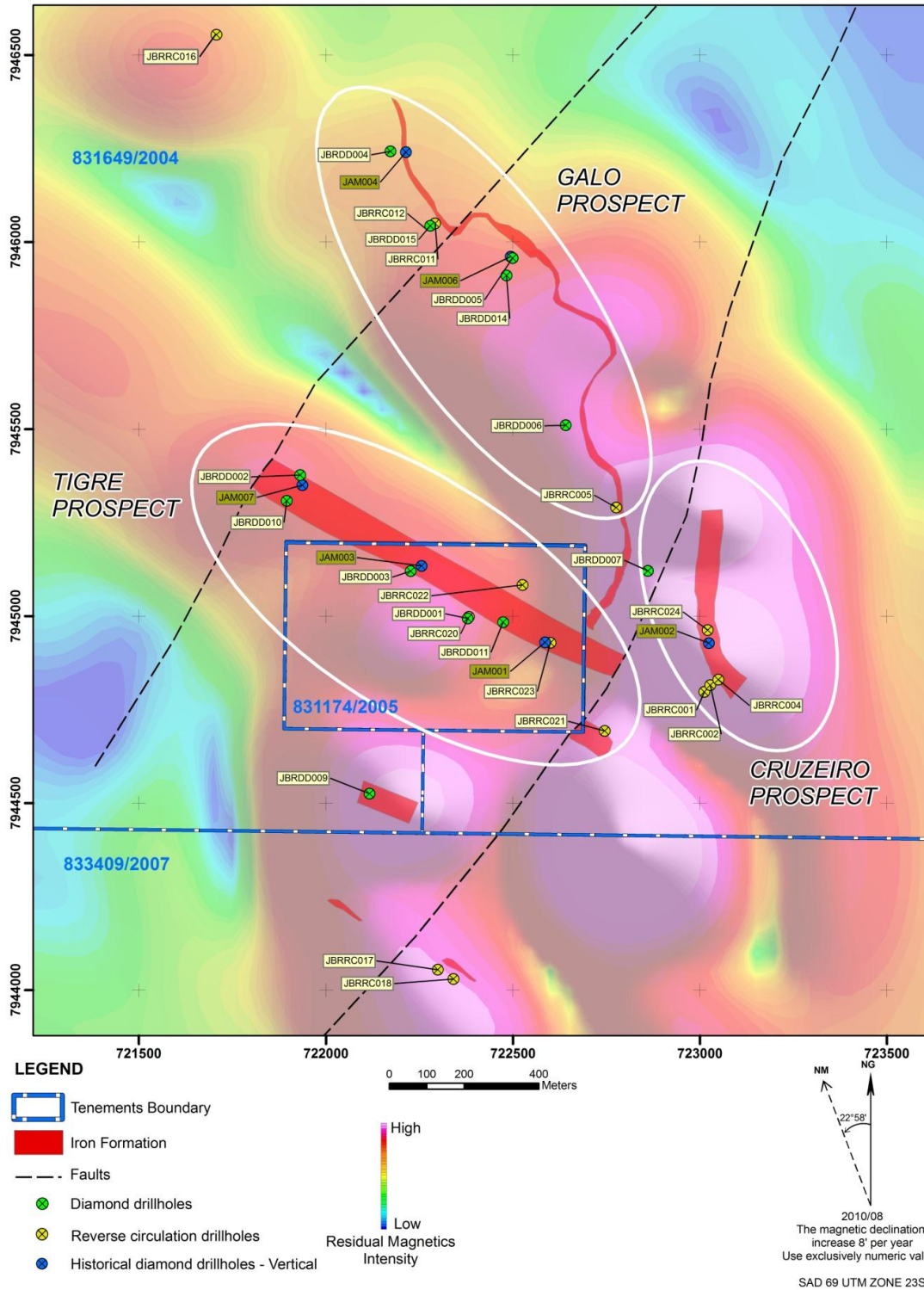


Figure 2 – Jambreiro Iron Ore Project Showing Drill Hole Locations and Prospects over Initial Ground Magnetic Survey



Beneficiation Test Work

Centaurus' recent initial beneficiation test work, using a simple gravity separation process, was performed on a 200kg sample of the friable itabirite at Jambreiro collected from five locations within the mineralised zone. The average iron grade of the sample collected was 32.6% Fe from which, using only a rougher (first) stage, the low cost gravity upgrade process (spirals) produced a 63% Fe sinter product with very low levels of phosphorus and alumina (See Table 2) at a mass recovery of 48%. The remaining silica is fully liberated and will be removed easily by cleaner separation steps.

In addition, a better than 93% Fe metal recovery to concentrate was achieved highlighting the purity of the hematite in the Jambreiro mineralisation.

Table 2 – Beneficiation Test Work Results using Gravity Separation Process

	Fe (%)	SiO₂ (%)	Al₂O₃ (%)	P (%)	Mass Recovery (%)
Head Grade	32.6	51.1	1.67	0.02	
Beneficiated Sample	63.0	8.2	0.68	0.01	48.8

EXPANSION OF BRAZILIAN IRON ORE PORTFOLIO

During the Quarter, Centaurus Metals exercised its option to acquire a further 16 prospective iron ore tenements in south-eastern Brazil under the innovative arrangement with the leading Brazilian Pulp Company, Cenibra.

The new tenements – most of which are located immediately west of the recently acquired Jambreiro Project (see Figure 3 attached) in the Guanhães Group of tenements – further enhance Centaurus' project portfolio in the State of Minas Gerais, around the "Iron Quadrangle" region of south-eastern Brazil.

Two of the tenements were selected from the Ipatinga Group, located near the major Brazilian steel-maker Usiminas.

Evaluation programs have been prepared which will include the drilling of approximately 2,500 metres over the acquired tenements.

Of the new tenements in the Guanhães Group, one of the initial prospects of focus will be the **Candongá Prospect**. Iron mineralisation at Candonga has been mapped over a strike length of some 2 kilometres with the outcrop showing that the material is medium to coarse grained friable itabirite. Ground magnetic work was undertaken to assist with an initial 4 hole drilling program. The drill program was completed during September with results due in the December Quarter. Historical drill core from two diamond drill holes also within the Candonga Prospect has been located and is now in the process of being re-logged, sampled and sent for assay together with drill core from other tenements acquired under the Cenibra Agreement.

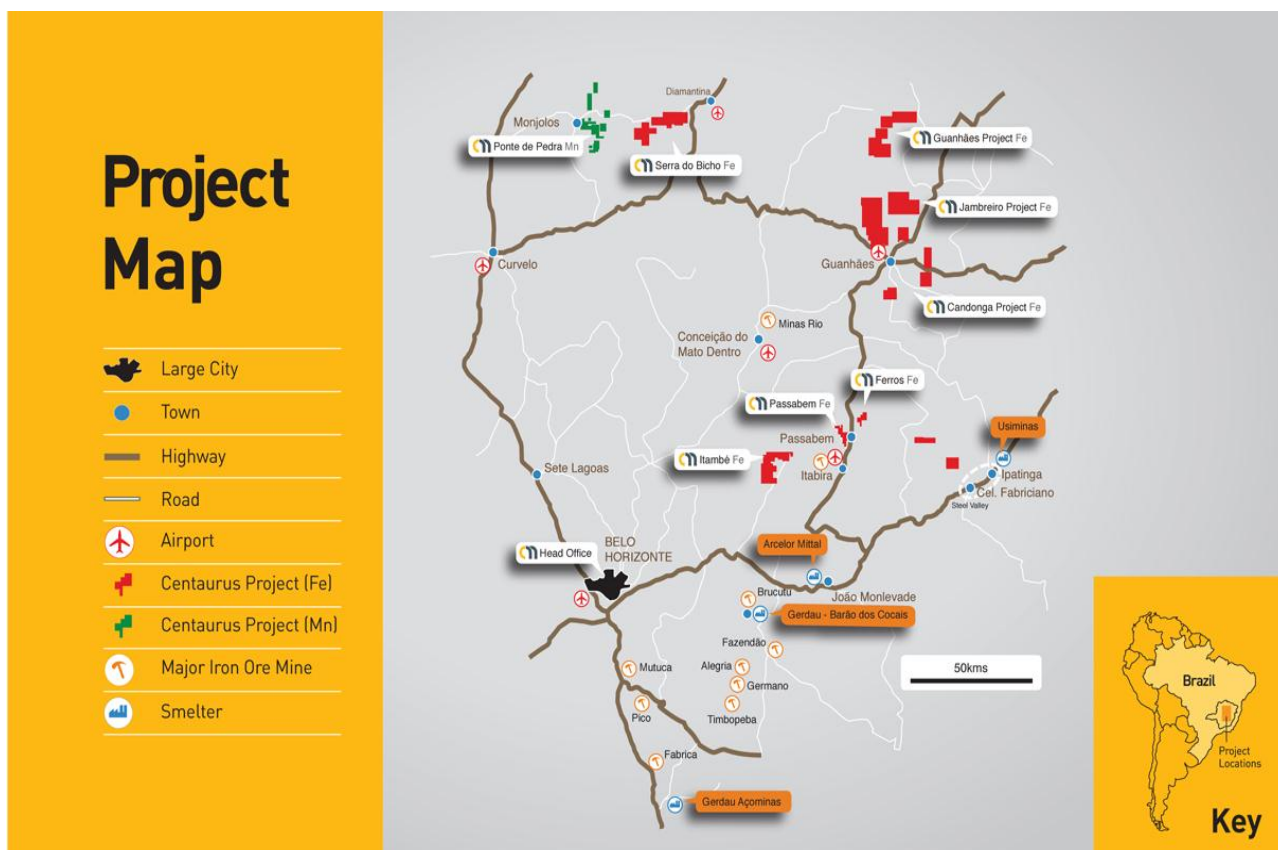


Figure 3 – Project location map showing new tenements to the West and South of Jambreiro

ITAMBÉ IRON ORE PROJECT (100%)

During the Quarter a diamond drilling program at the Company’s Itambé Iron Ore Project was completed.

The 24 hole program comprised 1,095 metres of diamond drilling with the key aim being to upgrade the established Inferred Itabirite Resource of 15.5 Mt grading 37.2% Fe to a Measured and Indicated status in advance of completion of a Feasibility Study on the Project.

A previous mining study has indicated that the Itambé Iron Ore Project is likely to be financially robust with operating costs likely to be under US\$15 per tonne predominantly due to the friable nature of the ore and the close proximity of the deposit to the Brazilian domestic steel industry. Previous beneficiation test work indicates that the Itambé mineralisation (with a head grade of 51.6% Fe) can be upgraded to a high grade (67.7% Fe) product via a simple magnetic separation process.

Drill core from the recently completed drill campaign will be used to provide further samples for beneficiation test work such that the Company will be in a position to have meaningful negotiations with domestic steel groups about the quality of the Itambé final product and potential offtake arrangements.



LIBERDADE PROJECT

Centaurus Metals was pleased to advise that in July the legal action it initiated in June 2009 against its former Joint Venture partner at the Liberdade Iron Ore Project in south-east Brazil had been successfully concluded, resulting in the award of A\$2 million in damages.

The legal action – against Mineração Marsil Ltda and an associated company, Master Mineração Ltda – was concluded in the Arbitration Court of Minas Gerais, CAMARB and enforcement of the judgement is now being sought.

In addition to ratifying the annulment of the contract, Centaurus Metals has been awarded damages totalling BR\$3,103,617 (A\$2 million). As part of the award, interest is payable by Mineração Marsil Ltda on the amount awarded at the rate of 1% per month until the payment is received by Centaurus Metals.

Background to the Liberdade Iron Ore Project

Centaurus Metals was previously earning up to a 60% interest in the Liberdade Iron Ore Project, which comprises a 1.45 km² Mining Lease that covers a 2.5 kilometre long, 300 metre wide zone, prospective for structurally controlled iron ore formation. The Project is located in the north eastern part of the Iron Quadrangle in south-east Brazil.

After Centaurus Metals completed a systematic evaluation of the Liberdade Project, an initial JORC compliant Indicated and Inferred Resource of 5.3 million tonnes grading 43% Fe was estimated by Coffey Mining.

Due to the joint venture partner Mineração Marsil Ltda's non-compliance with the Joint Venture contract, and having pursued all other avenues for the realisation of value from the Company's investment in the Liberdade asset, Centaurus Metals commenced legal action for breach of contract in June 2009.

APPOINTMENT OF STRATEGIC CONSULTANT

In a significant development for the Company, one of Australia's leading iron ore executives, Mr George Jones, joined Centaurus Metals as a strategic consultant. Mr Jones will provide advice to Centaurus' Board and Management team on a number of important aspects of its business as it progresses the development of several potential iron ore production projects in south-east Brazil.

Mr Jones has an extensive international contact network and knowledge of the global iron ore and steel industry and capital markets which will greatly assist Centaurus Metals as it works towards building a substantial iron ore company in Brazil.

Specifically, Mr Jones will provide advice in respect to the development of strategic relationships for Centaurus Metals' future export plans in Brazil, access to new capital markets, current market conditions in the global iron ore market and future off-take arrangements and associated project development funding.

AUSTRALIAN SECURITIES EXCHANGE ANNOUNCEMENT & MEDIA RELEASE



Mr Jones is one of Australia's most accomplished mining executives, with more than 35 years experience in the mining, banking and finance industries. As the former Executive Chairman of Portman Mining Limited, he was instrumental in overseeing the growth of that company over the course of a decade, taking it from a start-up iron ore producer in the early 1990s to a 6Mtpa producer of direct shipping iron ore with a market capitalisation of over \$600 million in 2005 when it was acquired by Cleveland-Cliffs.

More recently, he has overseen the growth and development of leading Australian iron ore company Gindalbie Metals Limited (ASX: GBG) over the past five years as Chairman. In this role, he has led the financing and development of the \$2 billion Karara Magnetite Project in Western Australia, the largest new resource development project in Western Australia's Mid West region.

NON CORE ASSETS

Australia

During the Quarter, Centaurus entered into an agreement to divest the Dish and the Percyvale Gold/Copper Projects to Southern Crown Resources Ltd ('SCRL'), which is planning an Initial Public Offering (IPO) by the end of 2010.

The consideration for these assets is 1.56 million shares in SCRL, which will represent approximately 5% of the post-IPO issued capital and 2 million performance options of which 1 million will vest upon the definition of a resource of 250,000 gold equivalent ounces at the Dish project and the remaining 1 million of which will vest upon the definition of a resource of 250,000 gold equivalent ounces at the Percyvale project.

SCRL lodged a Prospectus with ASIC in mid October 2010 for an Initial Public Offering ('IPO') which will see it issue 20 million shares at 20 cents each together with one free Option for every two shares issued to raise \$4 million to progress exploration activities. The Dish and Percyvale Projects are both located in well established mining districts that contain proven mineral deposits and production by major mining companies. Both project areas are prospective for gold and base metals, particularly copper.

Centaurus Metals Limited shareholders will receive a priority offer to participate in the forthcoming IPO of SCRL.

Brazil

In August, Centaurus Metals entered into a Farm Out agreement with a Brazilian-based mining company Mining Ventures Do Sul Pesquisa e Mineração Ltda ('Mining Ventures') covering its two non-core Brazilian Copper-Gold Projects. Under the terms of the agreement, Mining Ventures will spend up to US\$4.25 million on the Project areas to earn up to a 90% interest.

The key project area is the Caçapava Project, located in the South of Brazil, which consists of seven tenements prospective for gold and base metal mineralisation. The Centaurus tenements are located adjacent to Mining Ventures existing Caçapava do Sul Project and the combination of the two tenement packages in this region will provide Mining Ventures with a dominant tenement position in an area that they have been actively exploring over the past 2 years. The second Project is the Brusque Project, located in the State of Santa Catarina.

AUSTRALIAN SECURITIES EXCHANGE ANNOUNCEMENT & MEDIA RELEASE



Mining Ventures is a private company majority owned by Denham Capital, a US private equity firm focused on energy and commodities with over US\$4.3 billion of assets under management. Mining Ventures owns a portfolio of mineral tenements in Brazil focused on copper, gold, iron ore and rare earth minerals.

Under the terms of arrangement, Mining Ventures will undertake three phases of exploration investment with the second and third phases being subject to exploration success in the relevant preceding phase. At least \$500,000 must be spent on the Caçapava Project before Mining Ventures can withdraw from the Joint Venture.

Centaurus will be carried free until the completion of the third and final exploration phase, at which time it will have the right to contribute to the future costs of the project in proportion to its 10% stake, or to convert this holding into a 1% Net Smelter Royalty. Centaurus' areas will revert entirely to Centaurus should Mining Ventures not complete the first or second phase of exploration investment.

CORPORATE

During September, Centaurus Metals announced and closed a capital raising to accelerate growth at its Brazilian Iron Ore Projects. A total of \$18.2 million was raised, with a \$14.4 million share placement at 7.5 cents per share to international and domestic clients of Hartleys Limited and Southern Cross Equities Limited and a \$3.8 million Share Purchase Plan ("SPP") to existing shareholders also at 7.5 cents per share. The SPP was fully subscribed by shareholders.

Following a successful shareholders meeting on 20 October 2010 to approve tranche 2 of the placement, a total of 242.5 million shares were issued to raise \$18.2 million.

Cash Position

At 30 September 2010, the Company held cash reserves of \$7.5 million. In October 2010, \$11.6 million was received for tranche 2 of the share placement and the SPP referred to above.

Shareholder Information

At 30 September 2010, the Company had 692,798,639 shares on issue with the Top 20 holding 33% of the total issued capital. Directors and Senior Management held 12% of the total issued capital.

On the completion of the Share placement, the total issued capital of the Company was 846,923,637 shares with the Top 20 shareholders holding 34% of the total issued capital.

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 Mr Ian Cullen who is a member of the AusIMM. Ian Cullen is a permanent employee of Centaurus Metals Limited. Ian Cullen has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is 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 Reserves'. Ian Cullen consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.