

29 August 2011

CENTAURUS EXPANDS JAMBREIRO STUDY WORK AS A RESULT OF EXCELLENT RESULTS IN SOUTH EAST EXTENSION ZONE

- Outstanding drill results extend scope of Mining Study for Jambreiro Iron Ore Project, Brazil.
- Recent drilling demonstrates that the South East Extension Zone hosts an extensive zone of friable itabirite mineralisation, with latest results including:
 - 43.0 metres @ 30.4% Fe, 0.7% Al₂O₃ and 0.06% P from 37.0 metres.
- Increase in Jambreiro JORC resource anticipated by end of September.
- Additional friable mineralisation could significantly extend period of low operating costs.
- +10 year mine life at 2Mtpa expected from Jambreiro Project.
- The current progression of the Jambreiro Mining Study means that Centaurus will now complete a Pre-Feasibility Study, for release in November.

International iron ore company Centaurus Metals Limited (ASX Code: **CTM**) is pleased to advise that, due to excellent drilling results from the South East Extension Zone and satellite Prospects at its 100%-owned **Jambreiro Iron Ore Project** in Minas Gerais, Brazil, it has resolved to expand the current Jambreiro Mining Study work to take into account the extensive zones of friable material intersected in the drilling.

Analysis of the Company's latest drilling results, released to the market earlier this month with additional new results specified below, indicate that there is a significant amount of friable mineralisation in the South East Extension Zone and satellite Prospects at Jambreiro that is not presently factored into the mining studies.

Centaurus anticipates that the significant scale of this friable mineralisation underpins the potential for an enhanced operation at Jambreiro, with an extended period of low operating costs now 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.

South East Extension Zone Drilling Results Update

As reported earlier this month (*see ASX Announcement released 10 August 2011*), the excellent results from the recent drill program have extended the primary mineralised zone at Jambreiro (the Tigre Prospect) by at least another 400 metres and confirm the presence of a significant amount of friable mineralisation in this South East Extension Zone.

The latest drilling is expected to lead to an increase in the current JORC resource estimate (combined Measured, Indicated and Inferred Resource of 70.6 million tonnes at an average grade 28.0% Fe). A revised estimate should be completed by the end of September.



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Most drill results from the South East Extension Zone have now been received, with one of the recently received holes intersecting **43.0 metres @ 30.4% Fe, 0.7% Al₂O₃ and 0.06% P** from 37.0 metres (Hole JBR-DD-11-0045). This is consistent with the results reported earlier this month which included:

- 77.0 metres @ 29.4% Fe, 2.7% Al₂O₃ and 0.04% P from surface in Hole JBR-RC-11-0096
- 51.0 metres @ 34.7% Fe, 2.9% Al₂O₃ and 0.03% P from 33.0 metres in Hole JBR-RC-11-0085, 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-RC-11-0090
- 33.0 metres @ 30.6% Fe, 2.8% Al₂O₃ and 0.04% P from 38.0 metres in Hole JBR-RC-11-0091
- 30.0 metres @ 35.8% Fe, 3.6% Al₂O₃ and 0.03% P from surface in Hole JBR-RC-11-0084
- 26.0 metres @ 41.7% Fe, 2.4% Al₂O₃ and 0.04% P from surface in Hole JBR-RC-11-0097

Logging of the drill core and RC chips indicates that approximately two-thirds of the mineralisation in the South East Extension Zone is considered to be friable itabirite.

The results from drilling in the South East Extension Zone provide strong confidence that the Exploration Target¹ of 20-30 million tonnes at a grade of 28-33% Fe established previously for this zone of mineralisation can now be converted to a JORC compliant resource and added to the overall Tigre resource estimate.

Further to this, based on extensive beneficiation test work results completed to date on mineralisation from the Project, the 20-30Mt Exploration Target¹ for the South East Extension Zone may add a further 8-12 million tonnes of high grade (+65% Fe) hematite product to the Company's product inventory should it all be converted to Resource in the September Resource upgrade work, assuming a 40% mass recovery.

Satellite Prospects Exploration Update

There are three satellite Prospects that form part of the Jambreiro Project. These are the Galo, Cruzeiro and Coelho Prospects. **All three Prospects are made up almost entirely of friable mineralisation.**

The Galo and Cruzeiro Prospects are already included in the Jambreiro resource base as inferred resources but to date have not been considered as part of the current Mining Study because ongoing drilling is in the process of upgrading them to the Measured and Indicated categories.

The Coelho Prospect is not in the current JORC resource estimate nor has it been considered as part of the current Mining Study.

A number of drill results from the satellite Prospects remain to be received from the assay laboratories but a recent batch of RC results from these Prospects is set out in Table 2. For example, one hole from the Coelho Prospect intersected **16.0 metres @ 31.8% Fe, 1.6% Al₂O₃ and 0.02% P** from surface (Hole JBR-RC-11-0074).

Mining Study Extended to Pre-Feasibility Study

The mineralised zone in the South East Extension Zone comprises thick and consistent friable material, dips sub-parallel to the natural surface and, when combined with the higher grade nature of the mineralisation, is expected to result in overall lower strip ratios and higher mass recoveries.

In light of these project advantages, the South East Extension Zone should be considered as a strong option for the start of future mining activities with these attributes likely to further enhance the economics of the Project.

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.

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With the existing JORC Resource at the Tigre Prospect, favourable beneficiation testwork results and new drill results coming out of the South East Extension Zone and satellite Prospects, the Company is confident that the Jambreiro Project will host a future operation that is substantially larger than that envisaged in the current Mining Study, with an increase in the overall mine life and, importantly, an increase in the mine life of friable mineralisation.

While the Mining Study currently underway encompasses both friable and deeper compact material, it is the volumes of friable mineralisation which represent a key driver of project economics because of its proximity to surface and excellent beneficiation characteristics to produce a high grade, low impurity product that is highly sought after in the domestic market in Brazil.

After taking all of these factors into consideration, Centaurus believes there is compelling rationale to extend the Mining Study to consider the likely increase in friable mineralisation, rather than constraining the Study based solely on the existing Tigre resource.

The expanded study will be delivered to Pre-Feasibility Study standard and will now be based on the Tigre Prospect, the South East Extension Zone as well as all of the satellite prospects. The expanded Study will result in the completion of a Pre-Feasibility Study ("PFS") by mid-November. Much of the existing Mining Study work has already been prepared to PFS standard.

The preliminary outcomes of the Mining Study work to date have been very positive, with key interim findings including:

- strong market acceptance for the high grade, low impurity product which the Jambreiro Project will produce;
- generally higher prices in the domestic market than previously estimated; and
- low operating costs, particularly for the friable material, compared to industry benchmarks.

Centaurus' Managing Director Mr Darren Gordon, said *"The exploration results in the South East Extension Zone – which continue to significantly exceed expectations – make it an easy decision to expand the scope of the Mining Study to ensure that it reflects what we believe will now be the operating parameters of the Project. The quality and quantity of the work completed already, together with the strong exploration results being received, will allow us to increase our overall level of confidence in the study to a Pre-Feasibility Study level.*

"While there is more work to do, we can now say with confidence that Jambreiro has the potential to be a substantial project with a mine life of +10 years at a 2Mtpa production rate. This expanded scope is an exciting development for Centaurus which potentially changes the scale and potential of our domestic iron ore business.

"This very positive development also follows the recent decision by Atlas Iron to take up a 19.9 per cent strategic stake in the Company, providing us with the support of a cornerstone strategic shareholder to assist us in developing both our domestic and export iron ore businesses in Brazil," Mr Gordon added.

-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 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.

Table 1 – Jambreiro Iron Ore Project – New Diamond Drill Hole Results – August 2011

DOWN-HOLE INTERSECTIONS - JAMBREIRO - DDH														
Hole ID	SAD East	SAD North	mRL	Dip	Azi	Final Depth(m)	From (m)	To (m)	Downhole width (m)	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	Location
JBR-DD-11-00045	722821	7944156	962	60	-80	112.95	37.00 Downhole composite	80.00	43.00 43.00	30.39 30.39	49.42 49.42	0.74 0.74	0.06 0.06	South East Ext'n
JBR-DD-11-00047	722720	7944293	918	60	-80	164.00	125.00 Downhole composite	128.00	3.00 3.00	27.01 27.01	51.13 51.13	1.33 1.33	0.06 0.06	South East Ext'n

Intervals calculated using a 20% Fe cut-off grade with 3 metre minimum mining width;

Table 2 – Jambreiro Iron Ore Project – New RC Drill Hole Results – August 2011

DOWN-HOLE INTERSECTIONS - JAMBREIRO - RC														
Hole ID	SAD East	SAD North	mRL	Dip	Azi	Final Depth(m)	From (m)	To (m)	Downhole width (m)	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	Location
JBR-RC-11-00072	721958	7946372	951	-70	50	60	29.00 Downhole composite	37.00	8.00 8.00	29.10 29.10	39.58 39.58	10.52 10.52	0.06 0.06	Galo Prospect
JBR-RC-11-00073	722168	7944979	830	-60	30	50	0.00 Downhole composite	19.00	19.00 19.00	26.24 26.24	55.48 55.48	4.30 4.30	0.03 0.03	Tigre Upper Limb
JBR-RC-11-00074	722465	7943893	830	-60	60	60	0.00 Downhole composite	16.00	16.00 16.00	31.78 31.78	51.67 51.67	1.65 1.65	0.02 0.02	Coelho Prospect
JBR-RC-11-00076	722040	7946460	900	-70	50	30	0.00 Downhole composite	13.00	13.00 13.00	25.11 25.11	53.48 53.48	6.12 6.12	0.02 0.02	Galo Prospect
JBR-RC-11-00079	721980	7945060	881	-70	30	80	16.00 26.00 Downhole composite	23.00 36.00	7.00 10.00 17.00	28.09 24.20 25.80	54.08 56.89 55.73	3.42 5.56 4.68	0.03 0.02 0.02	Tigre Upper Limb
JBR-RC-11-00102	721647	7945760	1000	-70	50	88	7.00 Downhole composite	25.00	18.00 18.00	25.23 25.23	58.18 58.18	3.70 3.70	0.03 0.03	Tigre NW

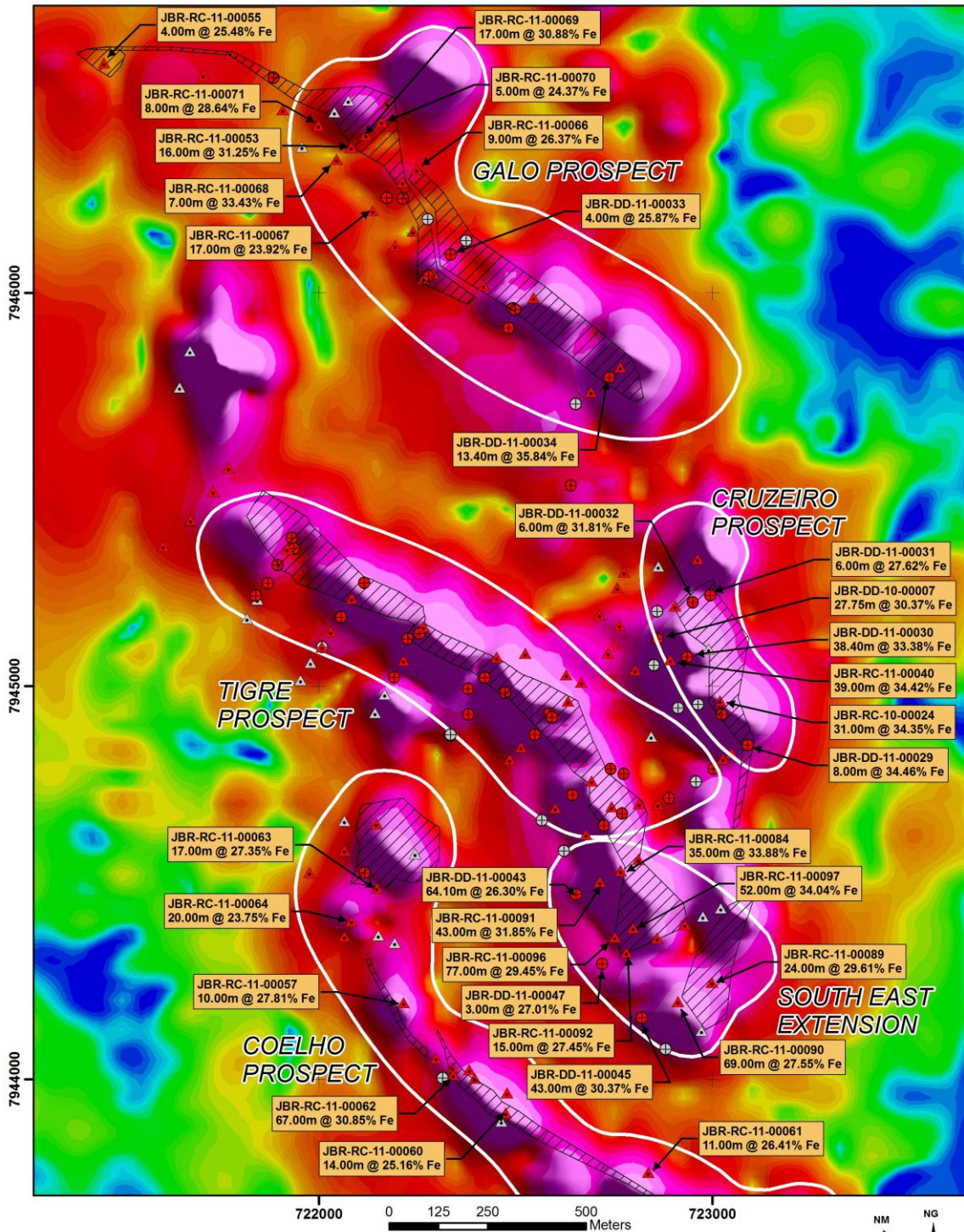
Intervals calculated using a 20% Fe cut-off grade with 3 metre minimum mining width; All samples were analysed using an XRF fusion method with LOI at 1000 OC

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Figure 1

Jambreiro Ground Magnetics with Recent Results from South East Extension Zone and Satellite Prospect Areas



Legend

Mapped Iron Formation

JBR-DD-11-00017 80.20m @ 32.81% Fe → Downhole Composite Results

DrillHole Type and Status

- DD, Previously Released
- RC, Previously Released
- DD, Results Pending
- RC, Results Pending

