

AUSTRALIAN SECURITIES EXCHANGE ANNOUNCEMENT & MEDIA RELEASE



29 May 2020

CHAIR'S ADDRESS – 2020 ANNUAL GENERAL MEETING

I am pleased to report on what has been a standout year for Centaurus Metals. The past nine months in particular have seen the Company substantially repositioned, refreshed and reinvigorated as an international nickel sulphide developer and is now on a clear growth trajectory that we believe will see us rapidly elevated into the ranks of mid-tier ASX-listed miners over the next couple of years.

At the heart of this transformation was the successful acquisition, in September last year, of the advanced Jaguar Nickel Sulphide Project, located in the world-class Carajás Province of north-eastern Brazil, from the global mining giant Vale S.A.

I hasten to add that our ability to transact successfully with one of the world's top mining companies is a direct reflection of our decade-long presence in the Brazilian mining industry; our strong track record in successfully identifying, acquiring, exploring and permitting resource projects; and the credentials of our in-country team.

Our developing relationship with Vale builds on our past achievements in having brought the Jambreiro Iron Ore Project to the cusp of development, and in more recent years, in securing the Salobo West copper-gold exploration project – which proved to be an asset of strategic significance and assisted us in securing the acquisition of the Jaguar Project.

At the risk of once again invoking the well-worn cliché of the junior mining sector, the Jaguar acquisition was a transformational transaction, with acquisition terms – the Salobo tenement swap, a small upfront payment and the bulk of consideration payable on a deferred basis plus a production royalty – ideally structured for a junior company like Centaurus.

Located in the western portion of the premier Carajás mining province, the Project came with a non-JORC global foreign resource of 40.4Mt at 0.78% nickel (using a 0.5% nickel cut-off grade) for 315,000 tonnes of contained nickel, based on more than 55,000m of high-quality diamond drilling completed by Vale from 2006-2010.

As we have articulated to the market over the past few months, Vale was targeting a very large, Tier-1 scale bulk tonnage nickel operation based on disseminated mineralisation. While Jaguar may not have quite lived up to Vale's parameters, we could see that it had clear potential for a slightly smaller-scale, higher-grade development opportunity.

And when we say "smaller scale", we mean a nickel sulphide resource capable of sustaining a long-life, high-grade operation of similar scale to those targeted by many highly successful ASX-listed nickel miners – companies like Jubilee Mines, Western Areas, Mincor Resources, Panoramic, Sirius Resources and IGO.

Historical drilling focused on bulk tonnage, low- to medium-grade mineralisation and Vale did not follow-up any of the many high-grade massive and semi-massive sulphide intercepts, several of which highlighted exceptional opportunity for shallow, open pit mineralisation followed by potential longer-term underground mining.

The scale and potential of the Jaguar Project provided the perfect springboard for the Company to raise \$10 million in September last year, attracting the support of a number of institutional investors including affiliates of the Sprott Group, and to launch a 10,000m diamond drilling program.

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The results from this drilling have well and truly exceeded our expectations, clearly demonstrating the consistency and quality of the high-grade massive sulphide mineralisation at the two key deposits within the historical resource, Jaguar and Onça Preta, while also outlining an exciting new discovery at Onça Rosa.

We have now completed all of the new drilling required to estimate a maiden JORC 2012 Mineral Resource, which we expect to complete by mid-year, with two diamond rigs continuing to operate at the Jaguar Central and Jaguar North Deposits following up a number of shallow high grade nickel intersections drilled historically by Vale.

Encouragingly, the application of modern geophysical exploration techniques, especially down-hole electromagnetic (EM) surveys, have proven to be very effective in locating high-grade nickel sulphide mineralisation, with high-grade drill intercepts generally correlating very well with the down-hole EM conductor plates.

This bodes extremely well for the future exploration and growth of the Project with many down-hole EM conductor plates extending well beyond our current drilling and providing a great opportunity to identify further high-grade nickel at depth.

We are confident that our development timeline for Jaguar will position Centaurus to capitalise on the favourable market outlook for nickel. The metal received a significant boost last year with the combination of a sharp drop in LME stockpiles, a ban on nickel ore exports announced by major producer Indonesia and predictions of a surge in demand driven by the burgeoning lithium-ion battery and EV sector.

While the recent COVID-19 pandemic has impacted nickel demand like most commodities, there is a broad consensus that years of under-investment in new production capacity, especially from nickel sulphide sources, will continue to drive a positive outlook for nickel as underlying demand from the stainless-steel industry gets super-charged by the EV sector.

With COVID-19 remaining a major health issue in Brazil at the present time, multiple controls have been implemented by the Company to help protect the health and safety of Centaurus' in-country workforce, their families and the local community, as well as to help maintain business continuity. To date there has been minimal impact on the Company's activities in the Carajás and drilling is ongoing whilst resource work and scoping study activities are advanced.

Turning now to our iron ore assets, and more specifically our Jambreiro Iron Ore Project, located in Minas Gerais, in south-eastern Brazil. This fully permitted, shovel-ready development project represents an important strategic asset in the Brazilian domestic iron ore and steel sector, with a positive Pre-Feasibility Study completed in July last year outlining a robust one million tonne per annum start-up project capable of generating life-of-mine revenues of A\$1.05 billion and EBITDA of A\$533 million over its initial 18-year life.

The strong economics of the proposed A\$59.8 million development included a A\$114.9 million post-tax Net Present Value and an Internal Rate of Return of 32% for a 1Mtpa operation.

With these positive economic metrics confirmed for the project development, our next step for Jambreiro is to finalise a suitable offtake arrangement for our iron ore products. The completion of an offtake agreement will enable Centaurus to further consider the financing alternatives for the Project to support a potential development decision.

Importantly, the key environmental and mining approvals for Jambreiro are all already in place, positioning the Company to rapidly transition to project development once offtake and financing are complete.

In parallel with our offtake discussions, Centaurus is also assessing other value realisation opportunities for Jambreiro in order to maximise value for shareholders.

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With such an active schedule planned – particularly at Jaguar – Centaurus has appointed several new senior management personnel and specialist consultants to help drive the Company’s exploration and development strategy. These include John Westdorp as Chief Financial Officer, John Knoblauch as Principal Metallurgist, and Grant “Rocky” Osborne as Principal Geoscientist.

These new senior appointments, combined with the existing loyal and dedicated management team, provide Centaurus with a top-quality team to manage the exploration and development of the Jaguar Nickel Project right from the outset and facilitate the Company to make the leap from junior explorer to a nickel sulphide mining company.

This is an exciting transition for Centaurus that is expected to coincide with a marked upswing in the nickel commodity cycle as demand for green energy batteries ramps up.

In closing, I would like to once again acknowledge the efforts of our exceptional team, led by our Managing Director, Darren Gordon, who have worked diligently to progress the Company’s growth strategy throughout the year. Thanks to their efforts, Centaurus embarks on the forthcoming year with an outstanding opportunity for near-term growth and development at Jaguar, backed by a valuable strategic opportunity at Jambreiro.

And finally, I would like to sincerely thank you – our shareholders – for your continued support. Centaurus holds a rare and compelling opportunity in the nickel sulphide space, and I look forward to the coming year with great excitement.

Thank you.

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