

## SEPTEMBER 2016 QUARTERLY ACTIVITIES REPORT

*Agreement to secure a highly prospective gold and copper exploration portfolio in Northern Brazil; Maiden drilling program completed at the Mombuca Gold Project; \$2M rights issue announced to underpin upcoming exploration activities*

24 October 2016



### SEPTEMBER QUARTER HIGHLIGHTS

#### GOLD EXPLORATION – MOMBUCA GOLD PROJECT

- ▶ First round of exploration drilling completed at the Mombuca Gold Project in south-east Brazil, comprising five deep diamond drill holes over the ITZ and Bela Prospects.
- ▶ Assay results indicate the presence of a hydrothermal mineralising system, however, the strong IP chargeability anomalies remain unexplained. Data review now underway.

#### BUSINESS DEVELOPMENT

- ▶ Agreement entered into to secure a number of highly prospective and strategically located gold and copper exploration projects in Northern Brazil with the Company's strategic alliance partner, Terrativa Minerai SA.
- ▶ The Pará Exploration Package (Pará EP) includes the highly prospective Serra Misteriosa Gold Project, which hosts a continuous 2.5km long, high-grade gold-in-soils anomaly (+50ppb Au) within a broader +5km long gold geochemical anomaly (+25ppb Au) that is up to 500m wide.
- ▶ Pará EP also includes the Salobo West Copper-Gold Project and the Serra Vermelho Gold Project.

#### CORPORATE

- ▶ Subsequent to the end of the Quarter, Centaurus launched a 3-for-5 Renounceable Rights Issue to raise up to \$2M at \$0.005 per share – partially underwritten by CPS Capital to \$1.0M.
- ▶ Shareholders to receive 1 free attaching option for every 2 new shares subscribed for with an exercise price of \$0.01 and an expiry date of 30 April 2018. The Company intends to seek quotation for the options.
- ▶ All Centaurus Directors to take up their pro-rata entitlement in the Rights Issue.
- ▶ Funds to be used predominantly to advance exploration of the Company's key gold and copper projects in Brazil.

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## OVERVIEW

The September 2016 Quarter saw further strong progress by Centaurus with its previously announced diversification strategy with the Company entering into an agreement to secure a highly prospective exploration portfolio in the northern Brazilian state of Pará.

The Pará Exploration Package (Pará EP) was secured via an agreement with the Company’s strategic alliance partner, Terrativa Mineraias SA, and includes the highly prospective Serra Misteriosa Gold Project, which hosts a continuous 2.5km long, high-grade gold-in-soils anomaly (+50ppb Au) within a broader +5km long gold geochemical anomaly (+25ppb Au) that is up to 500m wide.

Serra Misteriosa is located in the heart of a world-class mineral province, just 100km from the prolific Carajás IOCG region of Brazil and 200km from the multi-million ounce gold deposit at Volta Grande. The Serra Misteriosa geology and geochemistry is strongly analogous to Volta Grande and represents a compelling exploration opportunity.

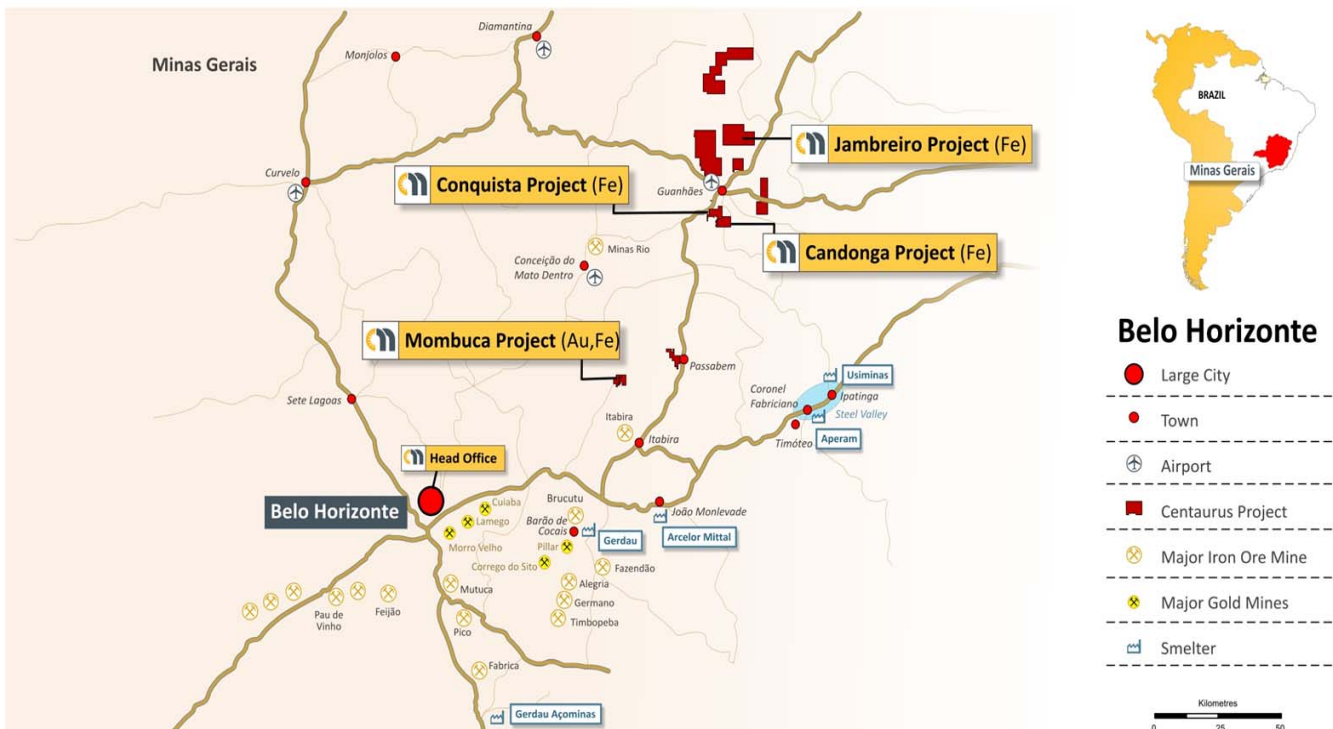
The Pará EP also includes the Salobo West Copper-Gold Project and the Serra Vermelho Gold Project, both of which offer exciting exploration potential.

A major exploration program will commence at Pará in the near term with drilling to follow in the next 3-6 months, underpinned by a \$2 million capital raising announced on 12 October.

Exploration results delivered from the Mombuca Gold Project during the Quarter will undergo a comprehensive review, after the drilling identified strong evidence of the presence of a substantial hydrothermal mineralising system, but failed to adequately explain the very strong IP chargeability anomalies identified within the project area.

While the first phase of drilling at Mombuca did not deliver commercially significant assay results, the Company is sufficiently encouraged by the geological and geophysical indicators seen to date to now proceed with a comprehensive review of all data.

Figure 1: Centaurus project locations in south-east Brazil





## EXPLORATION

### MOMBUCA GOLD PROJECT

Centaurus completed the first round of exploration drilling at its 100%-owned Mombuca Gold Project in south-east Brazil during the Quarter. This initial round of drilling saw five deep diamond drill holes completed over the two prospect areas at Mombuca (the ITZ and Bela Prospects – see Figure 2). The results included a shallow intercept of low-grade gold mineralisation in MBC-DD-16-002 but no significant assay results were returned from the other four holes.

The drilling targeted large, high chargeability anomalies coincident with resistivity highs and magnetic lows. These anomalies are typically excellent geophysical targets for disseminated sulphide mineralisation, with the ITZ targets also associated with geochemical signatures and artisanal gold workings.

IP anomalies of these dimensions and with chargeability readings of up to 20msec (considered very high) are generally associated with significant amounts (1-5%) of disseminated sulphides, iron oxides or other geological conditions that can explain the anomalies (e.g. graphitic schists, black shale units, etc).

The diamond drill holes that targeted these IP anomalies only returned trace amounts of disseminated sulphides and iron oxides or boxworks of the same within intervals of silica, sericite and chlorite alteration. The zones were often locally fractured and brecciated with strong signs of fluid movement and oxidisation along the zone.

Logging of the core by experienced geologists identified strong evidence of the presence of a hydrothermal mineralising system. This together with the absence of any other geological features which could explain the high chargeability signals means that the IP anomalies remain unexplained, especially considering their strength.

Before any further exploration drilling is undertaken, Centaurus will collate all geological, structural, geochemical, petrographic and geophysical data and undertake a comprehensive review in conjunction with its geological and geophysical experts.

The Company will analyse the results relative to the interpreted position of the anomalies and structural controls of the project. From this work, additional exploration programs – including further drilling – will be planned in an attempt to explain the strength of the geophysical targets and vector into potential accumulations of sulphides.

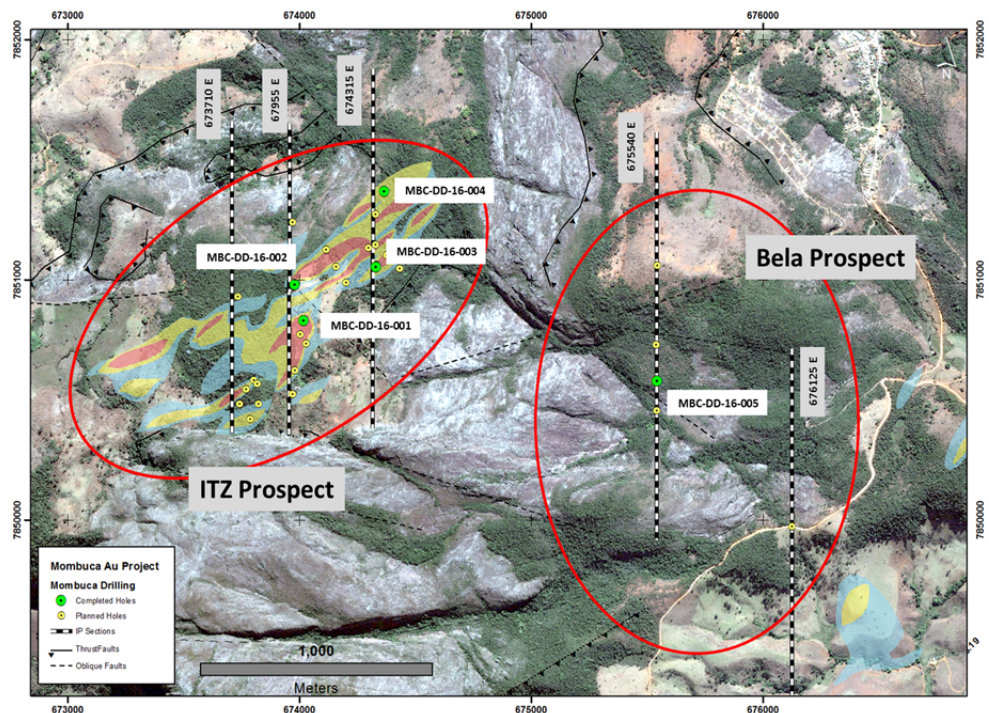


Figure 2: Mombuca Project Showing Prospect Locations over Satellite Image



## AURORA COPPER PROJECT

Figure 3: Centaurus copper project locations in north-east Brazil



No field activities were undertaken at the Aurora Copper Project during the quarter with the majority of the Company’s focus being on the exploration work at the Mombuca Gold Project.

## IRON ORE PROJECTS

### Conquista DSO Project

The Conquista Project comprises a portfolio of highly prospective tenements with extensive Direct Ship Ore (DSO) mineralisation located just 8km along well maintained gravel roads from the Candonga Project.

The Company has established an Exploration Target for the Conquista tenements of 3.5-8Mt of high-grade DSO grading 64-67% Fe, with a further 20-40Mt of itabirite mineralisation grading 35-45% Fe. The Exploration Target is based on detailed geological mapping and auger drill-hole results and is underpinned by the ground magnetic survey. The Exploration Target quantity and grade is conceptual in nature, 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 Company is in advanced negotiations with a well-regarded mining group in Brazil in respect to a potential transaction on the Conquista Project.

### Jambreiro Project

The Company’s 100%-owned Jambreiro Project, located in south-east Brazil, is a shovel-ready development project that is licenced for 3Mtpa of wet production and which represents a strategic asset in the Brazilian domestic iron ore and steel sector.

Centaurus intends to pursue opportunities to extract value from the Jambreiro Project via either an outright sale or joint development proposition. The Company’s Brazilian subsidiary that holds the Jambreiro asset also holds tax losses of approximately R\$180 million (A\$72 million).



## CORPORATE

### Acquisition of Pará Exploration Package

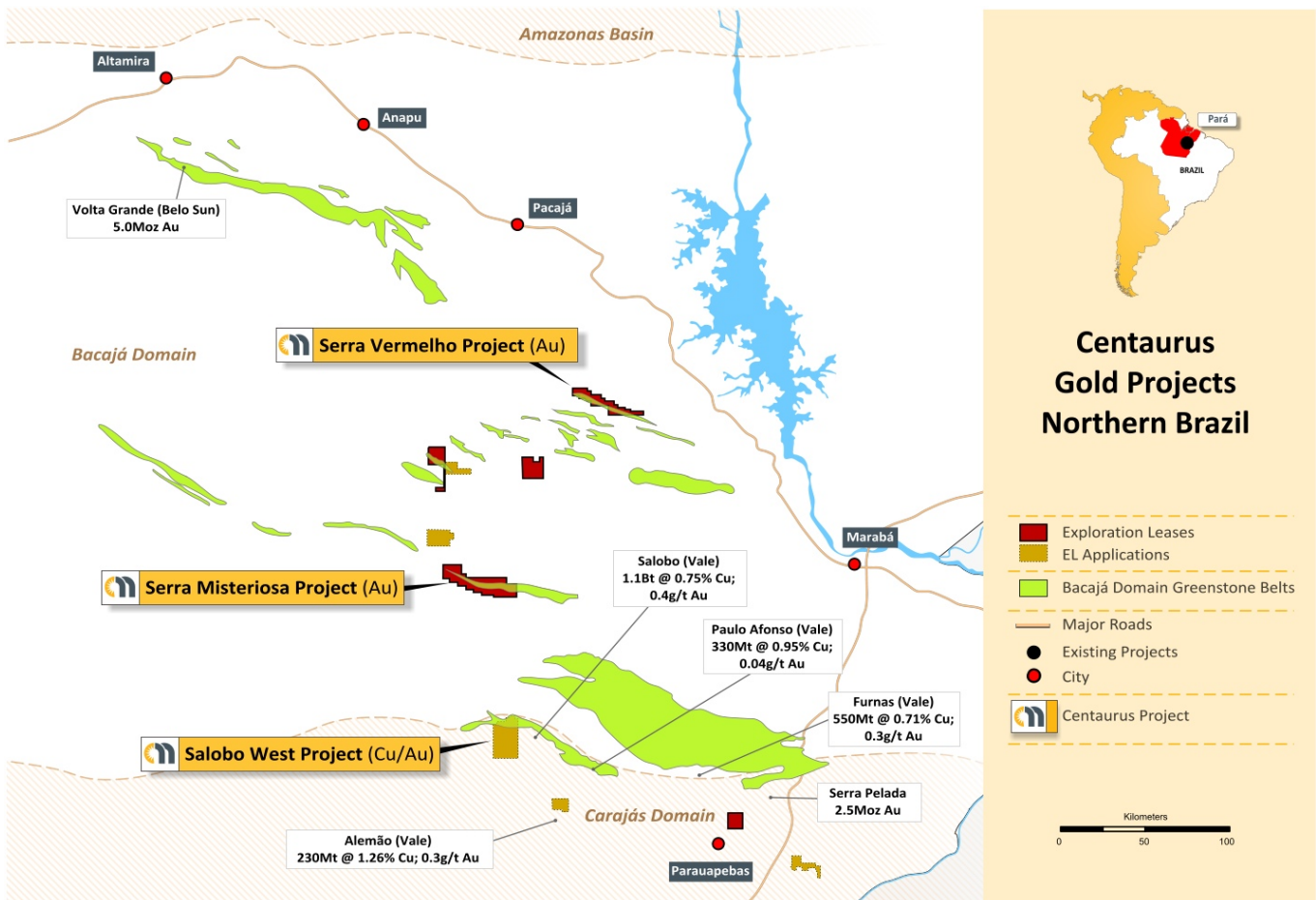
During the Quarter, Centaurus entered into a binding letter agreement to secure 100% of a highly prospective and strategically located gold and copper exploration project in Northern Brazil through its existing strategic alliance with Terrativa Mineraias SA (“Terrativa”).

The highly prospective **Serra Misteriosa Gold Project** forms part of the +750 km<sup>2</sup> Pará Exploration Package (“Pará EP”) of tenements located in Brazil’s mineral-rich State of Pará, opening up a significant new front for gold exploration for Centaurus in Brazil in addition to the Mombuca Gold Project.

The extensive tenement package is located between several world-class mineral deposits – the 5Moz Volta Grande Gold Project<sup>1</sup>, owned by Belo Sun Mining Corp., to the north and the giant Carajás IOCG province to the south (see Figure 4). The Pará EP includes the Serra Misteriosa Gold Project, the Salobo West Copper-Gold Project and the Serra Vermelho Gold Project. The tenements include prospective gold targets for both Volta Grande-style gold and Carajás-style copper-gold deposits.

Importantly for Centaurus, the Company has been able to continue to build upon its Strategic Alliance with Terrativa by securing access to the Para EP for no upfront cost with all expenditure to be directed into planned exploration activities on the highly prospective tenure. Full details of the key projects within the exploration package and the earn-in terms are set out below.

Figure 4 – Location of Serra Misteriosa Gold Project and the broader Pará Exploration Package





*The Serra Misteriosa Gold Project*

Serra Misteriosa or “*The Mysterious Hill*” is located within an extensive farming district only 180km from the regional centre of Marabá, a city with a population of 180,000 people, a domestic airport and excellent access to infrastructure and services.

Serra Misteriosa is the most advanced project in the Para EP, where Terrativa has undertaken extensive early-stage exploration work to generate numerous walk-up drill targets, none of which have yet been drill tested. The project displays a number of close geological similarities to the 5.0Moz Volta Grande Gold Project, owned by TSX-listed Belo Sun Mining Corp.

Volta Grande is a world-class gold deposit with reported NI 43-101 Mineral Reserves of 3.8Moz at 1.02 g/t gold within a total Mineral Resource (Measured and Indicated) of 5.0Moz at 0.98 g/t<sup>1</sup>. Belo Sun Mining Corp. completed a positive Feasibility Study in 2015 and is currently in the process of securing its construction licences.

The Serra Misteriosa tenement package covers 30km of strike extensions of a WNW-ESE trending Upper Proterozoic greenstone belt that has been intruded by multiple syntectonic diorites and granodiorites. The primary target is delineated by a continuous 2.5km long, high-grade anomaly (+50ppb Au) within a broader +5km long gold geochemical anomaly (+25ppb Au) that is consistently up to 500m wide (see Figure 5).

The target zone is mostly covered by a rich red saprolite with occasional outcrops of highly silicified diorite that often display intense sericite and propylitic alteration. The diorites host disseminated sulphides (pyrite and arsenopyrite) locally that have shown to be gold-bearing (see Figure 6).

The comparisons with the Volta Grande Project geology are important. Set in a greenstone of the same regional orientation and geological age, the Volta Grande gold mineralisation is related to a major WNW-ESE trending shear zone within a highly silicified dolerite intrusive. The same rocks and alteration assemblage is seen in an identical structural setting at Serra Misteriosa.

Furthermore, the discovery of the Volta Grande deposit was made by testing a 2.5km x 300m wide geochemical signature over a rich red saprolite that coincided with the regional trends similar to that seen at Serra Misteriosa.

Centaurus will initially work with Terrativa’s principal geologists to review the impressive package of technical work completed to date. The extensive geochemical anomaly has already highlighted multiple potential walk-up drill targets, none of which have yet been tested. This creates a significant opportunity for Centaurus given that it can leverage off the excellent work already completed and potentially advance the project to the discovery stage where significant value can be created in a relatively short space of time.

Given that landowner agreements and drilling approvals are already well advanced by Terrativa, Centaurus is confident that it can be drilling the Serra Misteriosa Project within 3-6 months. Ground-based fieldwork activities including geochemical sampling and geophysical surveys will commence in the near future, allowing Centaurus to refine key drill targets.

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<sup>1</sup> For additional information on the Volta Grande Mineral Reserves and Resources please refer to [www.belosun.com](http://www.belosun.com).



Figure 5 – Serra Misteriosa geology and gold in soils map (yellow: >25ppb Au)

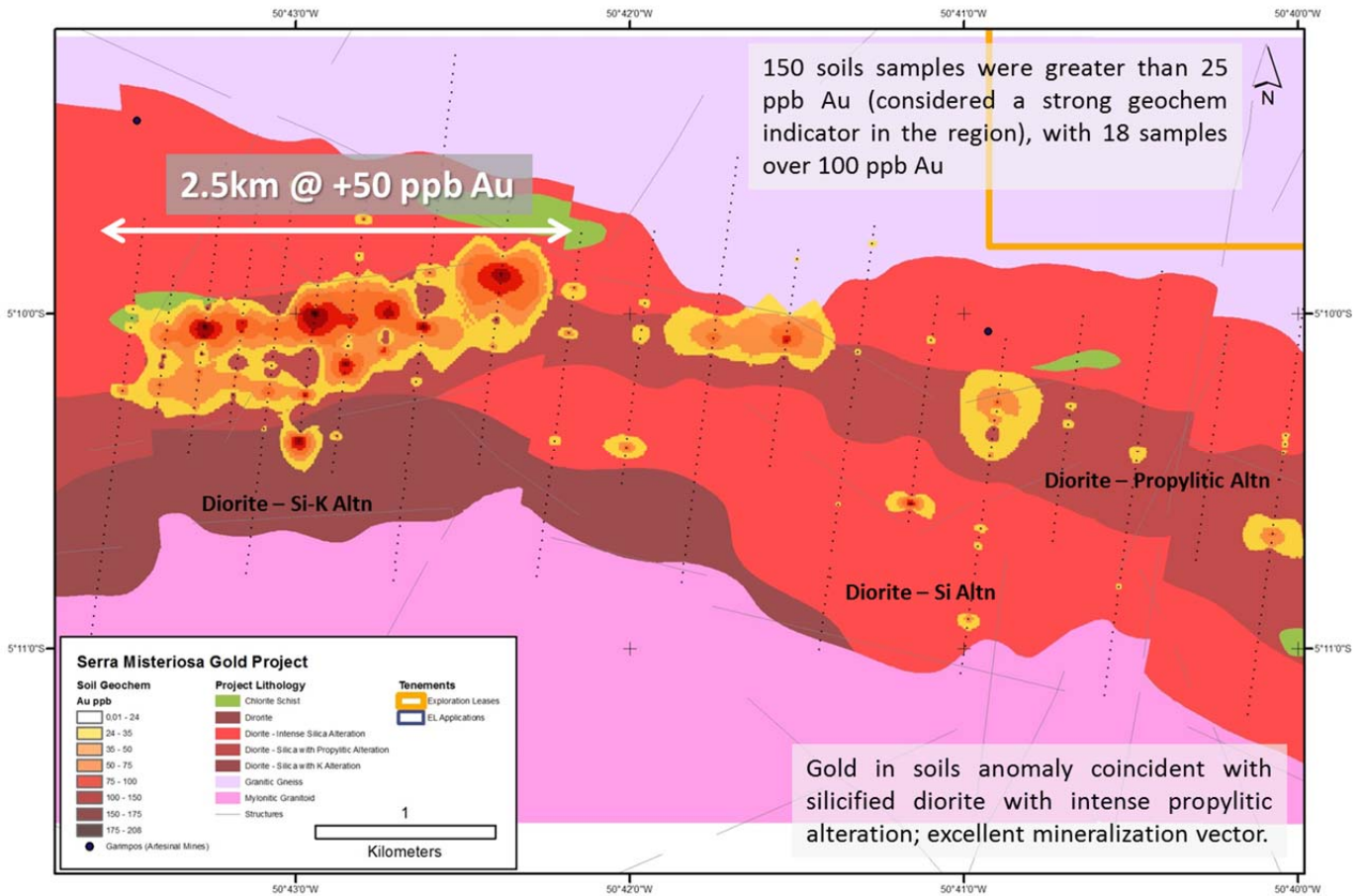
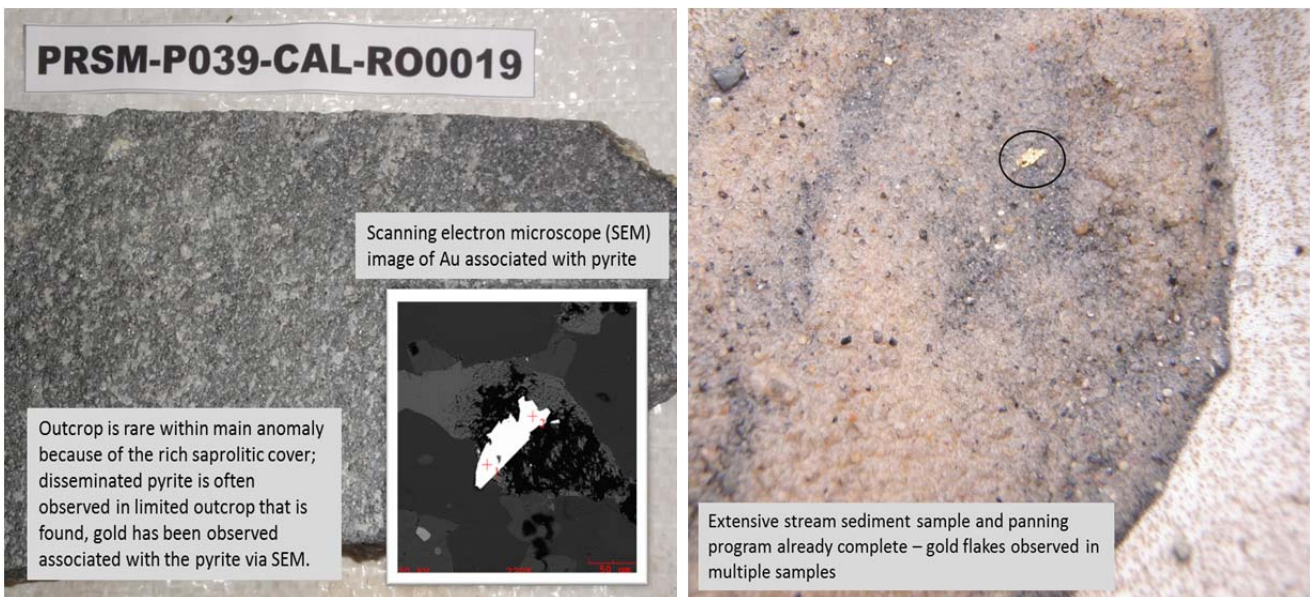


Figure 6 – Serra Misteriosa Mineralisation – Left: Gold associated with sulphides in limited outcrops; Right: Gold flakes have been observed in multiple panning samples along the 5km strike of the primary target



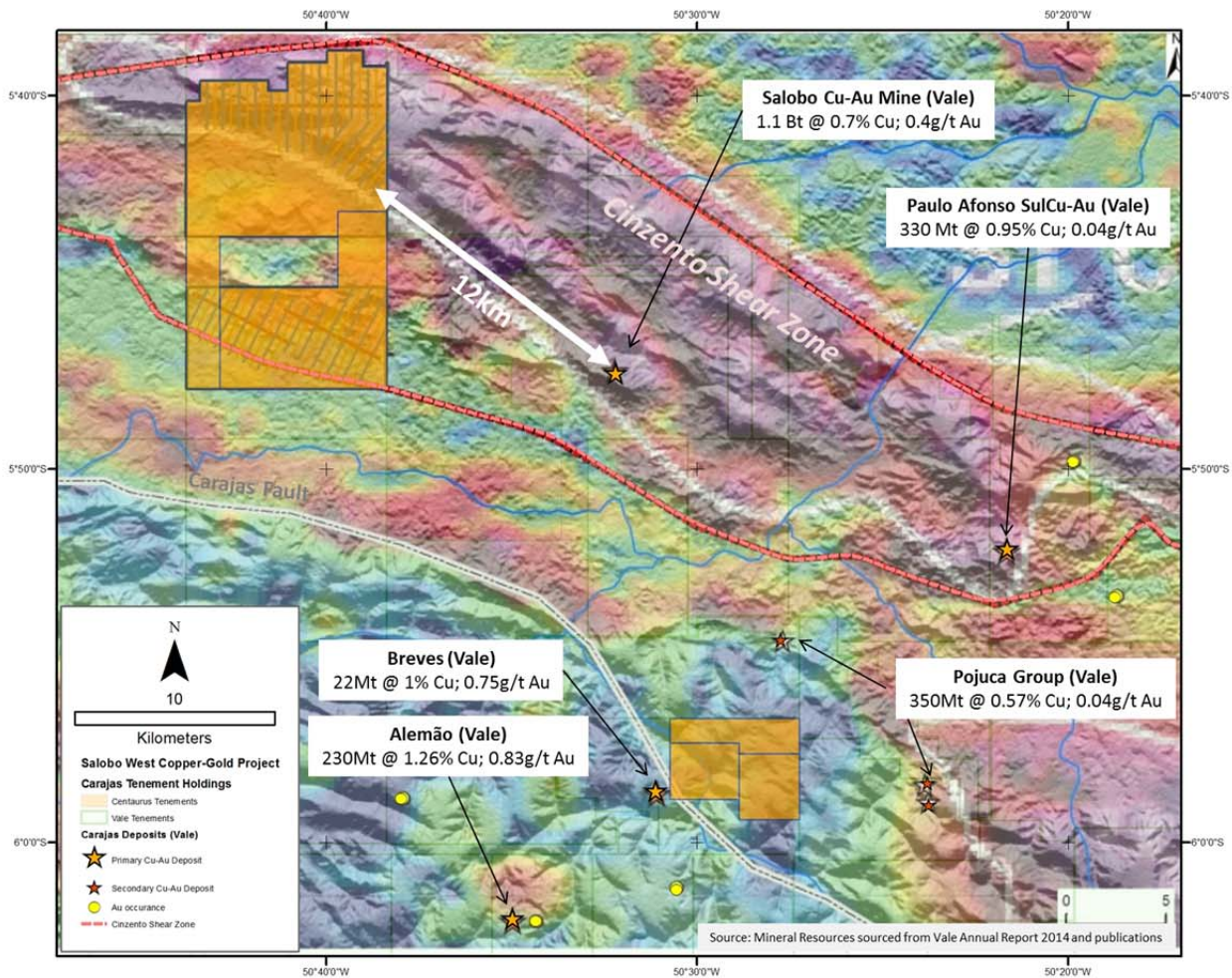


*The Salobo West Copper-Gold Project*

The Salobo West Project comprises a group of EL applications that cover 150 km<sup>2</sup> of highly prospective ground located in the heart of the world-class Carajás IOCG province. The project is located just 12km along strike from Vale’s massive Salobo copper-gold mine which hosts mineral resources of over 1.1 billion tonnes at 0.7% Cu and 0.4g/t Au<sup>2</sup>.

One of the tenement applications, located along strike from the Salobo mine, covers a 10km extension of the Cinzento Shear Zone that hosts the world-class copper-gold deposit. The Cinzento shear zone is a well mapped zone that is highlighted by a regional magnetic anomaly as well as variations in topography (Figure 7). As these areas are still applications no ground work has been completed to date. Centaurus will work with the Pará Department of Mines (DNPM) to get these tenements granted as soon as possible.

**Figure 7 – Salobo West Project, location of Centaurus EL applications relative to world-class Vale Cu-Au Mines and Deposits with aeromagnetics image (ASA).**



<sup>2</sup> For additional information on the Salobo Mineral Reserves and Resources please refer to [www.vale.com](http://www.vale.com).





*The Serra Vermelho Gold Project*

The Serra Vermelho Project is in a similar setting to Serra Misteriosa where a number of diorites have intruded a greenstone unit that displays strong hydrothermal alteration. The project displays excellent regional geophysical characteristics with a potassium anomaly indicating alteration coincident with a magnetic low lineament within a magnetic high area.

Only very early stage exploration has been completed on this project to date. This work included some stream sediment sampling that has returned multiple anomalous gold readings around the project area. Centaurus will plan to start work on Serra Vermelho after the initial round of drilling is complete at Serra Misteriosa.

The Pará EP brings a large area of high quality exploration targets and the Company will work with a number of technical experts, including Terrativa's principal geologists, to prioritise these targets for future exploration.

*Key Commercial Terms*

The Para EP has been secured under the existing Strategic Alliance with Terrativa Minerais S.A. Under the binding letter agreement, Centaurus will earn the right to acquire 100% of the project by undertaking R\$2.5 million (~A\$1 million) of expenditure within two years of execution of the Agreement.

Once Centaurus has met the minimum expenditure commitment, it will have the right to acquire 100% of the Project Tenements through the issue of 30 million CTM shares and a 2% production royalty over future gold production from any of the project tenements. Concurrently with the issue of the ordinary shares, Centaurus will issue Terrativa three (3) tranches of Performance Shares as follows:

- Tranche A – 30 million Shares in CTM should a JORC Inferred Mineral Resource of 500,000oz of gold or gold equivalent be defined on the Project Tenements within six years of executing the Agreement;
- Tranche B – 30 million Shares in CTM should a JORC Inferred Mineral Resource of 1,000,000oz gold or gold equivalent be defined on the Project Tenements within six years of executing the Agreement; and
- Tranche C – 30 million Shares in CTM should a JORC Inferred Mineral Resource of 1,500,000oz of gold or gold equivalent be defined on the Project Tenements within six years of executing the Agreement.

The future issue of both ordinary and performance shares to Terrativa will be subject to shareholder approval.

In the event that Centaurus disposes of any of the Projects that form part of the Pará EP then Terrativa will be entitled to 25% of the sale proceeds. The value of any Performance Shares issued will be deducted from the first Sale Proceeds of any of the Project Tenements.

**Capital raising**

Subsequent to the end of the Quarter, the Company announced that it would undertake a partially underwritten renounceable rights issue to raise up to \$2.0 million (before costs) to advance exploration of its portfolio of gold and copper projects in Brazil, including a maiden exploration program at the recently acquired Serra Misteriosa Gold Project (see above).

The capital raising has been designed to provide existing shareholders with the opportunity to participate in this pivotal capital raising on attractive terms. The ex-date for the issue is 19 October 2016 and any shares bought prior to this date will be entitled to participate. The issue is renounceable and new investors will be able to trade their rights from 19 October 2016.

Under the offer, eligible shareholders will be able to subscribe for 3 new shares for every 5 existing shares they hold at an issue price of \$0.005 per share, together with one free attaching option for every 2 new shares subscribed for with an exercise price of \$0.01 and an expiry date of 30 April 2018.



The issue is partially underwritten to \$1 million by CPS Capital, which will act as Lead Manager and Underwriter to the issue. Shareholders on the record date with a registered address in Australia and New Zealand will be eligible to participate in the rights issue.

The Prospectus in respect to the Rights Issue was lodged with the ASX and Australian Securities and Investment Commission (ASIC) on 14 October 2016.

*Use of Funds*

The funds to be raised from the Rights Issue will be used to:

- Commence an active exploration program, including the first-ever drill program, on the recently acquired and highly prospective Serra Misteriosa Gold Project in northern Brazil;
- Continuation of exploration and evaluation activities on the Mombuca Gold Project in south-east Brazil with a view to fully testing and explaining the significant anomalies on the project area;
- Contribute to the ongoing expenditure of Nova Potash, the Company’s 50/50 joint venture vehicle in Australia, which is searching for a low-cost potash fertilizer solution for key markets in Australia and south-east Asia;
- Provide general working capital, including the costs of concluding a divestment of the Conquista DSO Iron Ore Project, negotiations of which are at an advanced stage; and
- Meet the costs of the rights issue.

*Timetable*

It is proposed that the Rights Issue run to the following indicative timetable:

Announce Rights Issue	12 October 2016
Lodgement of the Prospectus with ASIC and ASX and lodgement of Appendix 3B with ASX	14 October 2016
Notice of Rights Issue sent to Option-holders	14 October 2016
Notice of Rights Issue sent to Shareholders	17 October 2016
Ex-Date for Rights Issue	19 October 2016
Rights trading commences	19 October 2016
Record Date	20 October 2016
Prospectus despatched to Shareholders	24 October 2016
Rights trading ends	31 October 2016
Deferred settlement trading commences	2 November 2016
Closing Date	8 November 2016
Notify ASX of Shortfall	11 November 2016
Issue date – Deferred settlement trading ends	15 November 2016
Commencement of trading of New Shares	16 November 2016
Last date to issue Shortfall Shares	8 February 2017

The Prospectus, together with an entitlement and acceptance form will be despatched to eligible shareholders in accordance with the timetable above.

**General Meeting**

A General Meeting of the Company’s shareholders was held on 28 July 2016, with all resolutions passed unanimously on a show of hands.



**Shareholder Information**

At the end of the reporting period the Company had 670,779,023 shares on issue with the Top 20 holding 46.3% of the total issued capital. Directors and Senior Management held 7.1% of the total issued capital.

In addition, the Company had 20,300,666 listed options on issue (CTMO) and 24,500,000 unlisted employee options on issue. The listed options expire on 31 March 2017 and have an exercise price of \$0.05.

During the Quarter, 10.24 million unlisted options over the Company’s fully paid shares were not exercised prior to the expiry date and have now expired.

**DARREN GORDON**  
**MANAGING DIRECTOR**

**Competent Person Statement**

*The information in this report that relates to Exploration Results is based on information compiled by Roger Fitzhardinge who is a Member of the Australasia Institute of Mining and Metallurgy. Roger Fitzhardinge is a permanent employee of Centaurus Metals Limited. Roger Fitzhardinge 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 2012 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Roger Fitzhardinge consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

**Exploration Targets**

*This Report comments on and discusses Centaurus Metals Limited’s exploration in terms of target size and type. The information in relation to Exploration Targets should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. The potential quantity and quality of material discussed as Exploration Targets is conceptual in nature since there has been insufficient work completed to define them as Mineral Resources or Ore Reserves. It is uncertain if further exploration work will result in the determination of a Mineral Resource or Ore Reserve.*