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CENTAURUS GRANTS OPTION OVER CONQUISTA IRON ORE PROJECT TO BRAZILIAN MINING GROUP, ECOSINTER

Deal marks another key step towards unlocking value from Centaurus' extensive Brazilian iron ore portfolio

Centaurus Metals (ASX Code: **CTM**) ("Centaurus" or "Company") is pleased to advise that it has granted an option over the **Conquista Iron Ore Project** in south-east Brazil ("Conquista Project") to interests associated with the privately-owned Brazilian mining group, Ecosinter - Indústria de Beneficiamento de Resíduos Ltda ("Ecosinter Group"), paving the way for the next phase of exploration and potential future development of the Conquista Project.

The option agreement ("**Agreement**") marks another milestone in Centaurus' ongoing strategy to realise value from its extensive Brazilian iron ore portfolio by partnering with experienced domestic iron ore operators with the operational capability and established market connections and access to take projects into production.

Under the terms of the Agreement, the Ecosinter Group has paid R\$200,000 (~A\$85,000) for a 12 month option over the Conquista Project, will undertake a specified exploration program which has been designed in conjunction with Centaurus' technical team ("Qualifying Program") and will keep the tenements in good standing. It is estimated that the Qualifying Program will cost in the order of R\$1.15 million (~A\$500,000) over the 12 month option period. The Ecosinter Group may exercise the option at any time during the 12 month option period though it is currently expected that the Qualifying Program will be completed first with such work to include approximately 1,000m of drilling. All exploration work undertaken in connection with the Qualifying Program will be managed by Centaurus during the option period.

If the Ecosinter Group elects to exercise the option, it will grant a 12% gross production royalty to Centaurus on future production from the Conquista Project tenements ("Royalty"), with an amount of R\$3 million (~A\$1.25 million) being immediately payable on exercise by way of non-refundable Royalty pre-payment.

The option may be extended for a further 6 months at the end of the original option period if the Ecosinter Group has met the Qualifying Program requirements and pays a further option fee of R\$200,000 (~A\$85,000). If the Ecosinter Group decide not to exercise its option to the Conquista Project by the end of the option period, it will not retain any rights in relation to the Conquista Project and all technical data will be retained by Centaurus.

Management Comment

Centaurus' Managing Director, Mr Darren Gordon, said the option agreement with Ecosinter highlighted the ongoing value and interest in the Company's iron ore assets.

"We are pleased to have reached agreement with the Ecosinter Group to take the Conquista Project forward, particularly given that they will be operating in the immediate region and that we have an existing relationship from the previous transaction we concluded with them in 2016 on the nearby Candonga DSO Project," he said

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“The deal also clearly shows that we can successfully engage and partner with local mining groups who understand the domestic iron ore and pig iron markets and see the potential to bring niche DSO assets into production relatively quickly.

“The structure of the Agreement gives us the ability, at no cost to Centaurus, to undertake the required drilling to advance the Conquista Project with the aim of confirming that the high grade outcrop seen at surface does in fact continue at depth, following which we will be free-carried to production and then generate our returns via a gross royalty that does not directly expose the Company to the operating costs of the project.

“Assuming that the Conquista Project might ultimately reach production at levels similar to those estimated in terms of the current Exploration Target then, even adopting conservative assumptions on average mine gate sales prices over the next 5-6 years, the royalty has the potential to deliver significant value to Centaurus.

“We will continue to drive the process of extracting value from our iron ore asset base – the next step in which would involve a transaction in relation to our development-ready Jambreiro Iron Ore Project, which we believe could generate very significant cash flows in the current iron ore market environment.”

About the Conquista Project

As originally announced on 11 November 2014, Centaurus has completed extensive exploration work on the Conquista Project, which has allowed the Company to establish an Exploration Target 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 quantity and grade is conceptual in nature, there has been insufficient exploration to estimate a JORC Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

The Exploration Target is, as previously announced, based on detailed geological mapping and sampling, auger drill-hole results, a detailed ground magnetic survey and Centaurus’ extensive knowledge of the local geology following the extensive Feasibility Study completed on the Candonga DSO Project formerly held by Centaurus, which is located only 8km to the east of Conquista.

Centaurus has applied to the Brazilian Mines Department (DNPM) for a trial mining license (GU) for the Conquista Project. Once approved, this GU will allow initial production of 300ktpa from the Conquista Project tenements. Given the size of the Exploration Target established for the Conquista Project, it is expected that a larger scale full mining license application will be made once the Qualifying Program is undertaken to confirm the project’s resource potential.

About the Ecosinter Group transaction

The Agreement with the Ecosinter Group is consistent with Centaurus’ previously announced plans to realise value from its iron ore assets in south-eastern Brazil as it ramps up exploration activities on its gold and copper assets, particularly the highly prospective Serra Misteriosa Gold Project – where the maiden drilling program is targeted to commence in the coming weeks.

The Ecosinter Group is a private mining group in Brazil with experience in small-scale domestic iron ore operations and downstream processing. The Group has a portfolio of mining projects in Brazil and established relationships in the Brazilian steel and pig iron markets. Ecosinter secured the rights to the Candonga DSO Iron Ore Project from Centaurus in 2016 and is currently in the final stages of developing that project, which is located only 8km from the Conquista Project.

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Importantly, the transaction with the Ecosinter Group will see a maiden drilling program on the Conquista Project undertaken (at Ecosinter Group's cost) to test the existing Exploration Target from both a tonnage and grade perspective. The completion of the Qualifying Program, which is likely to cost the Ecosinter Group up to R\$1.15 million (~A\$500,000), is expected to significantly enhance the value of the project without Centaurus having to divert funds away from its current gold exploration activities at Serra Misteriosa.

Should the Ecosinter Group exercise its rights over the Conquista Project, Centaurus will receive an immediate cash payment of R\$3 million (~A\$1.25 million) to transfer 100% of the project tenements to the Ecosinter Group, whilst retaining an entitlement to a 12% share of revenue from future production from the Conquista Project.

Details of the Agreement

Centaurus has entered into the Agreement (which is in the form of a binding Letter Agreement) with the Ecosinter Group, under which they have paid a non-refundable deposit of R\$200,000 (~A\$85,000) for a 12 month option over the Conquista Project. The parties will now complete formal documentation concurrently with Centaurus commencing planning for the exploration work that forms the Qualifying Program for the Project.

Pursuant to the Agreement, the Ecosinter Group may extend the time to exercise its option by a further six months (i.e. 18 months in total) provided the Qualifying Program has been completed and the Ecosinter Group pays a further R\$200,000 (~A\$85,000) to extend the option.

Continuing Strategic Management of Iron Ore Project Portfolio

Outside of the recent deal on the Conquista Project, Centaurus retains 100% ownership of the larger, development-ready Jambreiro Iron Ore Project, which is fully licensed for 3Mtpa of production. Interest in domestic iron ore projects in Brazil has been increasing with the significant recovery in iron ore prices over the past 12 months.

At current iron ore prices, the economics of the development-ready Jambreiro Project remain very attractive. The original Feasibility Study on the project was completed in late 2013 and was based on an average sales price of iron ore into the domestic steel industry of R\$82.70/tonne to show total Life of Mine EBITDA of R\$699 million (A\$350 million) and annual free cash flows of R\$19.4 million over an 18 year period. See the ASX Announcements of 20 December 2013 and 13 January 2014 for full details of the Feasibility Study and Project Economics.

Centaurus is of the view that, since the completion of the Feasibility Study, the economics of the Jambreiro Project have improved for a variety of reasons but principally due to the weakening BRL exchange rate against the US Dollar.

Centaurus' preference to realise value from Jambreiro is to establish a joint venture for the development of the project, whereby it would be free-carried to production whilst it continues to focus its exploration efforts on the exciting Serra Misteriosa Gold Project and other copper prospects in the north of Brazil.

-ENDS-

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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.