

**Centaurus Metals Limited** ABN 40 009 468 099

And its controlled entities

**Annual Financial Report**

**30 June 2012**

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# CENTAURUS METALS LIMITED

## Corporate Directory

### Directors

Mr D M Murcia B.Juris, LL.B  
*Non-Executive Chairman*

Mr D P Gordon B.Bus, CA, FFin, ACIS, MAICD  
*Managing Director*

Mr P E Freund FAusIMM(CP), F.AIM  
*Executive Director*

Mr K G McKay BSc (Hons), FAusIMM, MAICD  
*Non-Executive Director*

Mr R G Hill B.Juris, LLB., BSc (Hons), FFin  
*Non-Executive Director*

Mr M D Hancock B.Bus, CA, FFin  
*Non- Executive Director*

### Secretary

Mr G A James B.Bus, CA, ACIS

### Share Registry

Advanced Share Registry Limited  
150 Stirling Highway  
Nedlands WA 6009  
Telephone: (08) 9389 8033

### Auditors

KPMG  
Chartered Accountants  
235 St Georges Terrace  
Perth WA 6000

### Bankers

*Australia*  
National Australia Bank  
1232 Hay Street  
West Perth WA 6005

### *Brazil*

Banco Itau  
Av. João Pinheiro, 195 - Sobre Loja  
Bairro: Funcionários  
Belo Horizonte, MG  
Cep: 31710-130

### Stock Exchange Listing

Centaurus Metals Limited shares are listed on the Australian Securities Exchange

Ordinary fully paid shares  
(ASX code: CTM)

### Principal Registered Office in Australia

Level 1, 16 Ord Street  
West Perth WA 6005  
(PO Box 975, West Perth WA 6872)

Telephone: (08) 9420 4000  
Facsimile: (08) 9420 4040  
Email: [info@centaurus.com.au](mailto:info@centaurus.com.au)  
Website: [www.centaurus.com.au](http://www.centaurus.com.au)

### Brazil Office

Rua Pernambuco, 1.077 - andar S - Funcionários  
Belo Horizonte - MG - CEP: 30.130-151  
BRAZIL

Telephone: +55 31 3194 7750  
Facsimile: +55 31 9301 1938

# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

The directors present their report together with the consolidated financial statements of Centaurus Metals Limited ("Company"), being the Company and its subsidiaries, for the financial year ended 30 June 2012 and the auditor's report thereon.

### 1. Directors

The directors of the Company at any time during or since the end of the financial year are:

Mr Didier M Murcia	Independent Non-Executive Chairman
Mr Darren P Gordon	Managing Director
Mr Peter E Freund	Executive Director
Mr Keith G McKay	Independent Non-Executive Director
Mr Richard G Hill	Independent Non-Executive Director
Mr Mark D Hancock	Non-Executive Director (Appointed 23 September 2011)
Mr Geoffrey T Clifford	Independent Non-Executive Director (Resigned 12 August 2011)

Unless otherwise disclosed, all directors held their office from 1 July 2011 until the date of this report.

### 2. Directors and Officers

#### **Mr Didier M Murcia, B.Juris, LL.B**

Non-Executive Chairman Age 49

#### *Experience and expertise*

Independent non-executive director appointed 16 April 2009 and appointed Chairman 28 January 2010. Lawyer with over 25 years legal and corporate experience in the mining industry. He is currently Honorary Australian Consul for the United Republic of Tanzania. He is Chairman and founding director of Perth-based legal group Murcia Pestell Hillard.

#### *Other directorships*

During the last three years Mr Murcia held directorships in the following ASX listed companies:

Alicanto Minerals Limited (appointed 30 May 2012)  
Gryphon Minerals Limited (appointed 28 July 2006)  
Rift Valley Resources Limited (appointed 22 November 2010)  
Gindalbie Metals Limited (appointed 2 February 1998, resigned 31 January 2010)  
Target Energy Limited (appointed 1 September 2006, resigned 31 December 2009)

#### *Special responsibilities*

Chairman of the Board  
Chairman of the Remuneration Committee

#### **Mr Darren P Gordon, B.Bus, CA, FFin, ACIS, MAICD**

Managing Director Age 40

#### *Experience and expertise*

Managing Director appointed 4 May 2009. Chartered Accountant with over 15 years experience in the mining industry as a senior finance and resources executive. Former Chief Financial Officer for Gindalbie Metals Limited.

#### *Other directorships*

During the last three years Mr Gordon held directorships in the following ASX listed companies:

Centaurus Resources Limited (appointed 13 June 2008, resigned 6 November 2009). Centaurus Resources Limited was acquired by Centaurus Metals Limited and was delisted from the ASX on 1 March 2010.

#### *Special responsibilities*

Managing Director

# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 2. Directors and Officers (continued)

#### **Mr Peter E Freund, FAusIMM(CP), F.AIM**

Executive Director Age 66

##### *Experience and expertise*

Operations director appointed 28 January 2010. Mechanical Engineer with 40 years operational and project development experience in the mining industry with expertise in all aspects of iron ore mining, processing and other steel-making minerals. Former General Manager of the Karara Joint Venture between Gindalbie Metals Limited and Ansteel.

##### *Other directorships*

During the last three years Mr Freund held directorships in the following ASX listed companies:

Centaurus Resources Limited (appointed 16 October 2009, resigned 28 January 2010). Centaurus Resources Limited was acquired by Centaurus Metals Limited and was delisted from the ASX on 1 March 2010.

##### *Special responsibilities*

Operations Director

#### **Mr Keith G McKay, BSc (Hons), FAusIMM, MAICD**

Non-Executive Director Age 66

##### *Experience and expertise*

Independent non-executive director appointed 26 August 2004. Geologist with 40 years technical and corporate experience in the mining industry as a senior executive, director and chairman. Former Chairman of Glengarry Resources Limited and Gindalbie Metals Limited and former Managing Director of Gallery Gold Limited and Battle Mountain (Aust.) Inc.

##### *Other directorships*

During the last three years Mr McKay held directorships in the following ASX listed companies:

Rift Valley Resources Limited (appointed 18 February 2011)

##### *Special responsibilities*

Member of the Remuneration Committee

Member of the Audit Committee

#### **Mr Richard G Hill, B.Juris, LLB., BSc (Hons), FFin**

Non-Executive Director Age 44

##### *Experience and expertise*

Independent non-executive director appointed 28 January 2010. Geologist and Solicitor with nearly 20 years experience in the mining industry. Founder of two ASX-listed mining companies.

##### *Other directorships*

During the last three years Mr Hill held directorships in the following ASX listed companies:

YTC Resources Limited (appointed 28 April 2006, resigned 11 July 2012)

Centaurus Resources Limited (appointed 11 October 2006). Centaurus Resources Limited was acquired by Centaurus Metals Limited and was delisted from the ASX on 1 March 2010.

##### *Special responsibilities*

Member of the Remuneration Committee

Chairman of the Audit Committee

# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 2. Directors and Officers (continued)

#### Mr Mark D Hancock, B.Bus, CA, FFin

Non-Executive Director Age 43

##### *Experience and expertise*

Non-executive director appointed 23 September 2011. Currently an Executive Director – Commercial and joint Group Secretary at Atlas Iron Limited. Over 20 years experience in senior financial roles across a number of leading companies in Australia and South East Asia, including Lend Lease Corporation Ltd, Woodside Petroleum Ltd and Premier Oil Plc.

##### *Other directorships*

During the last three years Mr Hancock held directorships in the following ASX listed companies:

Atlas Iron Limited (appointed 25 May 2012)

Warwick Resources Limited (appointed 25 June 2009). Warwick Resources Limited was acquired by Atlas Iron Limited and was delisted from the ASX on 21 December 2009.

Aurox Resources Limited (appointed 13 August 2010). Aurox Resources Limited was acquired by Atlas Iron Limited and was delisted from the ASX on 1 September 2010.

Giralia Resources NL (appointed 2 March 2011). Giralia Resources NL was acquired by Atlas Iron Limited and was delisted from the ASX on 7 April 2011.

FerrAus Ltd (appointed 13 September 2011). FerrAus Ltd was acquired by Atlas Iron Limited and was delisted from the ASX on 26 October 2011.

##### *Special responsibilities*

Member of the Audit Committee

#### Mr Geoffrey A James, B.Bus, CA, ACIS

Company Secretary Age 46

##### *Experience and expertise*

Mr James was appointed as Company Secretary on 19 March 2007. Mr James is a Chartered Accountant and a member of Chartered Secretaries Australia. He has over 20 years experience and was previously the Group Financial Accountant with Clough Limited.

##### *Special responsibilities*

Company Secretary

Chief Financial Officer

### 3. Directors' Meetings

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2012 and the number of meetings attended by each director were:

	Meetings of Directors		Meetings of Committees			
	Held	Attended	Audit	Remuneration	Held	Attended
			Held	Attended		
Mr D M Murcia	7	7	1	1	2	2
Mr D P Gordon	7	7	n/a	n/a	n/a	n/a
Mr P E Freund	7	6	n/a	n/a	n/a	n/a
Mr K G McKay	7	6	2	2	2	2
Mr R G Hill	7	7	2	2	2	2
Mr G T Clifford	1	-	n/a	n/a	n/a	n/a
Mr M D Hancock	5	5	1	1	n/a	n/a

# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 3. Directors' Meetings (continued)

**Held** – denotes the number of meetings held during the time the director held office or was a member of the committee during the year.

The Company does not have a formal Nomination Committee. This function is performed by the full Board.

### 4. Corporate Governance Statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated. Disclosure is made at the end of this statement of areas of non-compliance with the Recommendations.

Further details of the various charters, policies, codes and procedures that document the Company's corporate governance practices are set out in the Company's website at [www.centaurus.com.au](http://www.centaurus.com.au).

#### 4.1 Board of Directors

The relationship between the Board and senior management is critical to the Group's long term success. The directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and to ensure the Group is properly managed.

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executives. These delegations are reviewed on an annual basis.

The Board operates in accordance with the broad principles set out in its Charter which is available from the corporate governance information section of the Company's website at [www.centaurus.com.au](http://www.centaurus.com.au). The Charter details the Board's composition and responsibilities.

##### *Board Members*

Details of the members of the Board, their skills, experience, expertise, qualifications, term of office and independence status are set out in the Directors' Report under the heading "Directors and Officers" (section 2). There are three independent non-executive directors, two executive directors and one non independent non-executive director at the date of signing the Directors' Report.

##### *Directors' Independence*

The Board has adopted specific principles in relation to directors' independence and these are set out in its Charter. The names of the directors considered to be independent are set out in the Directors' Report.

The principles adopted by the Board employ the concept of materiality. Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Group or 5% of the individual director's net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it impacts the shareholders' understanding of the director's performance.

##### *Term of Office*

The Company's Constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting following their last election. Where eligible, a director may stand for re-election.

##### *Responsibilities of Management*

The Board Charter sets out the responsibilities of management and details are available on the Company's website.

# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 4.1 Board of Directors (continued)

#### *Independent Professional Advice*

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld. A copy of the advice received by the director is made available to all other members of the Board.

#### *Director and Executive Education*

The Group has a process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of directors. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

The Group also has a process to educate new senior executives upon taking such positions. The induction program includes reviewing the Group's structure, strategy, operations, financial position and risk management policies. It also familiarises the individual with the respective rights, duties, responsibilities and roles of the individual and the Board.

#### *Performance Assessment*

The Board charter sets out the process to undertake an annual self assessment of the Board's collective performance, the performance of the Chairman and of its committees. The self assessment involves a questionnaire process to review performance attributes. The performance of senior executives is assessed by the Managing Director. The assessment involves an annual review of performance and development and the results of the review are formally documented.

#### *Nomination Committee*

The Company does not have a formal Nomination Committee, the role of the Nomination Committee is performed by the full Board and it operates in accordance with its Charter which is available on the Company's website. The responsibilities of the Committee include the annual review of the membership and performance of the Board, reviewing candidates for vacancies and succession planning.

### 4.2 Remuneration Committee

The Remuneration Committee operates in accordance with its Charter which is available on the Company's website. The Committee shall consist of at least three non-executive directors with relevant expertise and experience in the industries in which the Group operates. The Committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Each member of the senior executive team signs an employment contract at the time of their appointment covering a range of matters, including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. This job description is reviewed by the Remuneration Committee on an annual basis and, where necessary, is revised in consultation with the relevant employee.

Further information on directors' and executives' remuneration is set out in the Remuneration Report.

Executive remuneration and other terms of employment is reviewed annually by the Committee having regard to personal and corporate performance, contribution to long term growth, relevant comparative information and independent expert advice. As well as a base salary and compulsory superannuation, remuneration packages may include retirement and termination entitlements, performance-related bonuses and fringe benefits. Non-executive directors and executives are eligible to participate in the Employee Share Option Plan and Performance Share Plan which provide for the issue of options and performance rights in the Company.

Details of the qualifications of directors of the Remuneration Committee and their attendance at Committee meetings are set out in the Directors' Report.



# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 4.3 Remuneration Report – audited

#### 4.3.1 Principles of Remuneration

The primary objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linked executive compensation;
- transparency; and
- capital management.

The Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation to ensure:

- (i) Alignment to shareholders' interests:
  - focuses on the creation of shareholder value and returns; and
  - attracts and retains high calibre executives.
- (ii) Alignment to program participants' interests:
  - rewards capability and experience;
  - reflects competitive reward for contribution to growth in shareholder wealth;
  - provides a clear structure for earning rewards; and
  - provides recognition for contribution.

The remuneration framework currently consists of base pay, cash incentive bonuses and long-term incentives through participation in the Employee Share Option Plan and Performance Share Plan.

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current and prior year. Over the past 5 years, the Group was involved in mineral exploration and therefore growth in earnings is not considered relevant. Shareholder wealth is dependent upon exploration success and has fluctuated accordingly. During the same period, average executive remuneration has been maintained in accordance with industry standards. The performance of the Group in respect of the current financial year and the previous four financial years is set out below:

	2012 \$	2011 \$	2010 \$	2009 \$	2008 \$
Net loss	(20,783,843)	(12,204,218)	(5,635,542)*	(1,265,869)	(3,505,630)
Change in share price <sup>(1)</sup>	(\$0.201)	\$0.064	\$0.08	\$0.00	(\$0.48)
Market capitalisation at year end	\$58.7 million	\$68.0 million	\$42.3 million	\$17.2 million	\$17.2 million

<sup>(1)</sup> In October 2011 the Group completed a 1-for-8 share consolidation, comparatives have been restated.

\*The Group changed its accounting policy for exploration and evaluation expenditure effective from 1 July 2009. Exploration and evaluation expenditure is expensed in the year incurred.

During the years stated above, there were no other returns of capital made by the Company to shareholders and no dividends paid.

# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 4.3 Remuneration Report – audited (continued)

#### 4.3.1 Principles of Remuneration

The executive pay and reward framework has four components:

- base pay and benefits;
- short term incentives in the form of cash bonuses based on achievement of milestones;
- long term incentives through participation in the Employee Share Option Plan and Performance Share Plan; and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

- *Base Pay*  
Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion. Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion. There are no guaranteed base pay increases included in any senior executive contracts.
- *Incentives – Cash Bonuses*  
The Board may pay discretionary cash bonuses or offer performance based incentives, where employees are paid pre-determined cash bonuses on achievement of milestones based on the Company's strategic objectives.
- *Expatriate Benefits*  
Expatriate executives located in Brazil receive benefits including housing and relocation costs.
- *Retirement Benefits*  
Directors and employees are permitted to nominate a superannuation fund of their choice to receive superannuation contributions.
- *Long Term Incentives – Options and Performance Rights*  
Long term incentives comprising of share options and performance rights are granted from time to time to encourage exceptional performance in the realisation of strategic outcomes and growth in shareholder wealth. Options and performance rights are granted for no consideration and do not carry voting or dividend entitlements. Information on share options and performance rights granted during the year is set out in section 4.3.4.

#### Short Term Incentive Plan

The Group has implemented a Short Term Incentive Plan ("STI") to motivate and reward employees for the achievement of specific milestones. The milestones are linked to the Group's strategic objectives of becoming a substantial producer of iron ore for both the domestic Brazilian steel market and the global iron ore export market. Achievement of the milestone would result in the payment of a pre-determined cash bonus.

The milestones used and the respective weightings of the milestones will vary by role and are designed to align performance measures to the responsibilities of each role. The STI plan is comprised of 100% non-financial milestones, reflecting the Group's position as a developer of iron ore projects. The milestones are applicable for the period ending 31 December 2013.

Due to the commercially sensitive nature of the milestones, the precise metrics being used have not been disclosed. A summary of the milestones in place as at the date of this report is as follows:

- (A) Domestic Production Strategy (Jambreiro Project):
- Obtaining government environmental approvals;
  - Achieving feasibility study results to exceed targeted levels of CAPEX and OPEX costs;
  - Entering into agreements for the sale of iron ore with Brazilian steel groups;
  - Securing debt and/or equity funding facilities to support the development of the Project;
  - Achieving commencement of on-site construction; and
  - Securing access to infrastructure facilities.
- (B) Export Production Strategy:
- Definition of a JORC Inferred Resource exceeding a target level; and
  - Securing access to port facilities.

# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 4.3 Remuneration Report – audited (continued)

#### 4.3.1 Principles of Remuneration

##### Short Term Incentive Plan (continued)

(C) Project Acquisition:

- Achieve a set production threshold for a new project acquisition; and
- Securing access to new tenement packages adjacent to existing projects.

These milestones have been chosen to ensure the performance of executives is aligned with the Group's broader strategic objectives.

##### Employment Agreements

Remuneration and other terms of employment for executives are formalised in employment agreements. The agreements provide for the provision of other benefits and participation, when eligible, in the Employee Share Option Plan and Performance Share Plan.

Other major provisions of the agreements relating to remuneration are set out below:

##### *D P Gordon – Managing Director*

- Term of agreement – commenced on 4 May 2009. Mr Gordon may terminate the agreement by giving 6 months notice. The Company may terminate the agreement by giving 12 months notice.
- Base salary, inclusive of superannuation is \$425,000 effective from 1 July 2012, reviewed annually. Provision of four weeks annual leave.
- Short Term Incentive Cash Bonuses – a bonus of up to 90% of total fixed remuneration is payable on meeting various key performance hurdles relating to offtake agreements, government project approvals, project funding approvals, definition of JORC Resources and production targets.
- Long Term Incentive Performance Rights – subject to shareholder approval, performance rights are issued under the Company's Performance Share Plan with vesting conditions based on performance hurdles relating to production targets.

##### *P E Freund – Operations Director*

- Term of agreement – commenced on 1 February 2010 with no set term. Mr Freund or the Company may terminate the agreement by giving 2 months notice. Entitled to 6 months salary if position is made redundant.
- Base salary, inclusive of superannuation is \$400,000 effective from 1 July 2012, reviewed annually. Provision of four weeks annual leave.
- Expatriate benefits including accommodation, relocation expenses and education fees are provided for living in Brazil.
- Short Term Incentive Cash Bonuses – a bonus of up to 60% of total fixed remuneration is payable on meeting various key performance hurdles relating to feasibility study results, offtake agreements, government project approvals and project funding approvals.
- Long Term Incentive Cash Bonuses – a bonus of up to 90% of total fixed remuneration is payable on meeting various key performance hurdles relating to commencement of iron ore production, achievement of annualised iron ore production rates and definition of JORC Inferred and Measured Resources exceeding a targeted level from the Group's existing projects or new projects that may be acquired.
- Long Term Incentive Performance Rights – subject to shareholder approval, performance rights are issued under the Company's Performance Share Plan with vesting conditions based on performance hurdles relating to production targets.

# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 4.3 Remuneration Report – audited (continued)

#### 4.3.1 Principles of Remuneration

##### *G A James – Chief Financial Officer/Company Secretary*

- Term of agreement – commenced on 19 March 2007 with no set term. Mr James or the Company may terminate the agreement by giving 2 months notice. Entitled to 6 months salary if position is made redundant.
- Base salary, inclusive of superannuation is \$240,000 effective from 1 July 2012, reviewed annually. Provision of four weeks annual leave.
- Short Term Incentive Cash Bonuses – a bonus of up to 25% of total fixed remuneration is payable on meeting various key performance hurdles relating to feasibility study results and project funding approvals.
- Long Term Incentive Performance Rights – performance rights are issued under the Company's Performance Share Plan with vesting conditions based on performance hurdles relating to production targets.

##### *K Petersen – Chief Geologist - New Projects*

- Term of agreement – commenced on 1 February 2010 with no set term. Mr Petersen or the Company may terminate the agreement by giving 2 months notice. Entitled to 6 months salary if position is made redundant.
- Base salary, inclusive of superannuation is \$230,000 effective from 1 July 2012, reviewed annually. Provision of four weeks annual leave.
- Short Term Incentive Cash Bonuses – a bonus of up to 50% of total fixed remuneration is payable on meeting various key performance hurdles relating to acquisition of new projects.

##### *A Moura – General Manager – Operations*

- Term of agreement – commenced on 30 January 2012 with no set term. Mr Moura or the Company may terminate the agreement by giving 2 months notice. Entitled to 6 months salary if position is made redundant.
- Base salary, inclusive of superannuation is BRL 477,000 (AUD equivalent \$226,000) effective from 1 July 2012, reviewed annually. Provision of four weeks annual leave.
- Short Term Incentive Cash Bonuses – a bonus of up to 25% of total fixed remuneration is payable on meeting various key performance hurdles relating to feasibility study results and project construction timetables.
- Long Term Incentive Performance Rights – performance rights are issued under the Company's Performance Share Plan with vesting conditions based on performance hurdles relating to production targets.

##### *R Fitzhardinge – General Manager – Exploration and Evaluation*

- Term of agreement – commenced on 19 July 2010 with no set term. Mr Fitzhardinge or the Company may terminate the agreement by giving 2 months notice. Entitled to 6 months salary if position is made redundant.
- Base salary, inclusive of superannuation is \$245,000 effective from 1 July 2012, reviewed annually. Provision of four weeks annual leave.
- Expatriate benefits including accommodation and relocation expenses are provided for living in Brazil.
- Short Term Incentive Cash Bonuses – a bonus of up to 25% of total fixed remuneration is payable on meeting various key performance hurdles relating to feasibility study results and project acquisitions.
- Long Term Incentive Performance Rights – performance rights are issued under the Company's Performance Share Plan with vesting conditions based on performance hurdles relating to production targets.

##### *B Scarpelli – General Manager – Environment and Occupational Health and Safety*

- Term of agreement – commenced on 4 December 2010 with no set term. Mr Scarpelli or the Company may terminate the agreement by giving 2 months notice. Entitled to 6 months salary if position is made redundant.
- Base salary, inclusive of superannuation is BRL 456,000 (AUD equivalent \$216,000) effective from 1 July 2012, reviewed annually. Provision of four weeks annual leave.
- Short Term Incentive Cash Bonuses – a bonus of up to 25% of total fixed remuneration is payable on meeting various key performance hurdles relating to government project approvals.
- Long Term Incentive Performance Rights – performance rights are issued under the Company's Performance Share Plan with vesting conditions based on performance hurdles relating to production targets.

## **CENTAURUS METALS LIMITED**

### **Directors' Report**

For the year ended 30 June 2012

#### **4.3 Remuneration Report – audited (continued)**

##### **4.3.1 Principles of Remuneration**

###### **Non-Executive Directors**

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market.

Non-executive directors' remuneration consists of set fee amounts and statutory superannuation. The current base remuneration was last reviewed with effect from 1 July 2012. The level of fees for non-executive directors is set at \$60,000 per annum and \$90,000 per annum for the non-executive Chairman. Directors do not receive additional committee fees. Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The total maximum currently stands at \$300,000. There is no provision for retirement allowances for non-executive directors.

Non-executive directors are eligible to be granted with options and performance rights to provide a material additional incentive for their ongoing commitment and dedication to the continued growth of the Group. The Board considers the issue of options and performance rights to be reasonable in the circumstances, to assist the Company in attracting and retaining the highest calibre of non-executive directors to the Company, whilst maintaining the Group's cash reserves.

## CENTAURUS METALS LIMITED

### Directors' Report

For the year ended 30 June 2012

#### 4.3 Remuneration Report – audited (continued)

##### 4.3.2 Directors' and Executive Officers' Remuneration

Details of the nature and amount of each major element of remuneration of each director of the Company, each of the named Company executives and relevant Group executives who receive the highest remuneration and other key management personnel of the Group are:

2012	Short Term Benefits			Post-employment benefits	Share-based payments <sup>(2)</sup>	Total \$	S300A(1)(e)(i) Proportion of remuneration performance related %	S300A(1)(e)(vi) Value of options and rights as proportion of remuneration %
	Salary & fees \$	Cash Bonus \$	Other Benefits <sup>(1)</sup> \$	Super-annuation \$	Options & rights \$			
<b>Non-Executive Directors</b>								
Mr D M Murcia	80,000	-	-	-	36,147	116,147	-	31.1%
Mr K G McKay	50,459	-	-	4,541	-	55,000	-	-
Mr R G Hill	50,459	-	-	4,541	11,681	66,681	-	17.5%
Mr M D Hancock (Appointed 23 September 2011)	42,519	-	-	-	-	42,519	-	-
Mr G T Clifford (Resigned 12 August 2011)	6,146	-	-	553	-	6,699	-	-
<b>Executive Directors</b>								
Mr D P Gordon	365,000	35,000	4,841	25,000	71,908	501,749	7.0%	14.3%
Mr P E Freund	304,072	34,404	85,132	49,263	71,584	544,455	6.3%	13.1%
<b>Executives<sup>(3)</sup></b>								
Mr M Papendieck (Resigned 5 August 2011) <sup>(4)</sup>	40,870	-	-	2,117	(36,276)	6,711	-	-
Mr G A James	211,009	-	-	18,991	6,692	236,692	-	2.8%
Mr R Fitzhardinge	243,735	-	27,916	4,009	27,724	303,384	-	9.1%
Mr K Petersen	211,009	24,600	20,381	18,991	13,048	288,029	8.5%	4.5%
Mr B Scarpelli	208,986	14,616	-	7,623	32,239	263,464	5.5%	12.2%
Mr A Moura (Appointed 30 January 2012)	87,780	-	1,278	7,022	44,660	140,740	-	31.7%
<b>Total</b>	<b>1,902,044</b>	<b>108,620</b>	<b>139,548</b>	<b>142,651</b>	<b>279,407</b>	<b>2,572,270</b>		

(1) Other benefits include non-cash benefits and expatriate benefits for executives located in Brazil.

(2) The fair value of the options is calculated at the date of grant using the Black Scholes option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The fair value of the rights is calculated using the 5 day volume weighted average share price prior to date of grant. The value disclosed is the portion of the fair value of the options and rights recognised in this reporting period.

(3) There are no other personnel who meet the criteria of s300A executive disclosure.

(4) Mr M Papendieck's current year remuneration includes a \$36,276 reversal of expense recognised in prior years in relation to options that expired unvested due to performance condition not being met.

# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 4.3 Remuneration Report – audited (continued)

#### 4.3.2 Directors' and Executive Officers' Remuneration

2011	Short Term Benefits			Post-employment benefits	Share-based payments <sup>(3)</sup>	Total \$	S300A(1)(e)(i) Proportion of remuneration performance related %	S300A(1)(e)(vi) Value of options as proportion of remuneration %
	Salary & fees \$	Cash Bonus \$	Other Benefits <sup>(2)</sup> \$	Super-annuation \$	Options \$			
<b>Non-Executive Directors</b>								
Mr D M Murcia	78,750	-	-	-	33,413	112,163	-	29.8%
Mr K G McKay	41,285	-	-	12,465	1,022	54,772	-	1.9%
Mr R G Hill	49,312	-	-	4,438	39,588	93,338	-	42.4%
Mr G T Clifford (Resigned 12 August 2011)	28,287	-	-	25,463	2,416	56,166	-	4.3%
<b>Executive Directors</b>								
Mr D P Gordon	343,750	70,000 <sup>(1)</sup>	-	6,250	68,428	488,428	14.33%	14.0%
Mr P E Freund	291,284	-	78,607	26,215	275,623	671,729	-	41.0%
<b>Executives<sup>(4)</sup></b>								
Mr M Papendieck	229,358	-	-	20,642	19,763	269,763	-	7.3%
Mr G A James	186,054	-	-	16,746	15,929	218,729	-	7.3%
Mr I Cullen (Resigned 12 November 2010)	96,553	-	26,056	2,957	-	125,566	-	-
Mr R Fitzhardinge (Appointed 19 July 2010)	178,997	-	32,594	5,956	43,096	260,643	-	16.5%
Mr K Petersen	209,346	-	92,913	15,819	37,727	355,805	-	10.6%
Mr B Scarpelli (Appointed 4 December 2010)	117,626	-	-	9,338	39,654	166,618	-	23.8%
<b>Total</b>	<b>1,850,602</b>	<b>70,000</b>	<b>230,170</b>	<b>146,289</b>	<b>576,659</b>	<b>2,873,720</b>		

(1) A discretionary cash bonus was paid during the year, there were no bonuses forfeited during the year.

(2) Other benefits include non-cash benefits and expatriate benefits for executives located in Brazil.

(3) The fair value of the options is calculated at the date of grant using the Black Scholes option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.

(4) There are no other personnel who meet the criteria of s300A executive disclosure.

# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 4.3 Remuneration Report – audited (continued)

#### 4.3.3 Analysis of Bonuses

Details of the vesting profile of incentive cash bonuses awarded as remuneration to each director of the Company and other key management personnel are detailed below:

	Included in remuneration \$	Grant Date	% Vested in year	% Forfeited in year <sup>(6), (7)</sup>	% Unvested <sup>(7)</sup>	Financial years in which unvested bonus payable
<b>Executive Directors</b>						
Mr D P Gordon - discretionary	35,000 <sup>(1)</sup>	25/08/2011	- <sup>(1)</sup>	-	-	-
Mr D P Gordon - performance	- <sup>(2)</sup>	-	0.0%	10.0%	90.0%	2013
Mr P E Freund – performance	34,404 <sup>(3)</sup>	24/04/2012	6.7%	26.7%	66.6%	2013 & 2014
<b>Executives</b>						
Mr K Petersen - performance	24,600 <sup>(4)</sup>	14/07/2011	24.0%	76.0%	-	-
Mr B Scarpelli – discretionary	14,616 <sup>(5)</sup>	25/08/2011	- <sup>(5)</sup>	-	-	-

- (1) A discretionary cash bonus was paid during the year.
- (2) A cash bonus of up to 100% of total fixed remuneration is payable on meeting various key performance hurdles. During the year 10% of the bonus amount was forfeited with 90% of the bonus unvested and will vest in the future provided performance hurdles are met.
- (3) A cash bonus of up to 150% of total fixed remuneration is payable on meeting various key performance hurdles. During the year 6.7% of the bonus amount was paid for meeting performance hurdles relating to definition of JORC Resources, 26.7% of the bonus amount was forfeited and the remaining 66.6% of the bonus is unvested and will vest in future years provided performance hurdles are met.
- (4) A cash bonus of up to 50% of total fixed remuneration is payable on meeting various key performance hurdles. During the year 24% of the available bonus was paid for meeting performance hurdles relating to acquisition of new projects. The remaining 76% of the bonus was forfeited during the year.
- (5) A discretionary cash bonus was paid during the year. No bonuses with performance hurdles were established during the year.
- (6) The amounts forfeited are due to the performance criteria not being met in relation to the current financial year.
- (7) No amounts have been accrued as remuneration in the 2012 year as the performance hurdles have not yet been met.

#### 4.3.4 Equity Instruments

A Performance Share Plan (PSP) was adopted by the Board on 23 July 2012 and was approved by shareholders on 31 August 2012. Under the PSP, the Board may from time to time in its absolute discretion grant performance rights to eligible persons including executives and employees, in the form and subject to terms and conditions as the Board determines. Performance rights are, in effect, options to acquire unissued shares in the Company, the exercise of which is subject to certain performance milestones and remaining in employment during the vesting period. Performance rights are granted under the PSP for no consideration and are granted for a period not exceeding 5 years.

Subsequent to the end of the financial year on 31 August 2012, shareholders approved and the Company granted 700,000 performance rights to Mr D P Gordon and 300,000 performance rights to Mr P E Freund. The performance rights will only vest into shares if the performance conditions relating to production targets are met. In addition the Company granted performance rights to executives and employees, subject to performance conditions relating to production targets. With the exception of performance rights to Mr D Gordon (refer 4.3.4) whereby the service period commenced prior to grant date, no other performance rights were granted or issued during the 2012 financial year.

Options are granted under the Employee Share Option Plan (ESOP) which was approved by shareholders at the 2010 annual general meeting. Employees are eligible to participate in the ESOP (including executive and non-executive directors) unless the Board in its absolute discretion determine otherwise. Options are granted from time to time under the ESOP for no consideration and are granted for a period of up to 5 years.

The vesting and exercise conditions of options granted are determined by the Board in its absolute discretion. Employees must remain in employment during the vesting period. Options may also be granted by the Company outside of the ESOP, but under similar terms and conditions.



# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 4.3 Remuneration Report – audited (continued)

#### 4.3.4 Equity Instruments

The Group has a policy that prohibits directors and employees who are granted share options and performance rights as part of their remuneration from entering into arrangements that limit their exposure to losses that would result from share price decreases.

#### *Options and rights over equity instruments granted as compensation*

Details on options and rights over ordinary shares in the Company that were granted as remuneration to each key management personnel during the reporting period and details on options and rights that vested during the reporting period are as follows:

PERFORMANCE RIGHTS	Number of performance rights granted	Grant Date	Fair value per performance rights (\$)	Exercise price per performance right (\$)	Expiry date	Number of performance rights vested during 2012
<b>Executive Directors</b>						
Mr D Gordon	300,000	31/08/2012	0.4288	-	31/12/2013	-
	400,000	31/08/2012	0.4288	-	30/06/2015	-

Performance rights were granted to Mr D Gordon following shareholder approval on 31 August 2012. As at 30 June 2012, approximately 4 months has been recognised as remuneration in accordance with Australian Accounting Standards as the service period had commenced in March 2012. The rights were provided at no cost to the recipient.

OPTIONS	Number of options granted	Grant Date	Fair value per option at grant date (\$)	Exercise price per option (\$)	Expiry date	Number of options vested during 2012
<b>Executives</b>						
Mr A Moura	400,000	30/01/2012	0.3128	0.80	30/01/2017	100,000

No options have been granted since the end of the financial year. The options were provided at no cost to the recipient.

#### *Analysis of rights over equity instruments granted as compensation*

Details of vesting profiles of performance rights granted as remuneration to each key management personnel of the Group during the reporting period are detailed below:

PERFORMANCE RIGHTS	Number of performance rights issued	Grant Date	% vested in year	% forfeited in year (A)	Financial years in which grant vests
<b>Executive Directors</b>					
Mr D Gordon	300,000	31/08/2012	-	-	2014 <sup>(1)</sup>
	400,000	31/08/2012	-	-	2015 <sup>(2)</sup>

(1) Performance rights vest on first sale of iron ore from the Jambreiro Iron Ore Project on or before 31 December 2013.

(2) Performance rights vest on first sale of iron ore into the export market from the Company's current or future Brazilian Projects on or before 30 June 2015.

# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 4.3 Remuneration Report – audited (continued)

#### 4.3.4 Equity Instruments

##### *Analysis of options over equity instruments granted as compensation*

Details of vesting profiles of the options granted as remuneration to each key management personnel of the Group are detailed below:

OPTIONS	Number of options granted	Grant Date	% vested in year	% forfeited in year (A)	Financial years in which grant vests
<b>Directors</b>					
Mr D Murcia	62,500	17/07/2009	100%	-	-
	62,500	30/11/2010	100%	-	-
	62,500	30/11/2010	-	-	2014
Mr Richard Hill	62,500	31/03/2010	100%	-	-
<b>Executive Directors</b>					
Mr D Gordon	125,000	31/03/2010	-	-	2014 <sup>(1)</sup>
	125,000	31/08/2010	-	-	2015 <sup>(2)</sup>
Mr P Freund	1,000,000	09/02/2010	100%	-	-
<b>Executives</b>					
Mr M Papendieck	187,500	15/02/2010	-	100%	n/a
	187,500	15/02/2010	-	100%	n/a
Mr G James	62,500	17/07/2009	100%	-	-
Mr R Fitzhardinge	37,500	19/07/2010	-	-	2014 <sup>(1)</sup>
	37,500	19/07/2010	-	-	2015 <sup>(2)</sup>
	62,500	01/10/2010	-	-	2013 <sup>(3)</sup>
	62,500	01/10/2010	-	-	2014 <sup>(4)</sup>
Mr K Petersen	150,000	09/02/2010	100%	-	-
	62,500	15/02/2010	-	-	2014 <sup>(1)</sup>
	62,500	15/02/2010	-	-	2015 <sup>(2)</sup>
Mr B Scarpelli	75,000	04/02/2011	-	-	2014 <sup>(1)</sup>
	75,000	04/02/2011	-	-	2015 <sup>(2)</sup>
Mr A Moura	100,000	30/01/2012	100%	-	2012
	150,000	30/01/2012	-	-	2013 <sup>(5)</sup>
	150,000	30/01/2012	-	-	2014 <sup>(6)</sup>

(A) The % forfeited in the year represents options forfeited on resignation.

(1) Options vest on commencement of iron ore production on a Mining Lease from the Company's iron ore projects in Brazil.

(2) Options vest on achievement of iron ore production from the Company's iron ore projects at an average rate of 250,000 tonnes per month over a consecutive 3 month period.

(3) Options vest on definition of a JORC Inferred Resource that delivers over 100Mt of +60% iron ore or concentrate from the Company's iron ore projects in Brazil.

(4) Options vest on definition of a JORC Inferred Resource that delivers over 250Mt, or a JORC Measured and Indicated Resource that delivers over 100Mt of +60% iron ore or concentrate from the Company's iron ore projects in Brazil.

(5) Options vest on achievement of iron ore production from the Company's iron ore projects at an average rate of 150,000 tonnes per month over a consecutive 3 month period into the Domestic Steel Industry in Brazil.

(6) Options vest on achievement of first iron ore shipment from Brazil into the international iron ore export market.

# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 4.3 Remuneration Report – audited (continued)

#### 4.3.4 Equity Instruments

##### *Modification of terms of equity-settled share-based payment transactions*

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

There are no amounts unpaid on the shares issued as a result of the exercise of the options in the 2012 financial year.

##### *Exercise of options granted as compensation*

During the reporting period, the following shares were issued on the exercise of options previously granted as compensation to key management personnel:

Executives	Number of Shares	Amount paid \$/Share
Mr M Papendieck	125,000	\$0.64

##### *Analysis of movements in options*

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person and each of the Company executives and relevant Group executives is detailed below:

	Value of options granted \$(A)	Value of performance rights granted \$(B)	Value of options exercised in year \$(C)	Value of options lapsed in year \$(D)
<b>Directors</b>				
Mr D M Murcia	-	-	-	-
Mr D P Gordon	-	300,148	-	-
Mr K G McKay	-	-	-	-
Mr P E Freund	-	-	-	-
Mr R G Hill	-	-	-	-
Mr M D Hancock	-	-	-	-
Mr G T Clifford (resigned 12 August 2011)	-	-	-	-
<b>Executives</b>				
Mr M Papendieck	-	-	14,000	173,214
Mr G James	-	-	-	-
Mr K Petersen	-	-	-	-
Mr R Fitzhardinge	-	-	-	-
Mr B Scarpelli	-	-	-	-
Mr A Moura	125,119	-	-	-

- (A) The value of options granted in the year is the fair value of the options calculated at grant date using the Black Scholes option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in period 30 January 2012 to 31 December 2014).
- (B) The fair value of performance rights granted has been provisionally calculated using the 5 day volume weighted average share price prior to 30 June 2012, and will be subsequently revised upon grant date. In accordance with Australian Accounting Standards the fair value is recognised over the service period which commenced prior to date of grant being 31 August 2012. The total value of the rights granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in period 12 March 2012 to 30 June 2015).
- (C) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.
- (D) The value of unvested options that lapsed during the year represents the benefit forgone and is calculated at the date the options lapsed using the Black Scholes option-pricing model assuming the performance criteria had been achieved.

# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 4.4 Audit Committee

The Audit Committee operates in accordance with its Charter which is available on the Company's website. The Committee shall consist of at least three non-executive directors with appropriate financial expertise and working knowledge of the industries in which the Group operates.

The responsibilities of the Committee include the review, assessment and approval of the annual report, the half-year financial report and all other financial information published by the Group or released to the market. The Committee assists the Board in reviewing the effectiveness of the organisation's internal control environment covering the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The Committee oversees the effective operation of the risk management framework.

In fulfilling its responsibilities, the Audit Committee receives regular reports from management and the external auditors. It also meets with the external auditors at least twice a year.

The Managing Director and Chief Financial Officer have made the following certifications to the Board:

- that the financial records of the Group for the financial year have been properly maintained, the Group's financial reports for the financial year comply with accounting standards and present a true and fair view of the Group's financial position and operational results; and
- the above statement is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Group's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. The *Corporations Act 2001* requires the rotation of the audit engagement partner at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors' Report and in Note 30 to the financial statements. The external auditors are required to provide an annual declaration of their independence to the Audit Committee. The external auditor is required to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Details of the qualifications of directors of the Audit Committee and their attendance at Committee meetings are set out in the Directors' Report.

### 4.5 Risk Management

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies are available on the Company's website. In summary, the Group's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, addressed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is a framework with clearly drawn lines of accountability and delegation of authority. Adherence to the Group's Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

The Group's risk management policy is managed by the full Board. The Audit Committee, via its Charter, oversees the effective operation of the risk management framework. The Board conducts an annual corporate strategy workshop which reviews the Group's strategic direction in detail and includes specific focus on the identification of the key material business and financial risks which could prevent the Group from achieving its objectives. The Board is required to ensure that appropriate controls are in place to effectively manage those risks.

# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 4.5 Risk Management (continued)

Detailed control procedures cover management accounting, financial reporting, project appraisal, environment, health and safety, information technology security, compliance and other risk management issues. The Board requires that each major proposal submitted to the Board for decision be accompanied by a comprehensive risk assessment and, where required, management's proposed mitigation strategies. The Group has in place an insurance program which is reviewed periodically by the Board. The Board receives regular reports on budgeting and financial performance. A system of delegated authority levels has been approved by the Board to ensure business transactions are properly authorised and executed.

Senior management is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system. A detailed questionnaire process is completed by senior management on a six monthly basis to facilitate the reporting of risk management to the Board. The Managing Director and Chief Financial Officer have certified to the Board that the risk management and internal control systems to manage the Group's material business risks have been assessed and found to be operating effectively.

#### *Environment, Health and Safety Management*

The Group recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance. To help meet this objective the Board facilitates the systematic identification of environmental and OH&S issues and ensures they are managed in a structured manner. This system allows the Group to:

- monitor its compliance with all relevant legislation;
- continually assess and improve the impact of its operations on the environment;
- encourage employees to actively participate in the management of environmental and OH&S issues;
- work with trade associations representing the entity's business to raise standards;
- use energy and other resources efficiently; and
- encourage the adoption of similar standards by the entity's principal suppliers, contractors and distributors.

To manage OH&S issues, the Group has a number of procedure documents including a Safety Risk Management Plan, Environmental Procedures for Drilling and a Health and Safety Plan for Employees and Service Providers. It is a condition of employment for all employees to follow these procedures. Reporting on OH&S issues is a standard agenda item at regular Board Meetings.

Information on compliance with significant environmental regulations is set out in the Directors' Report.

### 4.6 Ethical Standards

The Group has developed a statement of values and a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity. In summary, the Code requires that at all times, all Group personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Group policies.

The purchase and sale of the Company's securities by directors and senior managers is not permitted within the following blackout periods:

- (i) 1 week prior to the release of annual and half yearly accounts to the ASX;
- (ii) 1 week prior to the release of the quarterly results announcement to the ASX; and
- (iii) two business days after the release of any ASX announcement.

The Chairman must be advised prior to any proposed transaction in the Company's securities by directors. Directors and all employees must not partake in short-term trading of the Company's securities which is defined as less than a 30 day period and no trading is permitted while in possession of inside information.

# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 4.6 Ethical Standards (continued)

The Group has a policy that prohibits directors and employees who are granted share options and performance rights as part of their remuneration from entering into arrangements that limit their exposure to losses that would result from share price decreases.

This Code and the Group's trading policy are discussed with each new employee as part of their induction training. The Code requires employees who are aware of unethical practices within the Group or breaches of the Group's trading policy to report these to the Group. This can be done anonymously. The directors are satisfied that the Group has complied with the principles of proper ethical standards, including trading in securities.

A copy of the Code and the Share Trading Policy are available on the Company's website.

### 4.7 Continuous Disclosure and Shareholder Communication

The Group has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Group has in place to promote communication with shareholders and encourage effective participation at general meetings. A summary of these policies and procedures is available on the Company's website.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing, in conjunction with the Managing Director and Chairman, information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website on the same day it is released to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's website prior to the presentation made. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

The Group seeks to provide opportunities for shareholders to participate through electronic means. All Company announcements, media briefings, details of Company meetings, press releases, and financial reports are available on the Company's website.

### 4.8 Diversity

The Group values diversity in all aspects of its business and is committed to creating a working environment that recognises and utilises the contribution of all its employees. The purpose of this policy is to provide diversity and equality relating to all employment matters. The Group's policy is to recruit and manage on the basis of ability and qualification for the position and performance, irrespective of gender, age, marital status, sexuality, nationality, race/cultural background, religious or political opinions, family responsibilities or disability. The Group opposes all forms of unlawful and unfair discrimination.

#### Gender Diversity

The Board is responsible for establishing and monitoring on an annual basis the achievement against gender diversity objectives and strategies, including the representation of women at all levels of the organisation.

The proportion of women within the whole organisation was as follows:

	2012	2011
Women employees in the whole organisation	26%	29%
Women in Senior Executive positions	0%	0%
Women on the Board of Directors	0%	0%

# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 4.8 Diversity (continued)

#### Gender Diversity

The Board acknowledges the absence of female participation on the Board of Directors. However, the Board has determined that the composition of the current Board represents the best mix of Directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management.

A copy of the Diversity Policy is available on the Company's website.

### 4.9 Non-Compliance Statement

The Company has not followed all of the Recommendations set out in Australian Securities Exchange Limited Listing Rule 4.10.3. The Recommendations that have not been followed and the explanation of any departures are as follows:

- Non-executive directors should not receive options. Non-executive directors are eligible to participate in the Employee Share Option Plan to provide a material additional incentive for their ongoing commitment and dedication to the continued growth of the Group. The Board considers the issue of options to be reasonable in the circumstances, to assist the Company in attracting and retaining the highest calibre of non-executive directors to the Company, whilst maintaining the Group's cash reserves and delivering on the Group's strategic objectives.
- A separate Nomination Committee has not been formed. The role of the Nomination Committee is carried out by the full Board. The Board considers that given its size, no efficiencies or other benefits are gained by establishing a separate Nomination Committee.
- The Company has not set or disclosed measurable objectives for achieving gender diversity. Due to the size of the Company, the Board does not deem it practical to limit the Company to specific targets for gender diversity as it operates in a very competitive labour market where positions are sometimes difficult to fill. However, every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.

## 5. Principal Activities

During the year the principal activities of the Group consisted of project generation and exploration for iron ore mineral resources. There were no other significant changes in the nature of the activities of the Group during the year.

## 6. Operating and Financial Review

A summary of consolidated results is set out below:

	2012	2011
	\$	\$
Interest income	1,093,355	1,163,472
Other income	43,219	3,773,648
	<u>1,136,574</u>	<u>4,937,120</u>
Loss before income tax expense	(20,783,843)	(12,661,592)
Income tax benefit	-	457,374
Loss attributable to members of Centaurus Metals Limited	<u>(20,783,843)</u>	<u>(12,204,218)</u>

# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 6. Operating and Financial Review (continued)

#### *Financial Position*

At the end of the financial year the Group had net cash balances of \$8,845,662 (2011: \$10,351,397) and net assets of \$27,091,502 (2011: \$34,357,361). Total liabilities amounted to \$7,154,938 (2011: \$8,173,591) and were limited to trade and other payables, employee benefits and deferred tax liabilities.

#### *Exploration*

During the year the Group carried out exploration programs on a number of its iron ore exploration projects in Brazil. At Centaurus' flagship Jambreiro Iron Ore Project, an in-fill drilling program was completed together with beneficiation testwork and the Company announced on 6 October 2011 a 65 per cent increase in the JORC compliant Resource estimate to 116.5 million tonnes grading 26.8% Fe. A maiden Ore Reserve estimate was announced on 14 November 2011 with a Proven and Probable Ore Reserve estimate of 49.0 million tonnes at an average grade of 28.2% for the friable component of the ore body.

The updated Resource estimate provided the platform for a Pre-Feasibility Study ("PFS") which was completed in November 2011. The PFS results outlined a 2Mtpa project of 66% Fe final product, capable of generating revenues of A\$1.25 billion and EBITDA of A\$858 million over an initial 8.5 year life.

The strong results of the PFS facilitated the Board's approval to commence a Bankable Feasibility Study ("BFS"). In December 2011, a new in-fill drilling program commenced as part of the BFS work program to convert the first 4 years of friable ore production into Proven Reserves. In May 2012 the Group received Government approval for the Final Exploration Reports covering the Project's key tenements. This allowed Centaurus to lodge the PAE (Economic Exploitation Plan), which effectively represents the start of the approval process to secure the grant of a mining lease, on 10 July 2012.

On 19 June 2012 the Group announced an updated JORC Mineral Resource estimate of 125.2 million tonnes grading 26.7% Fe. The new JORC Resource estimate included a significant increase in the Measured Resource estimate and confirmed the consistency and widths of grades of mineralisation at Jambreiro.

In regards to environmental approvals, in March 2012 the Group lodged the key environmental approval document for the Jambreiro Project, being the Environmental Impact Assessment with the state environmental authority SUPRAM in the state of Minas Gerais. Following from this, in June 2012 a very positive public hearing was held with key stakeholders and the local community. This marked another important step towards securing the main environmental approvals required for the development of the Project.

Extensive bench scale testwork and an initial pilot plant testwork program were completed during the year showing that a high grade product grading 65.6% Fe with low impurities can be produced from the Jambreiro Project using a simple and cost effective two-stage magnetic separation process. A full pilot plant testwork program was commenced on a 30 tonne sample as part of the BFS to finalise the process flowsheet and to produce a product for marketing purposes.

Work on the BFS was progressed during the year. Various consulting groups were appointed and commenced work on a number of areas including resource, reserve and mining estimations, geotechnical, water and waste matters, beneficiation flowsheet and equipment selection and engineering design work.

At the Candonga Iron Ore Project, trenching work was undertaken which enhanced the definition of drill targets for the next round of exploration and drilling. Initial testwork was carried out which showed the mineralisation can be upgraded to a 63.5% Fe product.

At the Serra da Lontra Iron Ore Project, a detailed mapping and exploration program was completed followed by a ground magnetic survey. Following the strong assay and survey results received, the Company commenced a maiden drill program in January 2012. This drilling program continued through to the end of the year together with a beneficiation testwork program.

At the Itambé Iron Ore Project, beneficiation testwork was carried out together with environmental data collection work in the areas of flora, fauna and water monitoring.



# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 6. Operating and Financial Review (continued)

#### **Exploration (continued)**

At the Passabém Iron Ore Project, the Company completed its obligations to the original vendor and paid the final consideration owing to remove the advanced royalty from the Project.

In May 2012 the Group acquired the Curral Velho Iron Ore Project in the state of Paraíba, in north-eastern Brazil. An exploration program is scheduled to commence on the Project in early 2012/13.

#### **Competent Person's Compliance 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 Limited.*

*Roger Fitzhardinge and Volodymyr Myadzel have sufficient experience which is relevant to the style of mineralisation 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.*

*The information in this report that relates to Ore Reserves is based on information compiled by Beck Nader who is a professional Mining Engineer and a Member of Australian Institute of Geoscientists. Beck Nader is the Managing Director of BNA Consultoria e Sistemas Ltda and is a consultant to Centaurus Metals Limited.*

*Beck Nader 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 Reserve'. Beck Nader consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.*

#### **Corporate**

On 27 July 2011, the Company announced it had entered into a strategic alliance with Atlas Iron Limited ("Atlas") pursuant to which Atlas agreed to take a strategic 19.9% stake in the Company, and for Atlas to provide technical, development and product marketing support as the Company looks to develop its export and domestic iron ore businesses in Brazil. Centaurus and Atlas entered into a subscription agreement with respect to the strategic alliance ("Agreement").

Under the Agreement, Atlas subscribed for a share placement comprising 26.5 million shares at 70.4 cents per share (post-consolidation basis), raising a total of \$18.7 million. In addition, Atlas subscribed for 3.75 million options at an exercise price of \$1.20 per share (post-consolidation basis), expiring on 31 August 2014. The share and option placement was approved by Shareholders on 22 September 2011.

As part of the strategic alliance, Atlas was entitled to nominate a representative to the Centaurus Board of Directors. On 23 September 2011, the Company appointed Atlas Iron's Chief Commercial Officer, Mr Mark Hancock to the Board.

Pursuant to the strategic alliance, and subject to meeting various conditions including Atlas continuing to hold a 5% interest in the share capital in the Company, ASX Limited have granted Centaurus a waiver from the listing rules to permit Atlas to have a right to maintain its equity interest in the Company in the event that further equity issues are undertaken for future funding requirements or as a means of securing further assets (other than by a takeover bid or scheme of arrangement). Atlas will be given the opportunity to participate in these future equity issues of the Company on the same terms as those being offered to third parties.

On 22 September 2011, Shareholders approved the consolidation of the Company's capital on a 1-for-8 basis. The consolidation took effect from 5 October 2011. The consolidation reduced the number of shares on issue from 1.068 billion to 133.5 million.

# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 6. Operating and Financial Review (continued)

#### *Significant changes in the state of affairs*

In the opinion of directors, other than as outlined in this report, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

### 7. Dividends

No dividend was declared or paid by the Company during the current or previous year.

### 8. Events Subsequent to Reporting Date

On 9 July 2012 the Group announced a two-tranche share placement of up to \$26.2 million of fully paid ordinary shares at an issue price of \$0.44 per share to new and existing institutional and strategic investors. The equity raising comprised of an \$11 million placement to Boston-based Liberty Metals & Mining Holdings ("LMM"), a \$5.2 million placement to Atlas Iron Limited ("Atlas") and a \$10 million placement to institutional and professional investor clients of Ord Minnett and Bell Potter. Tranche 1 of the placement occurred on 13 July 2012 with 19.14 million shares issued. Tranche 2 of the placement, comprising 40.41 million shares, was approved by shareholders on 31 August 2012 and was completed on 6 September 2012. Following the completion of the placement, LMM held a 12.77% interest in the Company whilst Atlas maintained its interest in Centaurus at 19.58%.

On 28 August 2012 it was announced that the Group had entered into an agreement to dispose of several non-core tenements to Orinoco Resources Limited ("ORL"). The consideration for the sale includes:

- 1 million ordinary shares in ORL;
- 1 million unlisted options in ORL exercisable at 25 cents and expiring 5 years from the date of issue; and
- Royalty of 2.5% of the net smelter return, being the gross proceeds received during a quarter for any product sold less certain allowable deductions.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

### 9. Likely Developments

Other than likely developments contained in the "Operating and Financial Review", further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

### 10. Environmental Regulation

The Group is subject to environmental laws and regulations under Brazilian (State and Federal) legislation depending on the activities undertaken. Compliance with these laws and regulations is regarded as a minimum standard for the Group to achieve. There were no known significant breaches of these regulations during the year.

# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 11. Directors' Interests

The relevant interest of each director in the shares and options over such shares issued by the companies within the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares	Employee options
<b>Directors</b>		
Mr D M Murcia	1,613,405	312,500
Mr D P Gordon <sup>(2)</sup>	6,769,791	750,000
Mr P E Freund <sup>(3)</sup>	25,000	2,000,000 <sup>(1)</sup>
Mr K G McKay	377,375	250,000
Mr R G Hill	1,569,430	187,500
Mr M D Hancock	33,333	-

(1) These options were issued as replacement awards pursuant to the takeover of Centaurus Resources Limited.

(2) Excludes 700,000 performance rights granted but not yet issued.

(3) Excludes 300,000 performance rights granted but not yet issued.

### 12. Share Options & Rights

#### Options & rights granted to directors and executives of the Company

During or since the end of the financial year, the Company granted options & performance rights for no consideration over unissued ordinary shares in the Company to the following directors and to the key management personnel of the Company as part of their remuneration:

	Number of options granted	Number of performance rights granted	Exercise price	Expiry date
<b>Directors</b>				
Mr D P Gordon	-	300,000	-(1)	31/12/2013
	-	400,000	-(1)	30/06/2015
Mr P E Freund	-	300,000	-(1)	31/12/2013
<b>Executives</b>				
Mr G A James	-	100,000	-(1)	31/12/2013
	-	150,000	-(1)	30/06/2015
Mr R Fitzhardinge	-	100,000	-(1)	31/12/2013
	-	150,000	-(1)	30/06/2015
Mr B Scarpelli	-	100,000	-(1)	31/12/2013
	-	150,000	-(1)	30/06/2015
Mr A Moura	-	100,000	-(1)	31/12/2013
	-	150,000	-(1)	30/06/2015
	100,000	-	0.80	30/01/2017
	150,000	-	0.80	30/01/2017
	150,000	-	0.80	30/01/2017

(1) Performance rights issued with a zero exercise price.

All options were granted during the financial year. No options have been granted since the end of the financial year. With the exception of performance rights granted to D P Gordon (refer 4.3.4) whereby the service period commenced in March 2012, prior to the grant date of 31 August 2012, no other performance rights were granted during the year, all were granted subsequent to 30 June 2012.

# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 12. Share Options & Rights (continued)

#### Unissued share options and performance rights

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Employee Options		Non - Employee Options		Total number of shares under option
		Vested	Unvested	Vested	Unvested	
20/11/2012	\$1.64	62,500	-	-	-	62,500
20/11/2012	\$1.96	62,500	-	-	-	62,500
20/11/2012	\$2.28	62,500	-	-	-	62,500
14/02/2013	\$0.80	-	-	2,000,000	-	2,000,000
01/10/2013	\$0.88	12,500	-	-	-	12,500
31/12/2013	\$0.64	300,000	-	-	-	300,000
31/12/2013	\$1.20	50,000	-	-	-	50,000
01/01/2014	\$1.04	-	-	62,500	-	62,500
17/07/2014	\$0.40	125,000	-	-	-	125,000
17/07/2014	\$0.60	281,250	-	-	-	281,250
17/07/2014	\$0.80	406,250	-	-	-	406,250
17/07/2014	\$0.96	125,000	-	-	-	125,000
31/08/2014	\$0.80	-	-	625,000	-	625,000
31/08/2014	\$0.96	-	-	-	625,000	625,000
31/08/2014	\$1.20	-	-	3,750,000	-	3,750,000
01/10/2014	\$0.88	56,250	162,500	-	-	218,750
31/10/2014	\$0.56	2,000,000	-	-	-	2,000,000
31/12/2014	\$0.80	-	300,000	200,000	-	500,000
31/12/2014	\$1.30	-	-	-	200,000	200,000
31/12/2014	\$1.80	-	-	-	400,000	400,000
17/01/2015	\$1.04	6,250	31,250	-	-	37,500
15/02/2015	\$0.64	-	218,750	-	-	218,750
06/03/2015	\$1.04	12,500	-	-	-	12,500
31/03/2015	\$0.64	62,500	250,000	-	-	312,500
31/03/2015	\$0.80	62,500	-	-	-	62,500
31/03/2015	\$0.96	62,500	-	-	-	62,500
01/06/2015	\$1.04	6,250	31,250	-	-	37,500
19/07/2015	\$0.76	12,500	75,000	-	-	87,500
29/08/2015	\$0.80	6,250	31,250	-	-	37,500
30/11/2015	\$0.88	62,500	62,500	-	-	125,000
04/02/2016	\$1.04	37,500	150,000	-	-	187,500
30/01/2017	\$0.80	100,000	300,000	-	-	400,000
<b>Total</b>		<b>3,975,000</b>	<b>1,612,500</b>	<b>6,637,500</b>	<b>1,225,000</b>	<b>13,450,000</b>

These options do not entitle the holder to participate in any share issue of the Company and excludes 3,320,000 performance rights which have been granted but not yet issued.

#### Shares issued on exercise of options

During the financial year the Company issued 875,000 ordinary shares as a result of the exercise of options. Since the end of the financial year the Company has issued 2,700,000 ordinary shares as a result of the exercise of options.

# CENTAURUS METALS LIMITED

## Directors' Report

For the year ended 30 June 2012

### 13. Indemnification and Insurance of Officers and Auditors

During the financial year, Centaurus Metals Limited paid insurance premiums to insure the directors, executive officers and secretary of the Group. The amount of premiums paid has not been disclosed due to confidentiality requirements under the contract of insurance.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Consolidated Entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.

### 14. Non-audit Services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below.

	2012	2011
	\$	\$
<b>Audit services:</b>		
<i>Auditors of the Company</i>		
Audit and review of financial reports KPMG	<b>92,318</b>	116,300
	<b>92,318</b>	116,300
<b>Services other than statutory audit:</b>		
Other services		
Taxation compliance services (KPMG Australia)	<b>40,930</b>	118,472
Taxation compliance services (KPMG Brazil)	-	85,000
	<b>40,930</b>	203,472

## **CENTAURUS METALS LIMITED**

### **Directors' Report**

For the year ended 30 June 2012

#### **15. Lead Auditor's Independence Declaration**

The Lead auditor's independence declaration is set out on page 31 and forms part of the directors' report for the financial year ended 30 June 2012.

This report is signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'D P Gordon', with a large, stylized initial 'D'.

**D P Gordon**  
Managing Director  
Perth, Western Australia

20 September 2012



***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of Centaurus Metals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink that reads 'Graham Hogg'.

Graham Hogg  
*Partner*

Perth

20 September 2012

# CENTAURUS METALS LIMITED

## Consolidated Statement of Comprehensive Income For the year ended 30 June 2012

	Notes	2012 \$	2011 \$
Other income	7	43,219	3,773,648
Exploration and evaluation expenses		(13,038,892)	(9,487,861)
Impairment of exploration and evaluation		(52,157)	(2,509,982)
Impairment of available for sale investments		(1,299,409)	(384,444)
Loss on sale of tenements		(1,736,849)	-
Provision for doubtful debts		(176,576)	-
Impairment of property plant and equipment		-	(65,287)
Personnel expenses	8	(2,424,314)	(1,856,613)
Share based payments	27	(459,813)	(1,112,910)
Occupancy expenses		(342,717)	(308,595)
Listing and share registry fees		(121,107)	(108,847)
Professional fees		(477,212)	(591,816)
Depreciation	9	(142,929)	(177,164)
Other expenses		(1,320,352)	(845,660)
<b>Results from operating activities</b>		<b>(21,549,108)</b>	<b>(13,675,531)</b>
Finance income		1,093,355	1,163,472
Finance expenses		(328,090)	(149,533)
<b>Net finance income</b>	10	<b>765,265</b>	<b>1,013,939</b>
<b>Loss before income tax</b>		<b>(20,783,843)</b>	<b>(12,661,592)</b>
Income tax benefit	11	-	457,374
<b>Loss for the period</b>		<b>(20,783,843)</b>	<b>(12,204,218)</b>
<b>Other comprehensive income</b>			
Net change in fair value of available-for-sale- financial assets reclassified to profit and loss		265,625	(165,625)
Foreign currency translation difference for foreign operation		(6,066,755)	(732,313)
Income tax on other comprehensive income		-	-
<b>Other comprehensive income for the period, net of income tax</b>		<b>(5,801,130)</b>	<b>(897,938)</b>
<b>Total comprehensive income for the period</b>		<b>(26,584,973)</b>	<b>(13,102,156)</b>
<b>Earnings per share</b>			
Basic loss per share	22	(16.07)	(12.48)
Diluted loss per share	22	(16.07)	(12.48)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



# CENTAURUS METALS LIMITED

## Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	30 June 2012 \$	30 June 2011 \$
<b>Current assets</b>			
Cash and cash equivalents	12(a)	8,845,662	10,351,397
Other receivables and prepayments	13	682,728	1,933,937
<b>Total current assets</b>		<b>9,528,390</b>	<b>12,285,334</b>
<b>Non-current assets</b>			
Other receivables and prepayments	13	476,593	-
Other investments, including derivatives	14	563,726	1,829,071
Property, plant and equipment	15	963,707	878,739
Exploration and evaluation assets	16	22,714,024	27,537,808
<b>Total non-current assets</b>		<b>24,718,050</b>	<b>30,245,618</b>
<b>Total assets</b>		<b>34,246,440</b>	<b>42,530,952</b>
<b>Current liabilities</b>			
Trade and other payables	17	3,609,005	4,016,265
Employee benefits	18	444,787	229,722
<b>Total current liabilities</b>		<b>4,053,792</b>	<b>4,245,987</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	19	3,101,146	3,927,604
<b>Total non-current liabilities</b>		<b>3,101,146</b>	<b>3,927,604</b>
<b>Total liabilities</b>		<b>7,154,938</b>	<b>8,173,591</b>
<b>Net assets</b>		<b>27,091,502</b>	<b>34,357,361</b>
<b>Equity</b>			
Share capital		72,710,747	53,851,446
Reserves		(778,960)	4,562,357
Accumulated losses		(44,840,285)	(24,056,442)
<b>Total equity</b>		<b>27,091,502</b>	<b>34,357,361</b>

*The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.*

## CENTAURUS METALS LIMITED

### Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

	Issued capital	Option reserve	Share-based payment reserve	Translation reserve	Available-for - sale investments revaluation reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2011</b>	<b>53,851,446</b>	<b>2,966,597</b>	<b>2,064,756</b>	<b>(203,371)</b>	<b>(265,625)</b>	<b>(24,056,442)</b>	<b>34,357,361</b>
<b>Total comprehensive income for the period</b>							
Loss for the period	-	-	-	-	-	(20,783,843)	(20,783,843)
<b>Other comprehensive income</b>							
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of tax	-	-	-	-	265,625	-	265,625
Foreign currency translation difference for foreign operation	-	-	-	(6,066,755)	-	-	(6,066,755)
Total other comprehensive income for the period	-	-	-	(6,066,755)	265,625	-	(5,801,130)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,066,755)</b>	<b>265,625</b>	<b>(20,783,843)</b>	<b>(26,584,973)</b>
<b>Transactions with owners, recorded directly in equity</b>							
<i>Contributions by and distributions to owners</i>							
Issue of ordinary shares net of capital raising costs	18,656,000	-	-	-	-	-	18,656,000
Share Issue costs	(64,199)	-	-	-	-	-	(64,199)
Issue of ordinary shares on exercise of options	267,500	-	-	-	-	-	267,500
Share-based payment transactions	-	-	459,813	-	-	-	459,813
<b>Total transactions with owners</b>	<b>18,859,301</b>	<b>-</b>	<b>459,813</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,319,114</b>
<b>Balance at 30 June 2012</b>	<b>72,710,747</b>	<b>2,966,597</b>	<b>2,524,569</b>	<b>(6,270,126)</b>	<b>-</b>	<b>(44,840,285)</b>	<b>27,091,502</b>

The amounts recognised directly in equity are disclosed net of tax.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## CENTAURUS METALS LIMITED

### Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	Issued capital	Option reserve	Share-based payment reserve	Translation reserve	Available-for - sale investments revaluation reserve	Accumulated losses	Total equity
	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2010</b>	<b>36,553,428</b>	<b>2,966,597</b>	<b>951,846</b>	<b>606,706</b>	<b>(100,000)</b>	<b>(10,135,336)</b>	<b>30,843,241</b>
<b>Impact of change in accounting policy</b>	-	-	-	<b>(77,764)</b>	-	<b>(1,716,888)</b>	<b>(1,794,652)</b>
<b>Balance at 1 July 2010 (restated, refer to note 2(e))</b>	<b>36,553,428</b>	<b>2,966,597</b>	<b>951,846</b>	<b>528,942</b>	<b>(100,000)</b>	<b>(11,852,224)</b>	<b>29,048,589</b>
<b>Total comprehensive income for the period</b>							
Loss for the period	-	-	-	-	-	(12,204,218)	(12,204,218)
<b>Other comprehensive income</b>							
Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	(550,069)	-	(550,069)
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of tax	-	-	-	-	384,444	-	384,444
Foreign currency translation difference for foreign operation	-	-	-	(732,313)	-	-	(732,313)
Total other comprehensive income for the period	-	-	-	<b>(732,313)</b>	<b>(165,625)</b>	-	<b>(897,938)</b>
<b>Total comprehensive income for the period</b>	-	-	-	<b>(732,313)</b>	<b>(165,625)</b>	<b>(12,204,218)</b>	<b>(13,102,156)</b>
<b>Transactions with owners, recorded directly in equity</b>							
<i>Contributions by and distributions to owners</i>							
Issue of ordinary shares net of capital raising costs	18,189,375	-	-	-	-	-	18,189,375
Share Issue costs	(1,036,982)	-	-	-	-	-	(1,036,982)
Issue of ordinary shares on exercise of options	145,625	-	-	-	-	-	145,625
Share-based payment transactions	-	-	1,112,910	-	-	-	1,112,910
<b>Total transactions with owners</b>	<b>17,298,018</b>	-	<b>1,112,910</b>	-	-	-	<b>18,410,928</b>
<b>Balance at 30 June 2011</b>	<b>53,851,446</b>	<b>2,966,597</b>	<b>2,064,756</b>	<b>(203,371)</b>	<b>(265,625)</b>	<b>(24,056,442)</b>	<b>34,357,361</b>

# CENTAURUS METALS LIMITED

## Consolidated Statement of Cash Flows For the year ended 30 June 2012

	Notes	2012 \$	2011 \$
<b>Cash flows from operating activities</b>			
Cash paid to suppliers and employees		(4,479,554)	(3,414,290)
Exploration and evaluation expenditure		(13,143,583)	(8,494,448)
Proceeds from court settlement		965,811	1,340,792
Receipts from customers		-	19,893
Interest received		1,005,433	702,866
<b>Net cash used in operating activities</b>	12(b)	<b>(15,651,893)</b>	<b>(9,845,187)</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(489,283)	(576,827)
Payment for investment		-	(88,888)
Refunds/(payments) for security deposits		80,565	(16,633)
Payments for acquisition of exploration assets		(3,722,529)	(1,305,000)
Proceeds from sale of plant and equipment		39,626	20,400
Payments for merger and acquisition costs		-	(20,000)
<b>Net cash used in investing activities</b>		<b>(4,091,621)</b>	<b>(1,986,948)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity securities net of capital raising costs		18,859,301	17,298,018
<b>Net cash from financing activities</b>		<b>18,859,301</b>	<b>17,298,018</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(884,213)</b>	<b>5,465,883</b>
Cash and cash equivalents at 1 July		10,351,397	4,920,035
Effect of exchange rate fluctuations on cash held		(621,522)	(34,521)
<b>Cash and cash equivalents at 30 June</b>	12(a)	<b>8,845,662</b>	<b>10,351,397</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

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## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

#### 1. Reporting Entity

Centaurus Metals Limited (“the Company”) is a company domiciled in Australia. The Company’s registered address is Level 1, 16 Ord Street, West Perth WA 6005. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The Group primarily is involved in exploration for iron ore resources.

#### 2. Basis of Preparation

##### (a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 20 September 2012.

##### (b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value;
- Available-for-sale financial assets are measured at fair value; and
- Share based payments are measured at fair value.

##### (c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company’s functional currency. The functional currency of the Brazilian subsidiaries is Brazilian real.

##### (d) Use of estimates and judgements

The preparation of financial statements in conformity with AASB’s requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

##### *Exploration and Evaluation assets*

Determining the recoverability of exploration and evaluation expenditure capitalised in accordance with the Group’s accounting policy (refer note 3(e)), requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploitation, or alternatively sale, of the respective areas of interest will be achieved. Critical to this assessment is estimates and assumptions as to ore reserves, the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence of recoverability of ore reserves becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under accounting policy 3(e), a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the statement of comprehensive income in accordance with accounting policy 3(g). The carrying amounts of exploration and evaluation assets are set out in note 16.

## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

#### 2. Basis of Preparation (continued)

##### (d) Use of estimates and judgements (continued)

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 4 - determination of fair values
- Note 16 - exploration and evaluation assets
- Note 24 - financial instruments

##### (e) Removal of parent entity financial statements

The Group has applied amendments to the Corporation Act (2001) that remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in note 31.

#### 3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

##### (a) Basis of consolidation

###### (i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

###### *Measuring goodwill*

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (general fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date.

Consideration transferred includes the fair value of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any share-based payment awards of the acquiree that are replaced mandatorily in the business combination to the extent they relate to pre-combination services.

## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

#### 3. Significant Accounting Policies (continued)

##### (a) Basis of consolidation (continued)

###### *Share-based payment awards*

When share-based payment awards exchanged (replacement awards) for awards held by the acquiree's employees (acquiree's awards) relate to past services, then a part of the market-based measure of the awards replaced is included in the consideration transferred.

###### *Transaction costs*

Transaction costs that the Group incurs in connection with a business combination, such as legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred.

##### (ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with policies adopted by the Group.

##### (iii) Transactions eliminated on consolidation

Inter-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gain and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

##### (b) Foreign currency

###### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.



## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

#### 3. Significant Accounting Policies (continued)

##### (b) Foreign currency (continued)

##### (ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at reporting date. The income and expenses of foreign operations are translated to Australian dollars at average exchange rates for the period.

Foreign currency differences are recognised in other comprehensive income. Since 1 July 2004, the Group's date of transition to AASBs, such differences have been recognised in the foreign currency translation reserve (translation reserve, or FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the profit or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the FCTR.

##### (c) Financial instruments

##### (i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit and loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instruments.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: receivables, cash and cash equivalents and available-for-sale financial assets.

##### *Receivables*

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Receivables comprise trade and other receivables.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

#### 3. Significant Accounting Policies (continued)

##### (c) Financial instruments (continued)

###### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer note 3(g)) and foreign currency differences on available-for-sale equity instruments (see note 3(b)(i)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit and loss.

##### (ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using effective interest rate method.

##### (iii) Share capital

###### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares or share options are recognised as a deduction from equity, net of any tax effect.

##### (iv) Derivatives financial instruments

Derivatives are recognised initially at fair value; attributable transactions costs are recognised in profit and loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised immediately in profit or loss.

###### *Other non-trading derivatives*

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its value are recognised immediately in profit or loss.

##### (d) Property, plant and equipment

###### (i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

#### 3. Significant Accounting Policies (continued)

##### (d) Property, plant and equipment (continued)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

##### (ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing the property, plant and equipment are recognised in profit and loss as incurred.

##### (iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- |                                     |             |
|-------------------------------------|-------------|
| • Machinery                         | 10-15 years |
| • Vehicles                          | 3-5 years   |
| • Furniture, fittings and equipment | 3-8 years   |

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

##### (e) Exploration and evaluation expenditure

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current, and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned, or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, accumulated costs for the relevant mineral project are amortised on a units of production basis over the life of the economically recoverable reserves.

Exploration and evaluation assets are transferred to Development Assets once technical feasibility and commercial viability of an area of interest is demonstrable. Exploration and evaluation assets are assessed for impairment and any impairment loss is recognised prior to being reclassified.

## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

#### 3. Significant Accounting Policies (continued)

##### (e) Exploration and evaluation expenditure (continued)

The carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

##### *Impairment testing of exploration and evaluation assets*

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- The term of exploration license in the specific area of interest has expired during the reporting period or will expire in the near future and is not expected to be renewed;
- Substantive expenditures on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- Sufficient data exists to indicate that although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where a potential impairment is indicated, an assessment is performed for each cash-generating unit which is no larger than the area of interest. The Group performs impairment testing in accordance with accounting policy 3(g)(ii).

##### ***Farm-out arrangements***

Arrangements whereby an external party earns an ownership interest in an exploration or development property via the sole-funding of a specified exploration, evaluation or development programme or by injection of funds to be utilised for such a programme will be accounted so that the Group recognises its share of assets, liabilities and equity associated with the property. Any gain or loss upon initial recognition of these items will be recognised in the statement of comprehensive income.

##### (f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's statement of financial position.

##### (g) Impairment

###### (i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

**Notes to the Consolidated Financial Statements  
For the year ended 30 June 2012**

**3. Significant Accounting Policies (continued)**

**(g) Impairment (continued)**

**(i) Financial assets (including receivables) (continued)**

Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

**(ii) Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

#### 3. Significant Accounting Policies (continued)

##### (h) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

##### (i) Employee benefits

###### (i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

###### (ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

###### (iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

###### (iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

#### 3. Significant Accounting Policies (continued)

##### (i) Employee benefits (continued)

##### (v) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

When the Company grants options over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investments in subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

##### (j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

##### (k) Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade allowances and duties and taxes paid. Interest revenue is recognised using the effective interest method.

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

##### (l) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

#### 3. Significant Accounting Policies (continued)

##### (l) Lease payments (continued)

###### *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

##### (m) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

##### (n) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.



## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

#### 3. Significant Accounting Policies (continued)

##### (o) Good and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

##### (p) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for shares held by the Company's sponsored employee share plan trust. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for shares held by the Company's sponsored employee share plan trust, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

##### (q) Segment reporting

Determination and presentation of operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Managing Director ('MD') to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the MD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

#### 3. Significant Accounting Policies (continued)

##### (r) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They may be available for early adoption at 30 June 2012, but have not been applied in preparing this financial report.

- AASB 9 *Financial Instruments* applicable to annual reporting period beginning on or after 1 January 2015. Includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*.

AASB 9 will become mandatory for the Group's 30 June 2016 financial statements. Retrospective application is generally required, although there are exceptions. The Group has not yet determined the potential effect of the standard.

- AASB 10 Consolidated Financial Statements applicable to annual reporting periods beginning on or after 1 January 2013. The new standard introduces a new definition of control of an entity, which widens the scope of the standard. The amendments become mandatory for the Group's 30 June 2014 financial statements. The Group has not yet determined the potential effect of the standard.
- AASB 12 Disclosure of interest in Other Entities applicable to annual reporting periods beginning on or after 1 July 2013. The new standard includes all of the disclosures that are required related to an entity's involvement with other entities including subsidiaries, joint arrangements and associates. The Group has not yet determined the potential effect of the standard.
- AASB 11 *Joint Arrangements* applicable to annual reporting period beginning on or after 1 July 2013. The new standard classifies a joint arrangement as either a joint operation or a joint venture, based on the contractual rights and obligations of that joint arrangement. It also requires a joint venture (previously called a jointly controlled entity) to be accounted for using the equity method. The Group has not yet determined the potential effect of the standard.
- AASB 13 *Fair Value Measurement* applicable to annual reporting periods beginning on or after 1 July 2013. The new standard provides guidance on how to determine fair value when fair value is required or permitted. The standard is not expected to have a significant impact on the financial statements.
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* applicable to annual reporting period beginning on or after 1 January 2013. The interpretation requires production stripping costs to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. The Group has not yet determined the potential effect of the standard.

## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

#### 4. Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Investments in equity securities

The fair value of available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date.

(ii) Derivatives

The fair value of listed options is determined by reference to their quoted closing bid price at the reporting date. The fair value of unlisted options is determined using a valuation model.

(iii) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(iv) Share-based payment transactions

The fair value of the employee share options and the share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service conditions attached to the transactions are not taken into account in determining fair value. The fair value of the employee performance rights is measured using the 5 day weighted average share price prior to grant date, where service period commences prior to grant date the fair value is provisionally calculated and subsequently revised upon grant date.

#### 5. Financial Risk Management

##### Overview

The Group has exposure to the following risks arising from the use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and their management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

##### Risk Management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Audit Committee, via its Charter, oversees the effective operation of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their role and obligations.

## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

#### 5. Financial Risk Management (continued)

##### **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's other receivables and cash from customers and investment securities. Impairment in respect of court settlement proceeds as well as indirect tax credits has been recognised during the period refer to note 24.

##### *Other receivables and prepayments*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. However, management also considers the default risk of the industry and country in which counterparties operate, as these factors may have an influence on credit risk.

The other receivables and prepayments consist of mainly refundable deposits and prepaid expenditure. An allowance for impairment has been recognised as at 30 June 2012.

##### *Investments*

The Group limits its exposure to credit risk by investing predominantly in liquid securities listed on the Australian Securities Exchange (refer to Note 14).

##### **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

As at 30 June 2012, the Group has current trade and other payables of \$3,609,005 (2011: \$4,016,265). The Group believes it will have sufficient cash resources to meet its financial liabilities when due.

##### **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risks exposures within acceptable parameters, while optimising the return.

##### **Currency risk**

The Group is exposed to currency risk on purchases that are denominated in currency other than the respective functional currencies of the Group entities, primarily the Australian dollar and Brazilian Real. The currencies in which these transactions primarily are denominated are AUD and Brazilian Real (BRL).

The Group investment in its Brazilian subsidiary is not hedged as those currency positions are considered to be long term in nature.

##### **Commodity risk**

The Group is exposed to commodity price risk. The risk arises from its activities directed at exploration and development of mineral commodities, primarily iron ore. If commodity prices fall, the market for companies exploring for these commodities is affected.

# CENTAURUS METALS LIMITED

## Notes to the Consolidated Financial Statements For the year ended 30 June 2012

### 5. Financial Risk Management (continued)

#### Other market price risk

Equity price risk arises from available-for-sale equity securities held. These financial assets were acquired as a result of the sale of tenements to Clancy Exploration Limited, Southern Crown Resources Limited and Antipa Minerals Limited.

#### Capital management

The objectives for managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. Centaurus Metals Limited is an exploration company and it is dependent from time to time on its ability to raise capital from the issue of new shares and its ability to realise value from its exploration and evaluation assets. The Board is responsible for capital management. This involves the use of cash flow forecasts to determine future capital management requirements. Capital management is undertaken to ensure a secure, cost-effective and flexible supply of funds is available to meet the Group's operating and capital expenditure requirements.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

### 6. Operating Segments

The Group operates in the iron ore exploration industry. For management purposes the Group is organised into one main operating segment which involves the exploration of minerals. All of the Group's activities are interrelated and financial information is reported to the Managing Director (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon an analysis on the Group as one segment. The financial results and financial position from this segment are largely equivalent to the financial statements of the Group as a whole, with the exception of corporate administration expenses in Australia and Brazil \$4,680,665 (2011: \$3,711,591) which are reviewed separately from the Group's operating segment.

	2012 Revenue	2012 Non-current assets	2011 Revenue	2011 Non-current assets
	\$	\$	\$	\$
<b>Geographical Segment Information</b>				
Brazil	-	<b>23,858,746</b>	-	28,139,255
Australia	-	<b>859,304</b>	-	2,106,363
Total	-	<b>24,718,050</b>	-	30,245,618

## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

	2012	2011
	\$	\$
<b>7. Other Income</b>		
Proceeds on court settlement	41,619	1,965,646
Net gain on disposal of mineral tenements	-	1,716,727
Proceeds from insurance claim	-	71,382
Other	1,600	19,893
	<b>43,219</b>	<b>3,773,648</b>

Proceeds on court settlement relates to award of damages against Mineração Marsil Ltda a former Joint Venture partner in the Liberdade Iron Ore Project. Centaurus was awarded damages which were adjusted for interest and inflation components.

<b>8. Personnel Expenses</b>		
Salaries, fees and other benefits	6,151,795	5,305,459
Superannuation	256,585	242,209
Recognised in exploration expenditure expense	<b>(3,984,066)</b>	<b>(3,691,055)</b>
	<b>2,424,314</b>	<b>1,856,613</b>

<b>9. Depreciation</b>		
Depreciation	268,255	204,886
Recognised in exploration expenditure expense	<b>(125,326)</b>	<b>(27,722)</b>
	<b>142,929</b>	<b>177,164</b>

<b>10. Finance Income and Expense</b>		
Finance income		
Interest income on bank deposits	1,093,355	670,866
Interest income on court settlement	-	492,606
	<b>1,093,355</b>	<b>1,163,472</b>
Finance expense		
Net foreign exchange loss	(96,530)	-
Change in fair value of derivatives	(231,560)	(148,799)
Interest expense	-	(734)
	<b>(328,090)</b>	<b>(149,533)</b>
Net finance income recognised in profit or loss	<b>765,265</b>	<b>1,013,939</b>

# CENTAURUS METALS LIMITED

## Notes to the Consolidated Financial Statements For the year ended 30 June 2012

### 11. Income Tax

	2012 \$	2011 \$
<b>(a) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
Loss from continuing operations before income tax expense	<b>(20,783,843)</b>	(12,661,592)
Tax at the Australian tax rate of 30%	<b>(6,235,153)</b>	(3,798,478)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Overseas project generation and review costs	<b>399,903</b>	433,862
Share-based payments	<b>137,944</b>	333,873
Loss on sale of tenement	<b>521,055</b>	-
Proceeds from court settlement	-	(604,547)
Foreign currency gains	-	(209,070)
Sundry items	<b>309,297</b>	10,772
	<b>(4,866,954)</b>	(3,833,588)
Effect of tax rates in foreign jurisdictions	<b>(256,701)</b>	(136,760)
Deferred tax assets not recognised	<b>5,123,655</b>	3,512,974
Income tax benefit	-	(457,374)
<b>(b) Tax losses</b>		
Tax losses	<b>33,425,663</b>	25,721,093
Capital losses	<b>2,473,264</b>	2,473,264
	<b>35,898,927</b>	28,194,357
Potential tax benefit (between 30-34%)	<b>11,083,086</b>	8,637,423

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefit.

# CENTAURUS METALS LIMITED

## Notes to the Consolidated Financial Statements For the year ended 30 June 2012

### 11. Income Tax (continued)

(c) Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
Receivables	-	-	(103,523)	(179)	(103,523)	(179)
Available-for-sale financial assets	528,347	159,973	-	(209,070)	528,347	(49,097)
Exploration	5,503,724	2,452,873	(3,101,146)	(3,927,604)	2,402,578	(1,474,731)
Accrued expenses/provisions	527,232	36,800	-	-	527,232	36,800
Transaction costs relating to issue of capital	254,269	312,313	-	-	254,269	312,313
Tax losses carried forward	11,083,086	8,637,423	-	-	11,083,086	8,637,423
Set off of tax	(103,523)	(209,249)	103,523	209,249	-	-
	<b>17,793,135</b>	<b>11,390,133</b>	<b>(3,101,146)</b>	<b>(3,927,604)</b>	<b>14,691,989</b>	<b>7,462,529</b>
Less DTA not recognised	(17,793,135)	(11,390,133)	-	-	(17,793,135)	(11,390,133)
Net tax asset/(liabilities)	-	-	(3,101,146)	(3,927,604)	(3,101,146)	(3,927,604)

(d) Income tax recognised directly in equity

Recovery of net tax assets is not considered probable. Accordingly, net deferred tax credited directly to other comprehensive income for changes in the fair value of available-for-sale financial assets is nil: (2011: \$nil).



# CENTAURUS METALS LIMITED

## Notes to the Consolidated Financial Statements For the year ended 30 June 2012

	2012 \$	2011 \$
<b>12. (a) Cash and Cash Equivalents</b>		
Cash at bank and on hand	1,574,372	14,105
Deposits - short term	7,271,290	10,337,292
	<u>8,845,662</u>	<u>10,351,397</u>
<b>Deposits</b>		
The deposits are bearing floating and fixed interest rates between 4.50% and 6.43% (2011: between 4.75% and 6.10%).		
<b>12. (b) Reconciliation of Cash Flows from Operating Activities</b>		
<b>Loss for the period</b>	<b>(20,783,843)</b>	<b>(12,204,218)</b>
Adjustments for:		
Depreciation	268,255	177,164
Provision for doubtful debts	162,658	-
Merger and acquisition expenses	-	20,000
Unrealised foreign exchange loss	96,049	-
Non-cash employee benefits expense – share based payments	459,813	1,112,910
(Profit)/ Loss on sale of mineral tenements	1,736,849	(1,716,727)
Impairment losses		
Exploration and evaluation assets	52,157	2,509,982
Available-for-sale financial assets	1,299,409	384,444
Property plant and equipment	-	65,287
Change in fair value derivative instruments	231,560	148,799
(Profit)/loss on sale of plant and equipment	18,954	(71,382)
Income tax benefit	-	(457,374)
<b>Operating loss before changes in working capital and provisions</b>	<b>(16,458,139)</b>	<b>(10,031,115)</b>
Change in other receivables	(398,868)	(1,165,237)
Change in trade creditors and provisions	1,205,114	1,351,165
<b>Net cash used in operating activities</b>	<b>(15,651,893)</b>	<b>(9,845,187)</b>

## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

	2012	2011
	\$	\$
<b>13. Other Receivables and Prepayments</b>		
<b>Current</b>		
Trade receivables	-	109,668
Receivable from court settlement	<b>176,576</b>	1,117,460
Other Receivables	<b>1,071,679</b>	427,692
Provision for impairment <sup>(1)</sup>	<b>(747,963)</b>	-
Security deposits	<b>43,790</b>	124,442
Prepayments	<b>138,646</b>	154,675
	<b>682,728</b>	1,933,937
(1) Includes \$571,387 for indirect tax credits classified as exploration and evaluation expense.		
<b>Non - Current</b>		
Prepayments	<b>476,593</b>	-
	<b>476,593</b>	-

### 14. Other Investments, Including Derivatives

Available-for-sale financial assets <sup>(1)</sup>	<b>534,202</b>	1,567,987
Derivative instruments <sup>(2)</sup>	<b>29,524</b>	261,084
	<b>563,726</b>	1,829,071

(1) Shares in ASX listed entities consists of 4,444,444 listed ordinary shares in Clancy Exploration Limited (ASX: CLY), 1,562,500 listed ordinary shares in Southern Crown Resources Limited (ASX: SWR) and 6,250,000 listed ordinary shares in Antipa Minerals Limited (ASX: AZY). The available-for sale financial assets have been revalued to the market price at 30 June 2012 and as a result an impairment has been recognised. Further movement in share prices after 30 June 2012 have not been taken into account.

(2) Listed options in ASX listed entities consist of 1,111,111 listed options in Clancy Exploration (ASX: CLYO). Unlisted options in ASX listed entities consists of 2,000,000 unlisted options in Southern Crown Resources Limited and 3,125,000 unlisted options in Antipa Minerals Limited. The fair value of the listed options has been determined by reference to the market price at 30 June 2012. The fair value of the unlisted options is determined using a Black-Scholes formula taking into account the terms and conditions upon the instruments were granted.

**CENTAURUS METALS LIMITED**

**Notes to the Consolidated Financial Statements  
For the year ended 30 June 2012**

**15. Property, Plant and Equipment**

	Software \$	Plant & Equipment \$	Motor Vehicles \$	Furniture & Fixtures \$	Leasehold Improvements \$	Land \$	Total \$
<b>Cost</b>							
Balance at 1 July 2010	74,222	157,064	216,078	52,990	248,204	81,463	830,021
Additions	99,440	54,333	343,943	46,819	32,354	-	576,889
Disposals	-	(37,581)	(58,381)	(255)	-	-	(96,217)
Impairment	-	-	(65,287)	-	-	-	(65,287)
Effect of movements in exchange rates	(2,287)	(5,152)	(19,037)	(4,381)	(2,882)	(6,262)	(40,001)
Balance at 30 June 2011	<u>171,375</u>	<u>168,664</u>	<u>417,316</u>	<u>95,173</u>	<u>277,676</u>	<u>75,201</u>	<u>1,205,405</u>
Balance at 1 July 2011	171,375	168,664	417,316	95,173	277,676	75,201	1,205,405
Additions	92,824	173,563	62,628	42,014	189,187	-	560,216
Disposals	-	(12,546)	(39,442)	(28,005)	(33,917)	-	(113,910)
Effect of movements in exchange rates	(18,225)	(28,042)	(91,817)	(20,915)	(28,630)	(16,076)	(203,705)
Balance at 30 June 2012	<u>245,974</u>	<u>301,639</u>	<u>348,685</u>	<u>88,267</u>	<u>404,316</u>	<u>59,125</u>	<u>1,448,006</u>

**CENTAURUS METALS LIMITED**

**Notes to the Consolidated Financial Statements  
For the year ended 30 June 2012**

**15. Property, Plant and Equipment (continued)**

	Software \$	Plant & Equipment \$	Motor Vehicles \$	Furniture & Fixtures \$	Leasehold Improvements \$	Land \$	Total \$
<b>Depreciation</b>							
Balance at 1 July 2010	14,673	80,939	56,252	9,480	44,531	-	205,875
Depreciation for the year	33,116	30,335	83,429	7,825	50,181	-	204,886
Disposals	-	(35,283)	(39,377)	(255)	-	-	(74,915)
Effect of movements in exchange rates	(657)	(1,361)	(3,787)	(713)	(2,662)	-	(9,180)
Balance at 30 June 2011	47,132	74,630	96,517	16,337	92,050	-	326,666
Balance at 1 July 2011	47,132	74,630	96,517	16,337	92,050	-	326,666
Depreciation for the year	67,053	47,334	87,276	10,046	56,446	-	268,155
Disposals	-	(4,311)	(8,918)	(9,997)	(33,917)	-	(57,143)
Effect of movements in exchange rates	(4,628)	(7,924)	(32,357)	(3,160)	(5,310)	-	(53,379)
Balance at 30 June 2012	109,557	109,729	142,518	13,226	109,269	-	484,299
<b>Carrying amounts</b>							
at 1 July 2010	59,549	76,125	159,826	43,510	203,673	81,463	624,146
At 30 June 2011	124,243	94,034	320,799	78,836	185,626	75,201	878,739
at 1 July 2011	124,243	94,034	320,799	78,836	185,626	75,201	878,739
At 30 June 2012	136,417	191,910	206,167	75,041	295,047	59,125	963,707

## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

#### 16. Exploration and Evaluation Assets

	\$
<b>Cost</b>	
Balance at 1 July 2010	27,681,242
Additions	3,159,320
Disposals	(226,906)
Effect of movements in exchange rate	(565,866)
Balance at 30 June 2011	<u>30,047,790</u>
Balance at 1 July 2011	30,047,790
Additions	3,024,757
Impairment loss	(52,157)
Disposals <sup>(1)</sup>	(1,845,046)
Effect of movements in exchange rate	(5,951,338)
Balance at 30 June 2012	<u>25,224,006</u>
<b>Provision for Impairment</b>	
Balance at 1 July 2010	-
Impairment of capitalised exploration expenditure	2,509,982
Balance at 30 June 2011	<u>2,509,982</u>
Balance at 1 July 2011	2,509,982
Balance at 30 June 2012	<u>2,509,982</u>
<b>Carrying amounts</b>	
Balance at 1 July 2010	27,681,242
Balance at 30 June 2011	<u>27,537,808</u>
<b>Carrying amounts</b>	
Balance at 1 July 2011	27,537,808
Balance at 30 June 2012	<u>22,714,024</u>

(1) During the year the Company entered into an agreement to exchange tenements resulting in a loss on sale of \$1,736,849.

The ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale of the respective project areas.

## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

	2012 \$	2011 \$
<b>17. Trade and Other Payables</b>		
Trade and other creditors	2,012,402	3,222,531
Accrued expenses	1,596,603	793,734
	<u>3,609,005</u>	<u>4,016,265</u>
<b>18. Employee Benefits</b>		
Liability for annual leave	<u>444,787</u>	<u>229,722</u>
<b>19. Deferred Tax Liabilities</b>		
Deferred tax liability attributable to exploration and evaluation assets	<u>3,101,146</u>	<u>3,927,604</u>

The deferred tax liability relates to Brazil exploration assets acquired through a business combination. Potential deferred tax assets of the same amount in Brazil have not been recognised on the basis that the ability to utilise these losses has not yet been determined probable.

### 20. Capital and Reserves

	2012 Number of Shares	2011 Number of Shares
On issue at 1 July	848,998,637	604,398,639
Consolidation *	(742,873,285)	-
Issue of ordinary shares for share placement at \$0.60 per share	-	192,000,000
Issue of ordinary shares for share purchase plan at \$0.60 per share	-	50,524,998
Issue of ordinary shares for share placement at \$0.704	26,500,000	-
Exercise of options	875,000	2,075,000
On issue at 30 June – Fully paid	<u>133,500,352</u>	<u>848,998,637</u>

\*On 22 September 2011, Shareholders approved the consolidation of the Company's capital on a 1-for-8 basis. The consolidation took effect from 5 October 2011.

#### Issue of ordinary shares

The Company issued a total of 26,500,000 post consolidation ordinary fully paid shares at \$0.704 per share as part of a Share Placement completed in two tranches. Tranche 1 consisted of 13,750,000 post consolidation ordinary fully paid shares which were issued on 27 July 2011 and ratified at a general meeting held on 22 September 2011. Tranche 2 consisted of 12,750,000 post consolidation ordinary fully paid shares which were issued on 27 September 2011.

On 1 September 2011, 875,000 post consolidation ordinary fully paid shares were issued as a result of the exercise of vested options. Options were exercised at an average price of \$0.306.

**Notes to the Consolidated Financial Statements  
For the year ended 30 June 2012**

**20. Capital and Reserves (continued)**

**Option Reserve**

The option reserve is used to recognise the fair value of options issued in the year ended 30 June 2010 in exchange of the Centaurus existing Bid and Replacement Options.

**Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

**Employee share options**

Information relating to the Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in Note 27.

**Share-based payments reserve**

The share-based payments reserve is used to recognise the fair value of options and performance rights issued but not exercised.

**Available-for-sale investments revaluation reserve**

Changes in the fair value of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve as described above. Amounts are recognised in profit and loss when the associated assets are sold or impaired.

**Translation reserve**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Group's net investment in a foreign subsidiary.

**Options**

At 30 June 2012, in addition to the unissued shares under options and performance rights disclosed in note 27, the company has the following options on issue.

3,750,000	exercisable at \$1.20	expiring 31 August 2014
3,000,000	exercisable at \$0.25	expiring 4 August 2012
2,000,000	exercisable at \$0.80	expiring 14 February 2013

**21. Dividends**

There were no dividends paid or declared during the year (2011: nil).

## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

#### 22. Earnings/(Loss) Per Share

##### Basic (loss) per share

The calculation of basic and diluted earnings per share at 30 June 2012 was based on the loss attributable to ordinary shareholders of \$20,783,843 (2011: \$12,204,218) and a weighted average number of ordinary shares outstanding of 129,298,297 (2011: 97,651,567), calculated as follows:

##### Loss attributable to ordinary shareholders

	2012 \$	2011 \$
Loss for the period	<b>(20,783,843)</b>	(12,204,218)
Loss attributable to the shareholders	<b>(20,783,843)</b>	(12,204,218)

##### Weighted average number of ordinary shares

	2012 Number	2011 Number
Issued ordinary shares at 1 July	<b>106,125,352</b>	75,549,830
Effect of shares issued related to share placement	<b>22,446,575</b>	17,330,958
Effect of shares issued related to share purchase plan	-	4,637,226
Effect of shares issued on exercise of options	<b>726,370</b>	133,553
Weighted average number of ordinary shares 30 June *	<b>129,298,297</b>	97,651,567

\*On 22 September 2011, Shareholders approved the consolidation of the Company's capital on a 1-for-8 basis. The consolidation took effect from 5 October 2011. Prior year comparatives have been restated.

##### Diluted earnings per share

Potential ordinary shares were not considered to be dilutive as the Group made a loss for the year ended 30 June 2012 and the exercise of potential ordinary shares would not increase that loss.

#### 23. Related Parties

##### Key management personnel compensation

	2012 \$	2011 \$
Short term employee benefits	<b>2,150,212</b>	2,150,772
Post-employment benefits	<b>142,651</b>	146,289
Share-based payments	<b>279,407</b>	576,659
	<b>2,572,270</b>	2,873,720

##### Individual directors and executives compensation disclosures

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the directors' report.

Apart from the details disclosed in this note and in section 4.3 of the Directors report, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.



# CENTAURUS METALS LIMITED

## Notes to the Consolidated Financial Statements For the year ended 30 June 2012

### 23. Related Parties (continued)

#### Options and rights over equity instruments

The movement during the reporting period in the number of options and rights over ordinary shares in Centaurus Metals Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Post 1-for-8 Consolidation							
	Held at 1 July 2011	Consolidation 1-for-8	Granted as compensation	Exercise	Other changes <sup>(3)</sup>	Held at 30 June 2012	Vested during the year	Vested and exercisable at 30 June 2012
<b>Directors</b>								
Mr D M Murcia	2,500,000	(2,187,500)	-	-	-	312,500	125,000	250,000
Mr D P Gordon	7,600,000	(6,650,000)	700,000 <sup>(4)</sup>	-	(200,000)	1,450,000	-	500,000
Mr K G McKay	2,000,000	(1,750,000)	-	-	-	250,000	-	250,000
Mr P E Freund	16,000,000	(14,000,000)	-	-	-	2,000,000	1,000,000	2,000,000
Mr G T Clifford <sup>(1)</sup>	1,500,000	(1,312,500)	-	-	(187,500)	-	-	-
Mr R G Hill	9,677,720	(8,468,005)	-	-	(22,215)	1,187,500	62,500	1,187,500
<b>Executives</b>								
Mr M Papendieck <sup>(2)</sup>	10,000,000	(8,750,000)	-	875,000	(375,000)	-	-	-
Mr G A James	2,500,000	(2,187,500)	-	-	(93,750)	218,750	62,500	125,000
Mr K Petersen	11,400,000	(9,975,000)	-	-	-	1,425,000	150,000	1,300,000
Mr R Fitzhardinge	2,000,000	(1,750,000)	-	-	-	250,000	-	50,000
Mr B Scarpelli	1,500,000	(1,312,500)	-	-	-	187,500	-	37,500
Mr A Moura	-	-	400,000	-	-	400,000	100,000	100,000

(1) Resigned on 12 August 2011.

(2) Resigned on 5 August 2011.

(3) Other changes represent options that expired or were forfeited during the year.

(4) Performance rights were approved by shareholders at a general meeting held on 31 August 2012. The service period commenced in March 2012.

	Held at 1 July 2010	Granted as compensation	Exercise	Other changes <sup>(2)</sup>	Held at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
<b>Directors</b>							
Mr D M Murcia	1,500,000	1,000,000	-	-	2,500,000	500,000	1,000,000
Mr D P Gordon	7,600,000	-	-	-	7,600,000	2,000,000	5,600,000
Mr K G McKay	2,000,000	-	-	-	2,000,000	500,000	2,000,000
Mr P E Freund	16,000,000	-	-	-	16,000,000	4,000,000	8,000,000
Mr G T Clifford	1,500,000	-	-	-	1,500,000	1,000,000	1,250,000
Mr R G Hill	9,677,720	-	-	-	9,677,720	500,000	9,177,720
<b>Executives</b>							
Mr M Papendieck	10,000,000	-	-	-	10,000,000	-	7,000,000
Mr G A James	2,500,000	-	-	-	2,500,000	250,000	1,250,000
Mr I Cullen <sup>(1)</sup>	4,000,000	-	(2,000,000)	(2,000,000)	-	-	-
Mr K Petersen	11,400,000	-	-	-	11,400,000	600,000	9,200,000
Mr R Fitzhardinge	-	2,000,000	-	-	2,000,000	400,000	400,000
Mr B Scarpelli	-	1,500,000	-	-	1,500,000	300,000	300,000

(1) Resigned on 12 November 2010.

(2) Other changes represent options that expired or were forfeited during the year.

# CENTAURUS METALS LIMITED

## Notes to the Consolidated Financial Statements For the year ended 30 June 2012

### 23. Related Parties (continued)

#### Movement in shares

The movement during the reporting period in the number of ordinary shares in Centaurus Metals Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2011	Consolidation 1-for-8	Post 1-for-8 consolidation				Held at 30 June 2012
			Purchases	Other <sup>(3)</sup>	Received on the exercise of options	Sales	
Mr D M Murcia	12,907,235	(11,293,830)	-	-	-	-	1,613,405
Mr D P Gordon	52,558,328	(45,988,537)	200,000	-	-	-	6,769,791
Mr K G McKay	3,019,000	(2,641,625)	-	-	-	-	377,375
Mr P E Freund	200,000	(175,000)	-	-	-	-	25,000
Mr G T Clifford <sup>(1)</sup>	1,200,000	(1,050,000)	-	(150,000)	-	-	-
Mr R G Hill	8,555,440	(7,486,010)	-	-	-	-	1,069,430
Mr M Hancock	-	-	-	33,333	-	-	33,333
Mr M Papendieck <sup>(2)</sup>	9,696,000	(8,484,000)	-	(2,087,000)	875,000	-	-
Mr G A James	660,652	(578,070)	-	-	-	-	82,582
Mr K Petersen	4,780,000	(4,182,500)	-	-	-	(55,500)	542,000
Mr R Fitzhardinge	418,651	(366,319)	20,000	-	-	-	72,332
Mr B Scarpelli	-	-	-	-	-	-	-
Mr A Moura	-	-	-	-	-	-	-

(1) Resigned on 12 August 2011.

(2) Resigned on 5 August 2011.

(3) Other relates to balances held on commencing or resignation of employment.

	Held at 1 July 2010	Purchases	Other <sup>(1)</sup>	Received on the exercise of options	Sales	Held at 30 June 2011
Mr D M Murcia	9,373,902	3,533,333	-	-	-	12,907,235
Mr D P Gordon	52,358,328	200,000	-	-	-	52,558,328
Mr K G McKay	2,419,000	600,000	-	-	-	3,019,000
Mr P E Freund	200,000	-	-	-	-	200,000
Mr G T Clifford	1,000,000	200,000	-	-	-	1,200,000
Mr R G Hill	8,555,440	-	-	-	-	8,555,440
Mr M Papendieck	9,196,000	500,000	-	-	-	9,696,000
Mr G A James	460,652	200,000	-	-	-	660,652
Mr I Cullen	-	-	-	2,000,000	(2,000,000)	-
Mr K Petersen	5,280,000	-	-	-	(500,000)	4,780,000
Mr R Fitzhardinge	-	600,000	200,000	-	(381,349)	418,651
Mr B Scarpelli	-	-	-	-	-	-

(1) Other relates to balances held on commencing employment.

#### Transactions with related parties

Transactions between each parent company and its subsidiaries which are related parties of that company are eliminated on consolidation and are not disclosed in this note.

#### Loans to key management personnel and their related parties

There are no loans made to directors or other key management personnel of Centaurus Metals Limited or the Group.

# CENTAURUS METALS LIMITED

## Notes to the Consolidated Financial Statements For the year ended 30 June 2012

### 23. Related Parties (continued)

#### Key management personnel and director transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

Transaction	Transaction value year ended 30 June		Balance outstanding as at 30 June		
	2012 \$	2011 \$	2012 \$	2011 \$	
<b>Consolidated</b>					
Key management person					
Mr K G McKay	Consulting fees	-	8,800	-	-
Mr D M Murcia <sup>(1)</sup>	Legal fees	<b>41,725</b>	65,453	<b>6,675</b>	5,000
Total and current liabilities			<b>6,675</b>	<b>5,000</b>	

(1) Payable to Murcia Pestell Hillard Pty Ltd, a firm in which Mr D M Murcia is a partner.

### 24. Financial Instruments

#### Credit risk

##### Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	2012 \$	2011 \$
Cash and cash equivalents	<b>8,845,662</b>	10,351,397
Other receivables	<b>544,082</b>	1,779,262
	<b>9,389,744</b>	12,130,659

The cash and cash equivalents are held with bank and financial institution counterparties, which are rated BBB to AA- based on rating agency Standard and Poor's rating.

# CENTAURUS METALS LIMITED

## Notes to the Consolidated Financial Statements For the year ended 30 June 2012

### 24. Financial Instruments (continued)

#### Credit risk (continued)

The Group's maximum exposure to credit risk for other receivables at the reporting date by geographic region was:

	Carrying amount	
	2012	2011
	\$	\$
Australia	105,458	180,623
Brazil	438,624	1,598,639
	<b>544,082</b>	<b>1,779,262</b>

These balances are net of provision for impairment.

#### Provision for Impairment

The movement in the provision in respect of other receivables during the year was as follows.

	2012	2011
	\$	\$
Balance at 1 July	-	-
Provision for impairment	747,963	-
	<b>747,963</b>	-

Amounts receivable as a result of the Court Settlement award relating to Liberdade are past due and a provision for impairment has been recognised of \$176,576. Amounts receivable for indirect tax credits which are not yet considered to be recoverable have been provided for amounting to \$571,387. None of the Company's other receivables are past due (2011: nil). The Group believes that no impairment allowance is necessary in respect of the other receivables not past due.

#### Liquidity risk

The following are the contractual maturities of financial liabilities, excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
<b>30 June 2012</b>							
Trade and other payables	(3,609,005)	(3,609,005)	(2,652,930)	(956,075)	-	-	-
	<b>(3,609,005)</b>	<b>(3,609,005)</b>	<b>(2,652,930)</b>	<b>(956,075)</b>	-	-	-
<b>30 June 2011</b>							
Trade and other payables	4,016,265	(4,016,265)	(4,016,265)	-	-	-	-
	<b>4,016,265</b>	<b>(4,016,265)</b>	<b>(4,016,265)</b>	-	-	-	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

# CENTAURUS METALS LIMITED

## Notes to the Consolidated Financial Statements For the year ended 30 June 2012

### 24. Financial Instruments (continued)

#### Currency risk

##### Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	<b>30 June 2012</b>	30 June 2011
	<b>USD</b>	USD
	<b>\$</b>	<b>\$</b>
AUD Equivalents		
Trade and other payables	<b>(956,075)</b>	-
Net exposure	<b>(956,075)</b>	-

#### Sensitivity analysis

A strengthening of the AUD, as indicated below, against the BRL and the USD at 30 June would have decreased equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remain constant.

	<b>Equity</b>	<b>Profit or loss</b>
	<b>\$</b>	<b>\$</b>
<b>30 June 2012</b>		
USD (10 percent strengthening)	-	95,607
<b>30 June 2011</b>		
USD (10 percent strengthening)	-	-

A weakening of the AUD against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

# CENTAURUS METALS LIMITED

## Notes to the Consolidated Financial Statements For the year ended 30 June 2012

### 24. Financial Instruments (continued)

#### Interest rate risk

##### Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2012 \$	2011 \$
<b>Variable rate instruments</b>		
Financial assets	<b>8,845,662</b>	10,351,397
	<b>8,845,662</b>	10,351,397

##### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

	Profit or loss		Equity	
	100bp Increase \$	100bp Decrease \$	100bp Increase \$	100bp Decrease \$
<b>30 June 2012</b>				
Variable rate instruments	88,457	(88,457)	-	-
Cash flow sensitivity (net)	88,457	(88,457)	-	-
<b>30 June 2011</b>				
Variable rate instruments	103,514	(103,514)	-	-
Cash flow sensitivity (net)	103,514	(103,514)	-	-

#### Fair values

##### Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

	30 June 2012		30 June 2011	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Cash and cash equivalents	8,845,662	8,845,662	10,351,397	10,351,397
Other receivables	544,082	544,082	1,779,262	1,779,262
Available-for-sale financial assets	534,201	534,201	1,567,987	1,567,987
Held for trading derivatives instruments	29,525	29,525	261,084	261,084
	<b>9,953,470</b>	<b>9,953,470</b>	<b>13,959,730</b>	<b>13,959,730</b>
Trade and other payables	3,609,005	3,609,005	4,016,265	4,016,265
	<b>3,609,005</b>	<b>3,609,005</b>	<b>4,016,265</b>	<b>4,016,265</b>

## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

#### 24. Financial Instruments (continued)

##### *Fair value hierarchy*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>30 June 2012</b>				
Available-for-sale financial assets	534,201	-	-	534,201
Derivative instruments (i)	4,444	25,081	-	29,525
	<u>538,645</u>	<u>25,081</u>	<u>-</u>	<u>563,726</u>
<b>30 June 2011</b>				
Available-for-sale financial assets	1,567,987	-	-	1,567,987
Derivative instruments (i)	16,667	244,417	-	261,084
	<u>1,584,654</u>	<u>244,417</u>	<u>-</u>	<u>1,829,071</u>

There have been no transfers of assets from Levels during the year ended 30 June 2012 (2011: no transfers in either direction).

(i) Decline in fair value of derivative instruments of \$231,559 has been charged to finance expense (2011: \$148,799).

#### 25. Contingent Liabilities

##### **Guarantees**

Guarantees given in respect of bank security bonds amounting to \$43,790 (2011: \$124,442), secured by cash deposits lodged as security with the bank.

No material losses are anticipated in respect of any of the above contingent liabilities.

There are no other contingent liabilities that require disclosure.

## CENTAURUS METALS LIMITED

### Notes to the Consolidated Financial Statements For the year ended 30 June 2012

#### 26. Operating Leases

	2012	2011
	\$	\$
<hr/>		
Leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	<b>284,567</b>	248,754
Between one and five years	<b>319,855</b>	125,927
More than five years	-	-
	<hr/> <b>604,422</b>	<hr/> 374,681

The Group leases a number of offices and apartments under operating lease. The leases run for a period of one to four years, with an option to renew the lease after that date.

The office leases were combined leases of land and buildings. Since the land title does not pass, the rent paid to the landlord of the building is increased to market rent at regular intervals, and the Group does not participate in the residual value of the building, it was determined that substantially all the risks and rewards of the building are with the landlord. As such, the Group determined that the leases are operating leases.



# CENTAURUS METALS LIMITED

## Notes to the Consolidated Financial Statements For the year ended 30 June 2012

### 27. Share-Based Payments

#### Description of the share-based payment arrangements

##### Employee Share Option Plan

The Employee Share Option Plan ("ESOP") was approved by shareholders at the 2010 annual general meeting. All employees (including directors) are eligible to participate in the Plan. Options granted carry no dividend or voting rights. When exercisable, each option is converted into one ordinary share of the Company with full dividend and voting rights.

Options were issued to Consultants outside of the ESOP.

The terms and conditions relating to the grant of options for the year ended 30 June 2012 are as follows:

Grant Date	Number of Options	Vesting Conditions	Option Term
<b>Employee Options</b>			
29/08/2011	6,250	Vested immediately	4 years
29/08/2011	15,625	See note 1	4 years
29/08/2011	15,625	See note 2	4 years
01/01/2012	150,000	See note 3	3 years
01/01/2012	150,000	See note 4	3 years
30/01/2012	100,000	Vested immediately	5 years
30/01/2012	150,000	See note 5	5 years
30/01/2012	150,000	See note 6	5 years
Sub total	737,500		
<b>Consultant Options</b>			
01/01/2012	200,000	Vested immediately	3 years
01/01/2012	200,000	Vest on 30/09/2012	3 years
01/01/2012	400,000	Vest on 30/06/2013	3 years
Subtotal	800,000		
Total	1,537,500		

Note 1: Options vest on commencement of iron ore production on a Mining Lease from the Company's iron ore projects in Brazil.

Note 2: Options vest on achievement of iron ore production from the Company's iron ore projects at an average rate of 250,000 tonnes per month over a consecutive 3 month period.

Note 3: Options vest on execution of a land access agreement with relevant government body in Bahia, for Centaurus to secure the necessary land and port allocations at Ilheus Port for a minimum of 2mtpa of Iron Ore.

Note 4: Options vest on the State of Bahia commencing the dredging of the Ilheus Port to 14 metres to accommodate Panamax Vessels.

Note 5: Options vest on achievement of iron ore production from the Company's iron ore projects at an average rate of 150,000 tonnes per month over a consecutive 3 month period.

Note 6: Options vest on achievement of first iron ore shipment from Brazil into the international iron ore export market

# CENTAURUS METALS LIMITED

## Notes to the Consolidated Financial Statements For the year ended 30 June 2012

### 27. Share-Based Payments (continued)

#### Description of the share-based payment arrangements (continued)

#### Employee Share Option Plan (continued)

The terms and conditions relating to the grant of options for the year ended 30 June 2011 were as follows:

Grant Date	Number of Options	Vesting Conditions	Option Term
<b>Employee Options</b>			
19/07/2010	100,000	Vested immediately	5 years
19/07/2010	300,000	See note 1	5 years
19/07/2010	300,000	See note 2	5 years
01/10/2010	500,000	See note 3	4 years
01/10/2010	500,000	See note 4	4 years
01/10/2010	200,000	Vested immediately	3 years
01/10/2010	500,000	Vested immediately	4 years
01/10/2010	200,000	See note 1	4 years
01/10/2010	200,000	See note 2	4 years
17/01/2011	50,000	Vested immediately	4 years
17/01/2011	125,000	See note 1	4 years
17/01/2011	125,000	See Note 2	4 years
4/02/2011	300,000	Vested Immediately	5 years
4/02/2011	600,000	See note 1	5 years
4/02/2011	600,000	See note 2	5 years
6/03/2011	100,000	Vested immediately	4 years
1/06/2011	50,000	Vested immediately	4 years
1/06/2011	125,000	See note 1	4 years
1/06/2011	125,000	See note 2	4 years
Sub total	5,000,000		
<b>Director Options</b>			
30/11/2010	500,000	Vest on 30/05/2012	5 years
30/11/2010	500,000	Vest on 30/11/2013	5 years
Sub total	1,000,000		
<b>Consultant Options</b>			
20/10/2010	5,000,000	Vested on 31/03/2011	3.87 years
20/10/2010	5,000,000	Vest on 31/12/2011	3.87 years
01/01/2011	500,000	Note 5	3 years
01/01/2011	500,000	Note 6	3 years
Subtotal	11,000,000		
Total	17,000,000		

Note 1: Options vest on commencement of iron ore production on a Mining Lease from the Company's iron ore projects in Brazil.

Note 2: Options vest on achievement of iron ore production from the Company's iron ore projects at an average rate of 250,000 tonnes per month over a consecutive 3 month period.

Note 3: Options vest on definition of JORC Inferred Resource that delivers over 100Mt of iron ore from the Company's iron ore projects in Brazil.

Note 4: Options vest on definition of JORC Inferred Resource that delivers over 250Mt of iron ore or JORC Measured and Indicated Resource that delivers over 100Mt of iron ore from the Company's iron ore projects in Brazil.

Note 5: Options vest on identification and subsequent acquisition of a new project to support the Company's domestic Iron and Steel business in Brazil, subject to approval by the Board of Directors.

Note 6: Options vest on identification and subsequent acquisition of a new project that has the ability to support the Company's export business from Brazil, subject to approval by the Board of Directors.

Notes to the Consolidated Financial Statements  
For the year ended 30 June 2012

27. Share-Based Payments (continued)

The number and weighted average exercise prices of share options issued under employee share option plan and issued to consultants are as follows:

	Weighted average exercise price 2012	Number of options 2012	Weighted average exercise price 2011 *	Number of options 2011 *
Outstanding at 1 July	\$0.776	7,393,750	\$0.760	6,233,750
Forfeited during the period	\$0.689	(512,500)	\$0.896	(555,625)
Expired during the period	\$1.040	(593,750)	\$1.760	(150,000)
Exercised during the period	\$0.640	(125,000)	\$0.560	(259,375)
Granted during the period	\$1.125	1,537,500	\$0.904	2,125,000
Outstanding at 30 June	\$0.833	7,700,000	\$0.776	7,393,750
Exercisable at 30 June	\$0.757	5,487,500	\$0.800	3,812,500

\*On 22 September 2011, Shareholders approved the consolidation of the Company's capital on a 1-for-8 basis. The consolidation took effect from 5 October 2011. Comparatives have been restated.

The options outstanding at 30 June 2012 have an exercise price in the range of \$0.40 to \$2.28 (2011: \$0.40 to \$2.28) and the weighted average remaining contractual life is 2.42 years (2011: 3.2 years).

The weighted average share price at the date of exercise for share options exercised in 2012 was \$0.64 (2011: \$0.848).

Inputs for measurement of grant date fair values

The weighted average fair value at grant date of options granted during the year end 30 June 2012 was \$0.225 (2011: \$0.504). The fair value at grant date is measured using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Expected volatility is estimated by considering historic average share price volatility.

The model inputs for 2012 include:

Grant date	Expiry date	Exercise price	Life of option	Share price at grant date	Expected share price volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
<b>Employee Options</b>								
29/08/2011	29/08/2015	\$0.80	4.00 years	\$0.73	88.25%	Nil	4.01%	\$0.4491
29/08/2011	29/08/2015	\$0.80	4.00 years	\$0.73	88.25%	Nil	4.01%	\$0.4491
29/08/2011	29/08/2015	\$0.80	4.00 years	\$0.73	88.25%	Nil	4.01%	\$0.4491
01/01/2012	31/12/2014	\$0.80	3.00 years	\$0.50	85.81%	Nil	3.29%	\$0.2283
01/01/2012	31/12/2014	\$0.80	3.00 years	\$0.50	85.81%	Nil	3.29%	\$0.2283
30/01/2012	30/01/2017	\$0.80	5.00 years	\$0.51	85.77%	Nil	3.35%	\$0.3128
30/01/2012	30/01/2017	\$0.80	5.00 years	\$0.51	85.77%	Nil	3.35%	\$0.3128
30/01/2012	30/01/2017	\$0.80	5.00 years	\$0.51	85.77%	Nil	3.35%	\$0.3128
<b>Consultant Options</b>								
01/01/2012	31/12/2014	\$0.80	3.00 years	\$0.50	85.81%	Nil	3.29%	\$0.2283
01/01/2012	31/12/2014	\$1.30	3.00 years	\$0.50	85.81%	Nil	3.29%	\$0.1730
01/01/2012	31/12/2014	\$1.80	3.00 years	\$0.50	85.81%	Nil	3.29%	\$0.1385

# CENTAURUS METALS LIMITED

## Notes to the Consolidated Financial Statements For the year ended 30 June 2012

### 27. Share-Based Payments (continued)

#### Inputs for measurement of grant date fair values (continued)

The model inputs for 2011 include:

Grant date	Expiry date	Exercise price	Life of option	Share price at grant date	Expected share price volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
<b><u>Employee Options</u></b>								
19/07/2010	19/07/2015	\$0.095	5.00 years	\$0.07	99.80%	Nil	4.77%	\$0.0509
01/10/2010	01/10/2014	\$0.110	4.00 years	\$0.08	99.14%	Nil	4.95%	\$0.0527
01/10/2010	01/10/2013	\$0.110	3.00 years	\$0.08	91.54%	Nil	4.87%	\$0.0494
17/01/2011	17/01/2015	\$0.130	4.00 years	\$0.15	96.48%	Nil	5.28%	\$0.1083
04/02/2011	04/02/2016	\$0.130	5.00 years	\$0.12	96.20%	Nil	5.44%	\$0.0893
06/03/2011	06/03/2015	\$0.130	4.00 years	\$0.12	94.37%	Nil	5.36%	\$0.0813
01/06/2011	01/06/2015	\$0.130	4.00 years	\$0.09	91.49%	Nil	5.09%	\$0.0509
<b><u>Consultant Options</u></b>								
20/10/2010	31/08/2014	\$0.100	3.87 years	\$0.09	92.09%	Nil	4.63%	\$0.0591
20/10/2010	31/08/2014	\$0.120	3.87 years	\$0.09	92.09%	Nil	4.63%	\$0.0561
01/01/2011	01/01/2014	\$0.130	3.00 years	\$0.13	97.72%	Nil	5.24%	\$0.0782
<b><u>Director Options</u></b>								
30/11/2010	30/11/2015	\$0.110	5.00 years	\$0.10	99.10%	Nil	5.18%	\$0.0754

#### Performance Rights Plan

A Performance Share Plan (PSP) was adopted by the Board of Directors on 23 July 2012 and was approved by shareholders on 31 August 2012. Under the PSP, the Board may from time to time in its absolute discretion grant performance rights to eligible persons including executives and employees, in the form and subject to terms and conditions as the Board determines. Performance rights are, in effect, options to acquire unissued shares in the Company, the exercise of which is subject to certain performance milestones. Performance rights are granted under the PSP for no consideration and are granted for a period not exceeding 5 years.

Details of performance rights issued as compensation to directors and key management personnel during the financial year are as follows:

Grant Date	Number of Rights	Vesting Conditions	Term
<b><u>Employee Options</u></b>			
31/08/2012	300,000	See note 1	16 months
31/08/2012	400,000	See note 2	34 months
Sub total	700,000		

Note 1: Rights vest on first sale of iron ore from the Jambreiro Iron Ore Project on or before 31 December 2013.

Note 2: On first sale of iron ore into the export market from the Company's current or future Brazilian Projects on or before 30 June 2015.

# CENTAURUS METALS LIMITED

## Notes to the Consolidated Financial Statements For the year ended 30 June 2012

### 27. Share-Based Payments (continued)

#### Performance Rights Plan (continued)

#### Inputs for measurement of grant date fair values

The fair value of performance rights issued during the year ended 30 June 2012 was provisionally calculated at \$0.4288 based on the 5 day volume weighted average share price at valuation date and is subject to revision upon grant date.

	Valuation date	Expiry date	Exercise price	Vesting days	Fair value
<b>Employee Rights</b>					
300,000	30/06/2012	31/12/2013	Nil	659	\$0.4288
400,000	30/06/2012	30/06/2015	Nil	1,024	\$0.4288

#### Expenses arising from share based payment transactions

	2012	2011
	\$	\$
<b>Equity – settled share options and performance rights granted during:</b>		
Period ended 30 June 2009	-	2,215
Period ended 30 June 2010	<b>93,502</b>	485,318
Period ended 30 June 2011	<b>251,786</b>	625,377
Period ended 30 June 2012	<b>114,525</b>	-
Total expense recognised as share based payment	<b>459,813</b>	<b>1,112,910</b>

### 28. Group Entities

	Country of incorporation	Ownership interest	
		2012	2011
<b>Parent entity</b>			
Centaurus Metals Limited			
<b>Subsidiaries</b>			
Centaurus Resources Pty Ltd	Australia	<b>100%</b>	100%
San Greal Resources Pty Ltd	Australia	<b>100%</b>	100%
Centaurus Brasil Mineração Ltda	Brazil	<b>100%</b>	100%
CSLJ Limited	Channel Islands	<b>100%</b>	100%
Glengarry Sabah Pty Ltd	Australia	<b>100%</b>	100%
Semporna Mining Sdn Bhd	Malaysia	-	100%
Mineração Passo das Pedras Ltda	Brazil	<b>100%</b>	100%
Centaurus Export Mineração Ltda	Brazil	<b>100%</b>	-
Centaurus Manganês Mineração Ltda	Brazil	<b>100%</b>	-

# CENTAURUS METALS LIMITED

## Notes to the Consolidated Financial Statements For the year ended 30 June 2012

### 29. Subsequent Events

On 9 July 2012 the Group announced a two-tranche share placement of up to \$26.2 million of fully paid ordinary shares at an issue price of \$0.44 per share to new and existing institutional and strategic investors. The equity raising comprised of an \$11 million placement to Boston-based Liberty Metals & Mining Holdings ("LMM"), a \$5.2 million placement to Atlas Iron Limited ("Atlas") and a \$10 million placement to institutional and professional investor clients of Ord Minnett and Bell Potter. Tranche 1 of the placement occurred on 13 July 2012 with 19.14 million shares issued. Tranche 2 of the placement, comprising 40.41 million shares, was approved by shareholders on 31 August 2012 and was completed on 6 September 2012. Following the completion of the placement, LMM held a 12.77% interest in the Company whilst Atlas maintained its interest in Centaurus at 19.58%.

On 28 August 2012 it was announced that the Group had entered into an agreement to dispose of several non-core tenements to Orinoco Resources Limited ("ORL"). The consideration for the sale includes:

- 1 million ordinary shares in ORL;
- 1 million unlisted options in ORL exercisable at 25 cents and expiring 5 years from the date of issue; and
- Royalty of 2.5% of the net smelter return, being the gross proceeds received during a quarter for any product sold less certain allowable deductions.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

### 30. Remuneration of Auditors

	2012 \$	2011 \$
<b>Audit services</b>		
Audit and review of the Company KPMG	<u>92,318</u>	<u>116,300</u>
<b>Other services</b>		
Auditor of the Company		
KPMG: Taxation services	<u>40,930</u>	<u>203,472</u>

### 31. Parent Entity Information

As at and throughout the financial year ending 30 June 2012 the parent company of the Group was Centaurus Metals Limited.

#### Result of the parent entity

	Company	
	2012 \$	2011 \$
Loss for the period	(5,460,090)	(3,571,897)
<i>Other comprehensive income</i>		
Net change in fair value of available-for-sale financial assets	-	(265,625)
Net change in fair value of available-for-sale financial assets transferred to profit and loss	265,625	-
Other comprehensive income for the period, net of income tax	<u>265,625</u>	<u>(265,625)</u>
<b>Total comprehensive loss for the year</b>	<u>(5,194,465)</u>	<u>(3,837,522)</u>

# CENTAURUS METALS LIMITED

## Notes to the Consolidated Financial Statements For the year ended 30 June 2012

### 31. Parent Entity Information (continued)

#### Financial position of the parent entity at the year end

	2012	2011
	\$	\$
Current assets	6,667,108	7,716,671
Non-current assets <sup>(1)</sup>	52,881,296	37,637,923
<b>Total assets</b>	<b>59,548,404</b>	<b>45,354,594</b>
Current liabilities	516,807	578,077
<b>Total liabilities</b>	<b>516,807</b>	<b>578,077</b>
<b>Net assets</b>	<b>59,031,597</b>	<b>44,776,517</b>
Share capital	72,710,747	53,851,446
Reserves	5,532,550	4,676,681
Accumulated losses	(19,211,700)	(13,751,610)
<b>Total equity</b>	<b>59,031,597</b>	<b>44,776,517</b>

#### Parent entity contingencies

The parent entity had no contingent liabilities as at 30 June 2012 (2011: nil).

(1) Included within non-current assets are loans to subsidiaries for which the ultimate recoupment is dependent on successful development and commercial exploitation or, alternatively, sale of the respective project areas.

#### Parent entity capital commitments

The parent entity had no capital commitments at 30 June 2012 (2011: nil).

#### Parent entity lease commitments

The parent entity has the following lease commitments:

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2012	2011
	\$	\$
Less than one year	113,560	166,872
Between one and five years	-	111,248
More than five years	-	-
	<b>113,560</b>	<b>278,120</b>

## CENTAURUS METALS LIMITED

### Directors' Declaration

1. In the opinion of the directors of Centaurus Metals Limited (the "Company"):
  - (a) The consolidated financial statements and notes, and the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001*, including:
    - (i) Giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance, for the financial year ended on that date; and
    - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
  - (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
2. The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Managing Director and the Chief Financial Officer for the financial year ended 30 June 2012.
3. The financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Signed in accordance with a resolution of the directors.



**D P Gordon**  
Managing Director  
Perth, Western Australia

20 September 2012





## **Independent auditor's report to the members of Centaurus Metals Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Centaurus Metals Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2012, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 31 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

### **Auditor's opinion**

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

### **Report on the remuneration report**

We have audited the Remuneration Report included in section 4.3 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

### *Auditor's opinion*

In our opinion, the remuneration report of Centaurus Metals Limited for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Graham Hogg  
*Partner*

Perth

20 September 2012