

**AUSTRALIAN SECURITIES EXCHANGE ANNOUNCEMENT
& MEDIA RELEASE**



19 December 2012

SERRA DA LONTRA IRON PROJECT – OPTION PAYMENT

Centaurus Metals Limited (ASX Code: **CTM**) advises that it has decided not to proceed with the final option payment of US\$3 million to the vendor of the Serra da Lontra Project, located in Bahia State, south-east Brazil, and is negotiating with the vendor to see if an alternative payment structure can be agreed.

As announced on 6 August 2012, drilling carried out at Serra da Lontra earlier this year did not encounter sufficient quantities of siliceous itabirite to underpin the previously established Exploration Target for the Project. Accordingly, Centaurus does not believe that a payment of this order can be justified by the current geological prospectivity and resource potential of the Project.

Should negotiations with the vendor prove to be unsuccessful, the Company will return the tenement to the vendor and retain no further interest in the Project.

Centaurus' Managing Director, Mr Darren Gordon, said: "The Serra da Lontra Project is well located in relation to open access ports but the work we have completed to date has clearly demonstrated that the resource potential of siliceous material at the Project is not as large as originally anticipated. Given current market conditions, we cannot justify paying US\$3 million to retain the Project.

"The funds earmarked for this option payment will add significantly more value for shareholders by being applied to the development of our flagship Jambreiro Iron Ore Project, where we have recently completed a positive Bankable Feasibility Study for the supply of 2Mtpa of high grade, low impurity iron ore into the Brazilian domestic market.

"We remain committed to our strategy of developing a longer term export business in Brazil alongside our core domestic iron ore business at Jambreiro, however the projects that underpin this strategy must meet the criteria and hurdles we set, at a realistic price. At this stage, Serra da Lontra does not meet these criteria," Mr Gordon said.

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