Centaurus Metals Limited

2011 ANNUAL REPORT

ACN 009 468 099

Corporate Directory

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Mr D M Murcia
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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., B.Sc. (Hons), FFin
Non-Executive Director

Mr M D Hancock
B.Bus, CA, FFin
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Secretary

Mr G A James
B.Bus, CA, ACIS

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Stock Exchange Listing

Centaurus Metals Limited
shares are listed on the
Australian Securities Exchange

Ordinary fully paid shares
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Confirmed the
Jambreiro Project
as the cornerstone of our domestic iron & steel strategy

Secured an exciting new export-focused project,
Serra da Lontra

Established a
Strategic Alliance
with leading iron ore company, Atlas Iron Limited

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01 CHAIRMAN'S LETTER

I am pleased to report to you on a very active and successful year for Centaurus, during which we continued to make rapid progress with our dual domestic and export iron ore development strategy in south-eastern Brazil.

Over the past year, we have put in place the key foundations to enable us to achieve our core corporate objective of building a substantial new international iron ore production company to sell iron ore into steel markets both within Brazil and globally. These include:

- confirming the newly-acquired Jambreiro Project as the cornerstone of our domestic production strategy following successful drilling campaigns and scoping work;
- securing an exciting new project, Serra da Lontra, to underpin our export strategy; and
- establishing a Strategic Alliance with the successful mid-tier iron ore company Atlas Iron, which has acquired a 19.9 per cent stake in Centaurus in return for an $18.7 million cash injection.

The Strategic Alliance with Atlas – which includes technical, development and product marketing support – is a very important development for Centaurus, giving us the financial, corporate and strategic support of one of Australia's most dynamic and successful mid-tier mining groups.

As a result of these achievements, Centaurus has not only successfully weathered the financial and economic storms experienced in global equity markets over the past year, but also positioned itself for a period of strong growth as it moves towards production.

The Company's outstanding asset base in south-east Brazil gives it a unique competitive advantage in the emerging iron ore sector. Centaurus is one of the few ASX-listed companies offering direct exposure to the rapid development and growth of the economies of Brazil and its fellow Mercosur[1] free trade association members.

With a population of over 190 million, Brazil is fast becoming the manufacturing centre for Mercosur countries. This manufacturing base – together with the growth in construction ahead of the 2014 Soccer World Cup and 2016 Olympic Games – supports the International Monetary Fund's recent forecast that Brazil's economy is anticipated to grow at above 4 per cent into 2012, with its ongoing expansion expected to continue to outstrip that of the developed economies.

Centaurus plans to move rapidly from Resource Definition to project development

Our growth strategy leverages off both the growing team of experienced and highly skilled mining professionals we have assembled in Centaurus' office in the regional centre of Belo Horizonte and our substantial tenement and project position in and around the Iron Quadrangle in the State of Minas Gerais. This region lies at the heart of the Brazilian iron and steel industries and close to the existing port of Ilhéus in the State of Bahia.

We continued to strengthen our mining team in Brazil during the year with several senior management appointments in our Belo Horizonte office. These appointments will stand Centaurus in good stead as we move from an explorer through the development phase to become a producer of high-quality hematite iron ore.

The 2012 financial year will see Centaurus move significantly closer to production from both its domestic and export-focused projects.

With the Pre-Feasibility Study on our flagship Jambreiro Iron Ore Project nearing completion following an expected upgrade of the JORC Resource estimate for the entire Project area in early October, the development of this project to supply the domestic Brazilian steel market will focus on the completion of a Feasibility Study and all the activities required to obtain the necessary operational licences.

As the Jambreiro Project progresses, it continues to develop as a high quality project capable of delivering an excellent product for a modest capital investment – and therefore capable of generating excellent returns to shareholders.

From an export perspective, the newly acquired Serra da Lontra Project is expected to underpin the Company's entry to the seaborne iron ore market. Centaurus has focused on building a portfolio of export-focused iron ore projects within trucking distance of the port of Ilhéus, located 500km to the north of the Jambreiro Project. Over the coming financial year, we intend to move rapidly from resource definition to project development while also continuing the ongoing discussions with the Bahia State Government regarding access to port infrastructure.

Given the significantly higher prices for iron ore in international export markets – approximately double the price which we expect to achieve from domestic sales – the acquisition of the Serra da Lontra Project represents a key development for Centaurus, adding substantial weight to our project portfolio and giving us the ability to generate strong cash margins from an emerging export business.

During the year, Geoff Clifford stepped down from the Centaurus Board to enable him to spend more time with his family. I would like to take this opportunity to thank Geoff for his many years of service to Centaurus and, previously, Glengarry Resources.

After shareholder approval was received for the share placement to Atlas Iron in late September, experienced mining executive Mark Hancock was appointed to the Board as a non-executive Director representing Atlas Iron. Mark is a very accomplished executive who holds the position of Chief Commercial Officer at Atlas, and has played a key role in that Company's rapid growth and success over the past three years. I would like to take this opportunity to welcome him to the Board.

In conclusion, I would like to acknowledge the efforts of our Managing Director, Darren Gordon, whose hard work and dedication during the year – supported by an outstanding senior management team and group of high quality consultants – has ensured that Centaurus moves towards 2012 in a very strong position.

Finally, I would like to thank our shareholders for their continued support during what has been a challenging and volatile time in global markets. I am confident this support will be rewarded in the years ahead as we execute our strategy to become one of Australia's next leading mid-tier iron ore producers.

Didier Murcia
Chairman B.Juris, LLB
30 September 2011

[1] *Note: Mercosur is composed of 4 sovereign member states: Brazil, Argentina, Paraguay and Uruguay and has a combined population of 240 million people.*

02 OPERATIONS REVIEW

During the 2011 financial year, Centaurus Metals made significant progress towards achieving its strategic objective of becoming a substantial producer of iron ore for both the domestic Brazilian steel market and the global iron ore export market.

DOMESTIC IRON AND STEEL STRATEGY

Centaurus' initial focus within its extensive project portfolio in south-east Brazil during the year has been its Domestic Iron & Steel Strategy ("Domestic Strategy"), which is based on achieving targeted annualised production of at least 3Mtpa of iron ore grading +63% Fe by the end of 2013, which will be sold into the substantial domestic steel industry in Brazil.

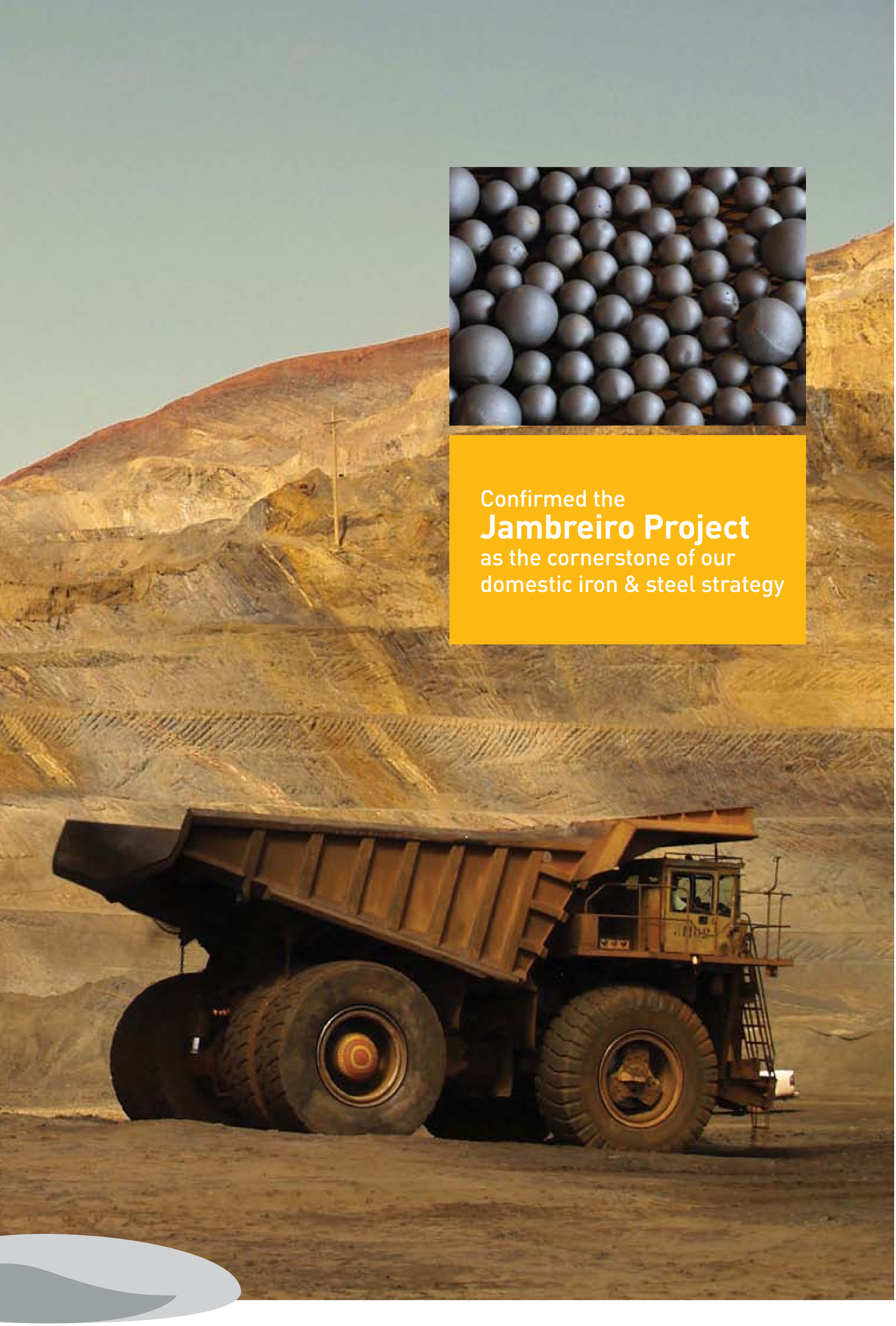
The Iron Quadrangle's proximity to the domestic steel industry in Brazil is analogous to having Western Australia's world-class Pilbara iron ore province on the Korean Peninsula or in the Japanese archipelago. Being located in the midst of a growing 40Mtpa Brazilian steel customer base enables Centaurus to differentiate itself from many other Australian-listed iron ore companies, which often face the significant barriers to market entry of extensive and costly infrastructure.

Some of the biggest global steel producers, and potential customers, are located within 150 kilometres of the Company's Brazilian projects and extensive tenement portfolio.

The State of Minas Gerais – where Centaurus' domestic production projects are located – accounts for over 60 per cent, or 170Mtpa, of Brazil's iron ore production. Significant investment has already been committed to this region with three of the country's largest steelmakers – Gerdau, Arcelor Mittal and Usiminas – well established in the region.

Centaurus' key projects are strategically located close to the heart of this world-class industry, enabling the Company to sell its suite of proposed products at the mine gate without incurring large capital costs on infrastructure such as rail and port.

In order to meet the Company's production targets, the management team has been developing three iron ore projects located in this region – Jambreiro, Itambé and Passabem. These projects collectively host JORC compliant resources totalling 120 million tonnes at a grade of 30% Fe.



Confirmed the
Jambreiro Project
as the cornerstone of our
domestic iron & steel strategy

02 OPERATIONS REVIEW

JAMBREIRO

IRON ORE PROJECT

Since acquiring the Jambreiro Project from Cenibra in June 2010, Centaurus has moved rapidly to advance the Project to a JORC compliant resource which now includes a substantial Measured and Indicated component.

A total of 58 holes have now been drilled for a total of 6,600 metres to define the current interim resource estimate. The Indicated Resource has been drilled on a spacing of 200 metres x 50 metres and the Inferred Resource comprises mostly down-plunge (deeper) extensions of the Indicated Resource.

A further resource upgrade for the entire Project will be completed by early October 2011 following further drilling (7,800 metres in 110 RC and diamond holes) at the South East Extension Zone and three satellite deposits known as the Galo, Cruzeiro and Coelho Prospects.

The Jambreiro Project has very good access to existing local infrastructure and is well located approximately 130km from the city of Ipatinga, home to Usiminas' 4.5Mtpa steel mill. Arcelor Mittal also has major steel operations within the same general radius, at the João Monlevade blast furnace.

Drilling commenced in September 2010 with some excellent intersections received including:

98.2 metres @ 29.8% Fe, 3.9% Al_2O_3 and 0.05% P	from 28 metres in Hole JBR-10-DD-0002
93.8 metres @ 31.5% Fe, 5.5% Al_2O_3 and 0.04% P	from 9 metres in Hole JBR-10-DD-0003
70.0 metres @ 31.8% Fe, 3.3% Al_2O_3 and 0.03% P	from 41 metres in Hole JBR-10-DD-0001
62.5 metres @ 32.2% Fe, 2.0% Al_2O_3 and 0.03% P	from 0.5 metres in Hole JBR-10-DD-0011
53.0 metres @ 31.2% Fe, 3.5% Al_2O_3 and 0.03% P	from 38 metres in Hole JBR-10-RC-0020

In addition to the initial drilling undertaken by Centaurus at Jambreiro, sampling of seven historical vertical diamond drill holes delivered a number of significant intersections of mineralisation including 85.8 metres @ 32.0% Fe in Hole JAM003.

In late October 2010, the Company announced a maiden JORC Inferred Resource estimate of 77.1Mt grading 29.5% Fe for the Jambreiro Project, based on the initial drilling.

Following delivery of the initial resource, an extensive trenching program was completed to define the ore contacts over most of the current resource base area as well as extending the ore contacts to the south east.

The results of this trenching work confirmed the highly friable nature of the Jambreiro mineralisation at surface, the comparatively higher grade nature of this friable ore material, and the location of the footwall and hangingwall contacts for each prospect within the Project area.

In February 2011, the Company commenced a new RC and diamond drill program to upgrade the initial resource estimate to the Measured and Indicated categories.

Numerous significant intersections were received, further highlighting the highly friable nature of the Jambreiro mineralisation in the top 60 to 80 metres of the key Tigre prospect area.

In June 2011, Centaurus announced an interim upgrade to the JORC resource estimate for the main Tigre Prospect at Jambreiro following the completion of this successful in-fill drilling program.

This interim JORC Resource estimate (combined Measured, Indicated and Inferred) is currently 70.6 million tonnes at an average grade of 28.0% Fe (refer table 1).

This JORC Resource upgrade – together with beneficiation testwork which has been completed at the Jambreiro Project, demonstrating that the friable mineralisation can be upgraded to a +65% Fe hematite final product – confirmed the Project's potential to become a cornerstone of the Company's domestic iron ore production business in Brazil.

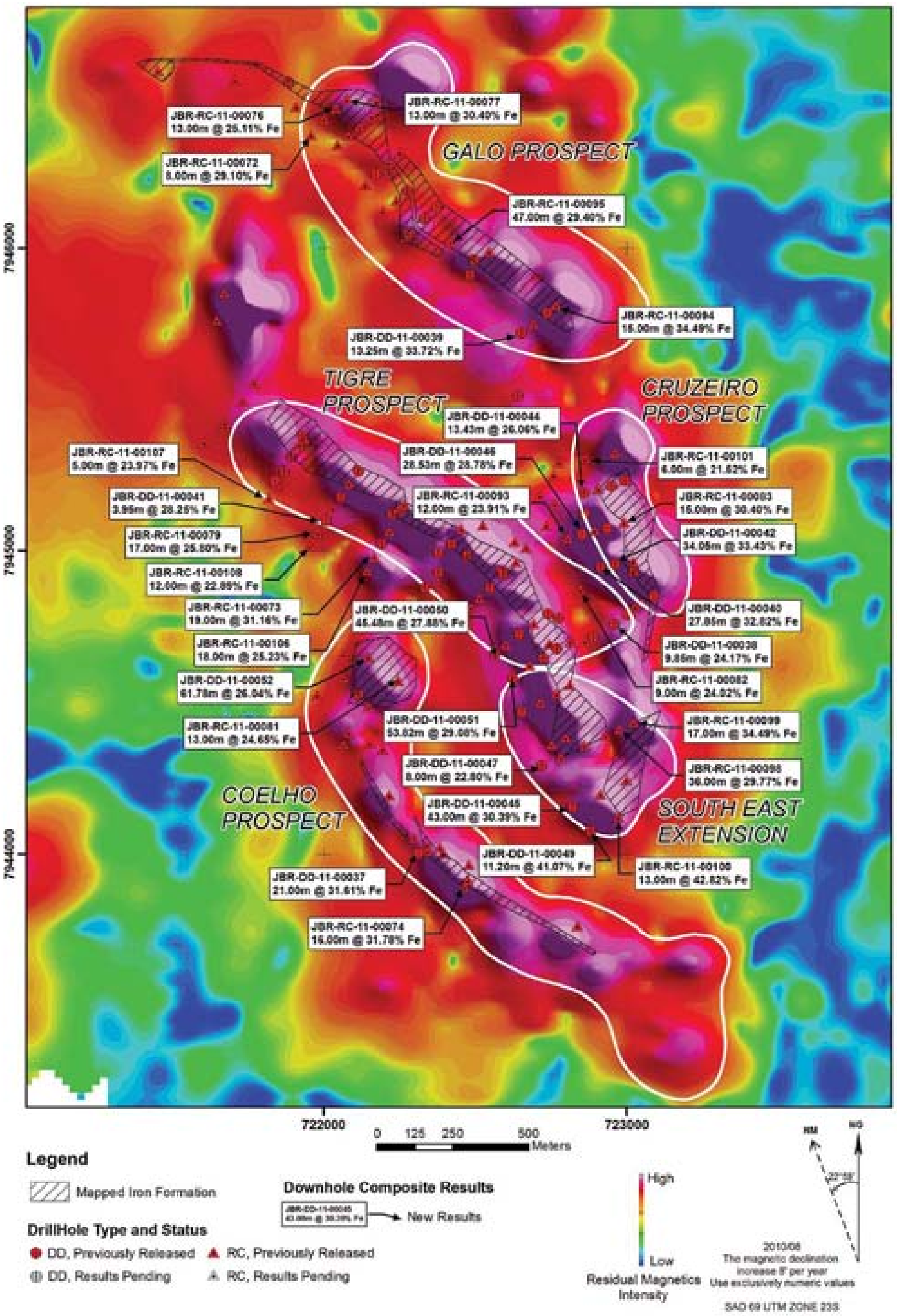
TABLE 1: JAMBREIRO RESOURCE TABLE (JUNE 2011)

Prospect	JORC Category	Million Tonnes	Fe%	SiO_2%	Al_2O_3%	P%	LOI%
Tigre	Measured	6.0	29.7	49.3	4.7	0.04	1.9
	Indicated	29.2	28.0	51.6	4.1	0.04	1.4
	Measured + Indicated	**35.2**	**28.3**	**51.2**	**4.2**	**0.04**	**1.5**
	Inferred	26.0	26.9	52.2	3.8	0.05	1.0
	TOTAL	**61.2**	**27.7**	**51.7**	**4.0**	**0.05**	**1.3**
Cruzeiro	Inferred	6.3	30.2	51.2	2.7	0.04	1.5
Galo	Inferred	3.1	28.7	48.1	3.9	0.03	1.4
TOTAL	**TOTAL**	**70.6**	**28.0**	**51.3**	**3.8**	**0.05**	**1.3**

In-fill drilling continued into August 2011 on the satellite Cruzeiro, Galo and Coelho Prospects at Jambreiro as well as first-pass drilling at the South East Extension Zone of the main Tigre Prospect (*see Figure 1*). Drilling at the South East Extension Zone of the Tigre Prospect confirmed an additional 400 metres of strike length, which is shallow and averages approximately 40 metres in width. Once results of this drilling are received a new resource upgrade will be undertaken for the entire Jambreiro Project and this resource will form the basis of a Pre-Feasibility Study due for delivery in November 2011.

02 OPERATIONS REVIEW

FIGURE 1: JAMBREIRO PROJECT MAP WITH RECENT RESULTS



Beneficiation Testwork

During the year, an extensive program of beneficiation testwork was completed on Jambreiro ore. Importantly, this work demonstrated that a high-grade hematite product grading 66.2% Fe with low impurities can be produced from the in-situ compact itabirite ore using a low-cost magnetic separation process.

The results of beneficiation testwork undertaken on low-grade (25% Fe) compact itabirite drill core from the Jambreiro Project show that a 65.2% Fe hematite product can be produced with very low impurities using a two-stage, rougher and cleaner, Wet High Intensity Magnetic Separation (WHIMS) process.

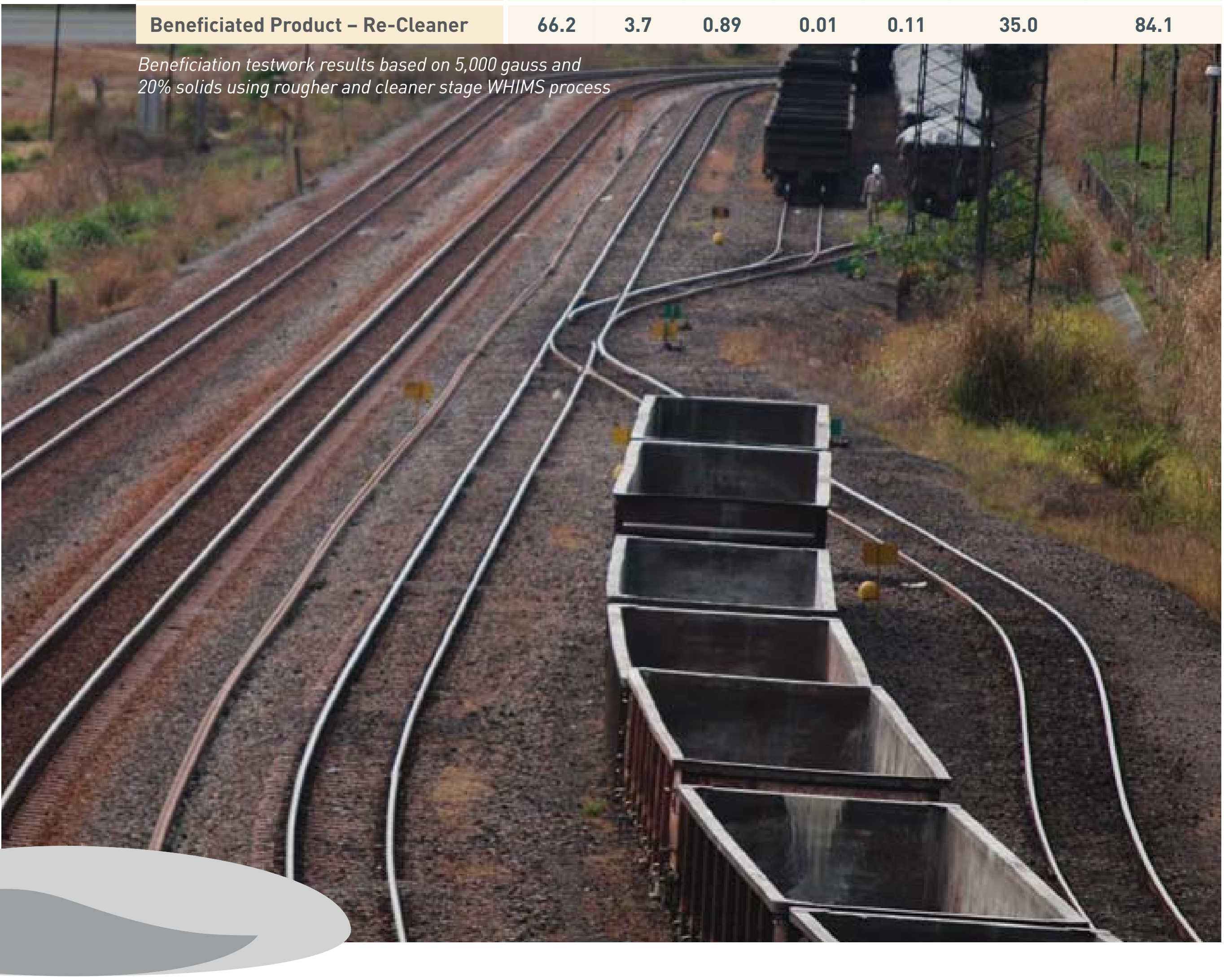
In addition to this, when a re-cleaner process was added to the flowsheet, the iron grade of the final product increased to over 66% Fe with a corresponding reduction in silica levels. These results provide Centaurus with confidence that the Company will be able to tailor its final product specification to meet the particular requirements of future customers in relation to both iron grade and impurity levels.

A summary of the beneficiation testwork results on compact ore is set out in Table 2 below:

TABLE 2: SUMMARY OF BENEFICIATION TESTWORK ON JAMBREIRO DRILL CORE

	Fe%	SiO_2%	Al_2O_3%	P%	Mn%	Mass Recovery%	Metal Recovery%
Low Grade Sample – Core							
Head Grade	25.0	55.9	2.24	0.07	0.07		
Beneficiated Product – Cleaner	**65.2**	**4.6**	**0.92**	**0.01**	**0.11**	**36.6**	**87.1**
Beneficiated Product – Re-Cleaner	**66.2**	**3.7**	**0.89**	**0.01**	**0.11**	**35.0**	**84.1**

Beneficiation testwork results based on 5,000 gauss and 20% solids using rougher and cleaner stage WHIMS process



02 OPERATIONS REVIEW

The results from testwork conducted on the compact ore are very robust and have provided confirmation that a high-grade, high-quality product can be achieved from the Jambreiro Project.

In addition, a new round of testwork on a larger sample of friable ore from the Project is currently underway. Centaurus has previously achieved a +63% Fe product using a simple rougher gravity (spirals) separation process and expects to achieve a higher iron grade and correspondingly lower silica level once the new sample is processed with a two-stage magnetic separation process.

Environmental and Mining Approvals

The Jambreiro Project is subject to environmental and other project approvals, which are currently being sought from the relevant authorities in Brazil.

The most important environmental approvals required for development of the project to proceed are:

- the Preliminary Licence (LP), which is issued once the Environmental Impact Statement is approved, and which attests that the concept of the project is environmentally sound;

- the Installation License (LI), which is issued once the design of the environmental control systems is approved, allowing construction of the project to start;
- the Operational License (LO), which is issued after a site inspection to ascertain that the project was built as designed, allowing production to commence;
- the Vegetation clearing permit, which is issued after a flora inventory is presented, allowing the clearing of vegetation to commence; and
- Water permits, which are issued based on hydrological and hydrogeological studies, allowing the withdrawal of water to be used by the project.

During the year, work commenced on the collection of data for the EIA/RIMA, the key document which has to be prepared to gain the relevant Preliminary Licence for the Project.

The key areas of data collection include flora, fauna, surface water and groundwater. Water monitoring will continue over the course of 2011 and early 2012 with the EIA/RIMA to be lodged with the environmental agency, SUPRAM, in February 2012.

In addition to the environmental monitoring work, a significant work program is underway to allow Centaurus to convert the existing Exploration Licences at Jambreiro into Mining Leases. The main step in this process is to complete Feasibility Study work and lodge an Economic Exploitation Plan (PAE) with the Department of Mineral Production.

Community Consultation

Centaurus has continued its proactive approach to community consultation in the regions where the Company intends to operate, as community support for the Company's projects will be an essential part of the approvals process.

Regular presentations have been made to the local communities and other key stakeholders in the region of the Jambreiro Project since the beginning of 2011. These presentations provide a forum for the two-way communication with relevant stakeholders regarding the benefits of the Jambreiro Project and any perceived issues involved with its development.

Presentations have been made to the public administration of the Sao Joao Evangelista municipality (where the Jambreiro Project is located) and the Guanhães municipality (the commercial centre of the region).

Initial meetings have also been held with SUPRAM, the environmental agency that will approve the EIA/RIMA, and will continue on a regular basis to assist in the smooth and timely passage of the environmental approvals.

Centaurus prioritises the local community when selecting new workers and purchasing goods and services for the Project; in this regard, the Company implemented an internship arrangement with the colleges in Guanhães and Sao Joao Evangelista towards the end of the 2011 financial year. The Company currently has four interns working on the Project.

This arrangement will help foster a better understanding of the Project in the community and provide the interns with excellent practical work experience relevant to their chosen area of study.

Future Work Program

The most recent drilling activity results from Jambreiro are due shortly and these results will form the basis of a new resource estimate for the entire Jambreiro Project. A large portion of the resource base is expected to comprise friable itabirite.

The new resource will form the basis of the Pre-Feasibility Study to be completed in November 2011. This study is expected to confirm the positive economics of the Jambreiro Project and allow the Company to commit to full Feasibility Study work which should commence in early 2012. The Feasibility Study, which includes detailed design of the process flow sheet, will most likely take between 6 and 9 months to complete.

Concurrently with the Feasibility Study the environmental approvals will be progressed with the key environmental licence, the LP, expected to be granted in the second half of 2012 around the time the majority of the Feasibility Study is completed.

Product offtake discussions will also continue for the Jambreiro ore over the next 12 months with Letters of Intent expected to be signed.

02 OPERATIONS REVIEW

CANDONGA IRON ORE PROJECT

During the year, Centaurus identified a new iron ore project, the Candonga Project, located 30km from the Jambreiro Project. Initial drilling, re-assay of historical drill core and ground magnetic survey work has confirmed the presence of substantial widths of iron mineralisation at this Project.

The drill program undertaken by Centaurus which comprised three RC percussion drill holes and one diamond hole, returned significant intersections of iron mineralisation in three of the four holes drilled. Better intersections from the drilling program included:

85.6 metres @ 40.0% Fe, 1.1% Al_2O_3 and 0.07% P	from 3 metres in DD hole CDG-10-DD-0001
53.0 metres @ 45.6% Fe, 1.5% Al_2O_3 and 0.12% P	from surface in RC drill hole CDG-10-RC-0003
12.0 metres @ 60.6% Fe, 4.2% Al_2O_3 and 0.02% P	from 1 metre in RC drill hole CDG-10-RC-0002

In addition to these results, assay results received from re-sampling Candonga historical drill core included:

47.8 metres @ 36.9% Fe, 2.2% Al_2O_3 and 0.12% P	from surface in diamond drill hole BAR-003

The holes were drilled to test an itabirite iron formation which outcrops in various locations over a strike length of some 1.6 kilometres and varies in surface width between approximately 10 and 50 metres.

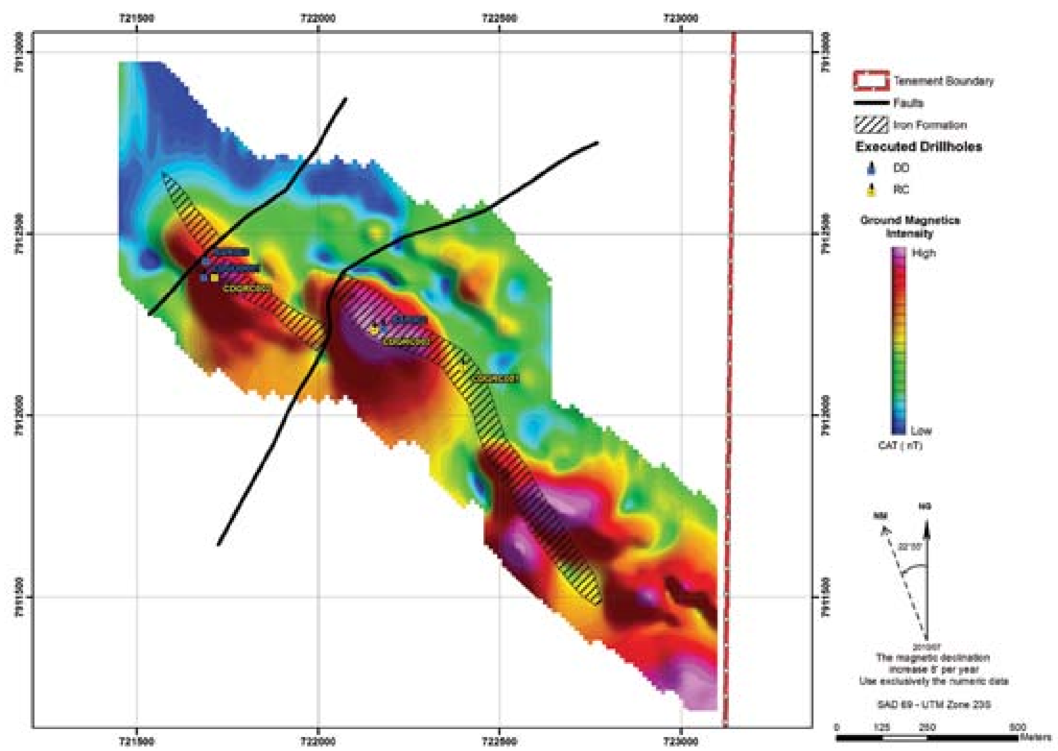
Importantly, structural complexity and proximity to intrusive rocks in the area has generated zones of high-grade iron enrichment such as the intersection in hole CDG-10-RC-0002. Further exploration is planned to determine the geological controls and distribution of this high-grade mineralisation.

The zones of iron enrichment at Candonga also contain mineralisation which has a distinct magnetic signature. A ground magnetic survey was completed to better define these zones. Several areas of potential enriched iron mineralisation have been outlined (*see Figure 2*). These areas will be targeted by further drilling.

Metallurgical sampling of the iron mineralisation is also planned. Samples have been submitted to the UFMG laboratory for beneficiation and process testwork.

The close proximity of the Candonga Project to the Jambreiro Iron Ore Project may result in the Candonga mineralisation providing valuable mill feed for a future operation based at Jambreiro.

FIGURE 2
CANDONGA PROSPECT SHOWING DRILL HOLE LOCATIONS OVER INITIAL GROUND MAGNETIC SURVEY



02 OPERATIONS REVIEW

PASSABEM

IRON ORE PROJECT

Following the completion of a 13-hole, 852 metre diamond drilling program which delivered positive results, the Company subsequently reported a JORC compliant resource of 39 million tonnes grading 31.0% Fe for the Passabem Project (see Table 3 below).

The diamond drilling program intersected itabirite mineralisation over the entire 5 kilometre strike length of the mapped iron formation at Passabem (*see Figure 3*). Importantly, the grade and width of the intersections appears to be very consistent over the entire strike length of the mineralisation.

The drilling has also underpinned an upgrade of some of the resource to Indicated status.

The revised Passabem Mineral Resource is summarised in Table 3 below:

TABLE 3: PASSABEM MINERAL RESOURCE STATEMENT

	Tonnes (Mt)	Fe%	SiO_2%	Al_2O_3%	P%	Mn%	LOI%
Indicated	2.8	33.0	48.8	1.90	0.03	0.10	0.64
Inferred	36.2	30.9	54.0	0.74	0.07	0.06	0.09
TOTAL	**39.0**	**31.0**	**53.6**	**0.82**	**0.07**	**0.06**	**0.13**

Note: Estimate calculated using Inverse Distance Squared technique with a cut off of 27% Fe applied.

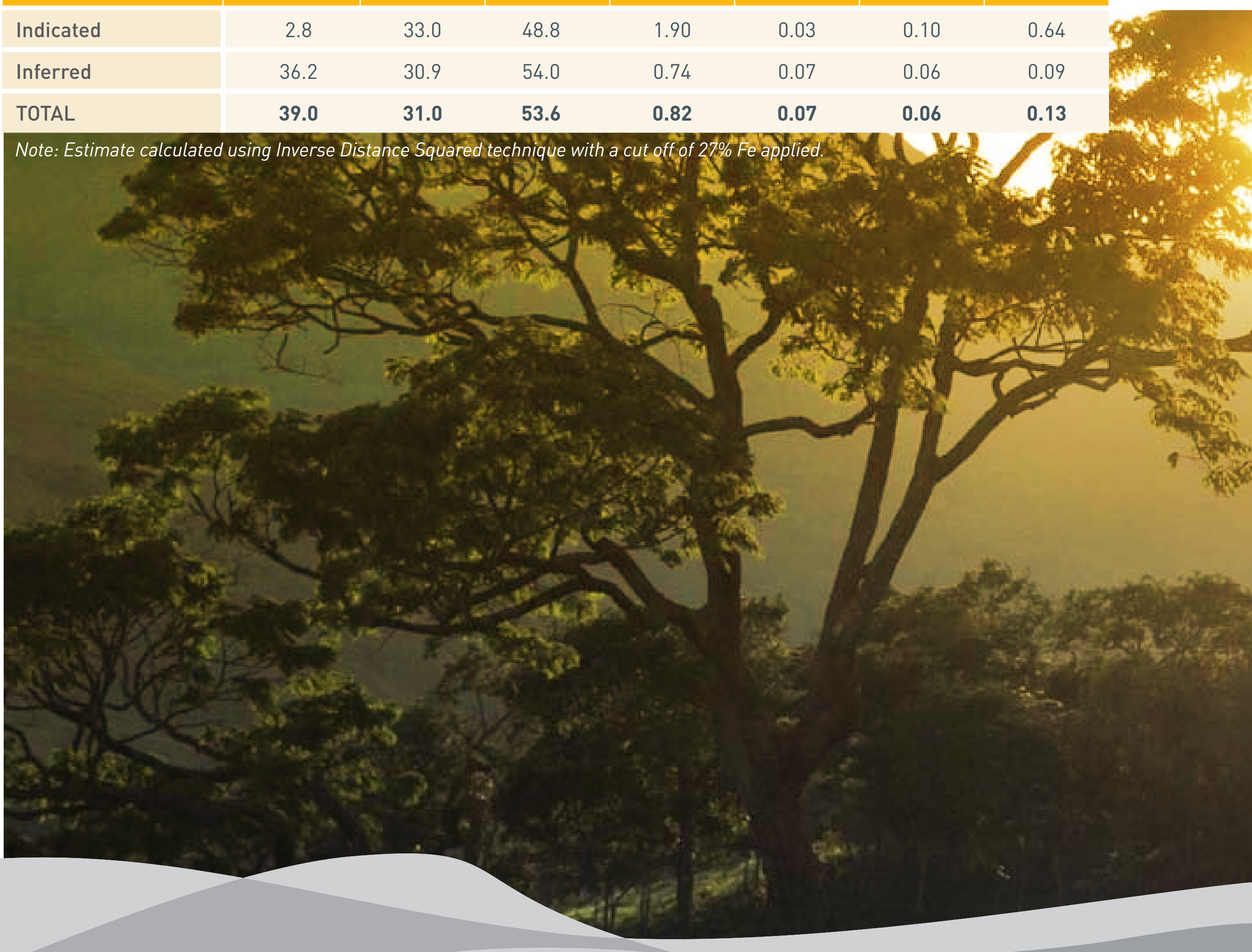
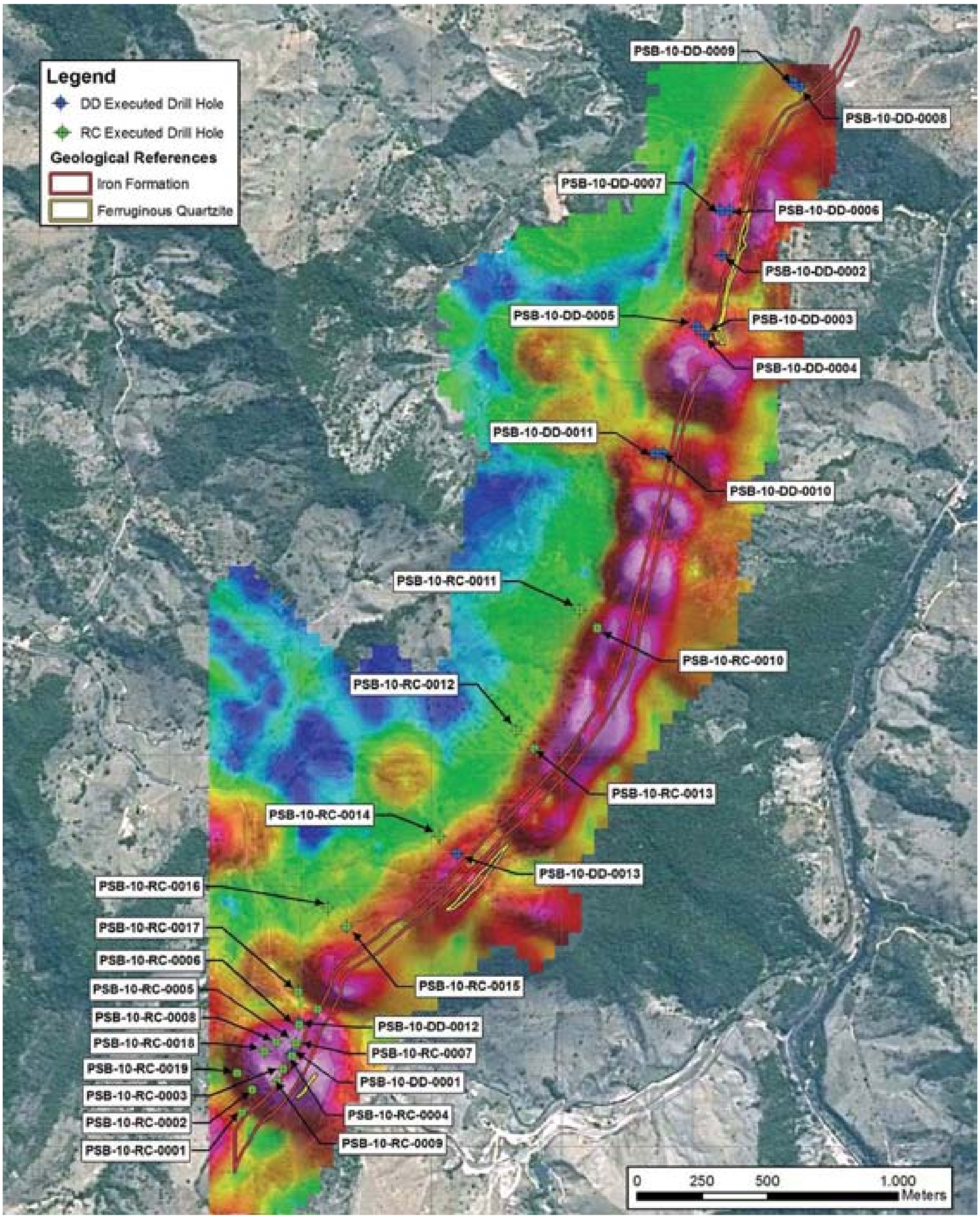


FIGURE 3: DIAMOND DRILL HOLE LOCATIONS AT PASSABEM WITH MAGNETICS AND MAPPED IRON FORMATION



02 OPERATIONS REVIEW

The results of beneficiation testwork undertaken by UFMG in Minas Gerais on both medium grade and low-grade compact itabirite drill core from Passabem in December 2010 show that a 67.4% Fe hematite product can be produced with low impurities using a two-stage, rougher and cleaner, Wet High Intensity Magnetic Separation (WHIMS) process.

A summary of the recent testwork results is set out in Table 4 below:

TABLE 4: SUMMARY OF BENEFICIATION TESTWORK ON PASSABEM DRILL CORE

	Fe%	SiO_2%	Al_2O_3%	P%	Mn%	Mass Recovery%	Metal Recovery%
Low Grade Sample – Core							
Head Grade	25.5	60.6	0.93	0.09	0.09		
Beneficiated Product	**67.4**	**3.0**	**0.44**	**0.01**	**0.16**	**32.3**	**85.4**
Medium Grade Sample - Core							
Head Grade	34.8	49.7	0.13	0.02	0.06		
Beneficiated Product	**67.4**	**3.1**	**0.09**	**0.01**	**0.10**	**40.3**	**77.9**

Beneficiation testwork results based on 8,000 gauss and 20% solids using rougher and cleaner stage WHIMS process

In addition to the testwork undertaken on the drill core, beneficiation testwork on a surface sample from Passabem shows that the mineralisation can be upgraded to a high-grade hematite product grading 66% Fe with low impurities.

This testwork on the surface sample was only undertaken to the rougher stage with further work required to be undertaken to determine if the cleaner stage can cost effectively increase iron grade and reduce silica grade as per the testwork on the drill core.

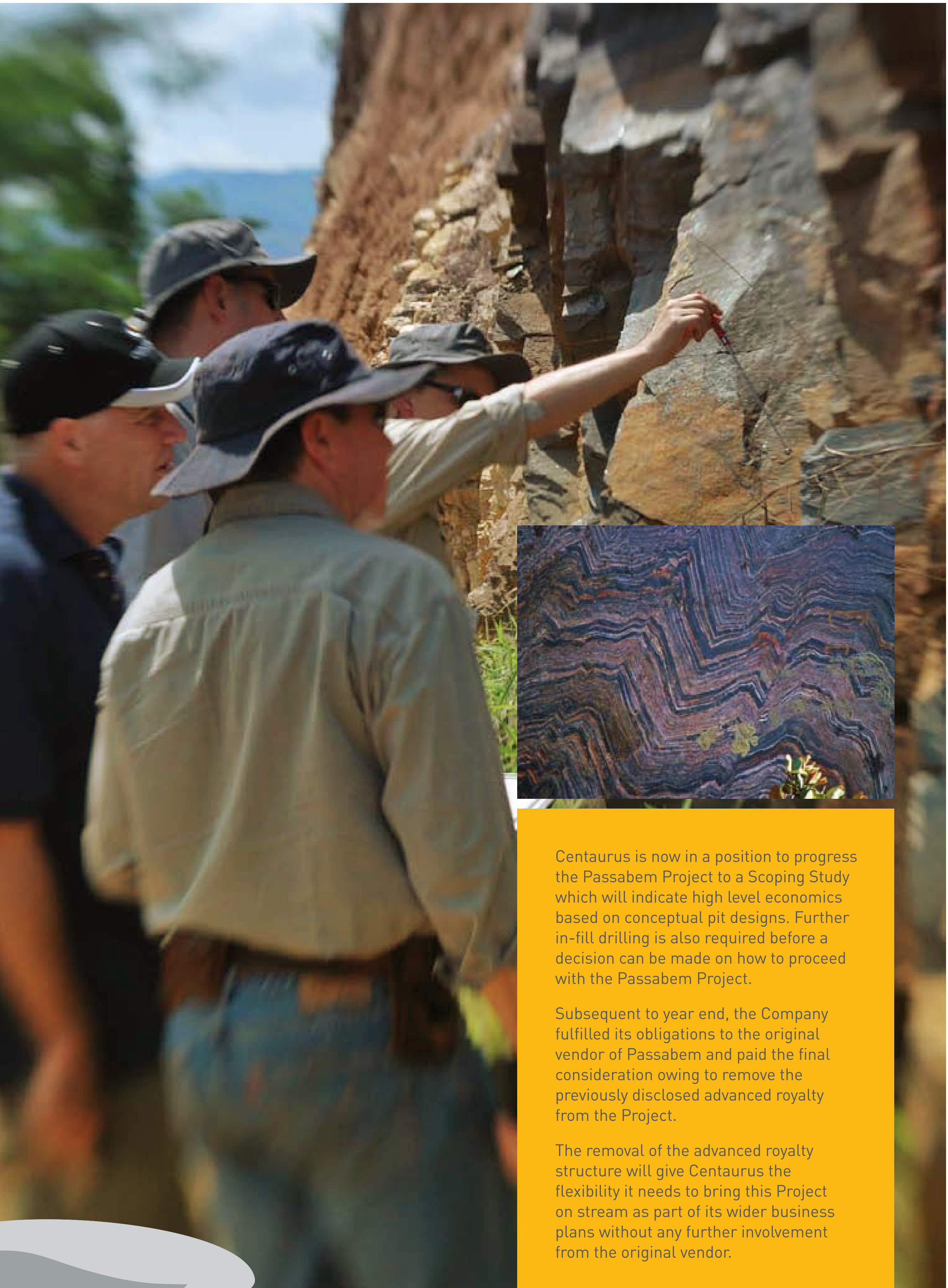
Based on the testwork and proposed flowsheet at Jambreiro, it is likely that a cleaner stage will be cost effective and further improve the overall product quality.

The results of the testwork to date on the surface sample are set out in Table 5 below:

TABLE 5: SUMMARY OF BENEFICIATION TESTWORK ON PASSABEM SURFACE SAMPLE

	Fe%	SiO_2%	Al_2O_3%	P%	Mn%	Mass Recovery%	Metal Recovery%
Surface Sample							
Head Grade	%	47.8	0.26	0.02	0.04		
Beneficiated Product	**66.1**	**5.6**	**0.23**	**0.02**	**0.07**	**49.6**	**90.7**

Beneficiation testwork results based on 8,000 gauss and 20% solids using rougher stage WHIMS process only



Centaurus is now in a position to progress the Passabem Project to a Scoping Study which will indicate high level economics based on conceptual pit designs. Further in-fill drilling is also required before a decision can be made on how to proceed with the Passabem Project.

Subsequent to year end, the Company fulfilled its obligations to the original vendor of Passabem and paid the final consideration owing to remove the previously disclosed advanced royalty from the Project.

The removal of the advanced royalty structure will give Centaurus the flexibility it needs to bring this Project on stream as part of its wider business plans without any further involvement from the original vendor.

02 OPERATIONS REVIEW

ITAMBÉ

IRON ORE PROJECT

The Itambé Iron Ore Project comprises flat-lying, near-surface zones of itabirite-hosted mineralisation of varying thicknesses up to 25 metres. The current resource estimate encompasses both friable and compact mineralisation as well as an enriched itabirite scree material weathered from the in situ Itabirite. The outcropping Itabirite mineralisation is coarse-grained and of a friable nature.

In December 2010, Centaurus reported an updated resource of 10.0 million tonnes grading 36.6% Fe for the Itambé Iron Ore Project following in-fill drilling, with approximately half of the resource falling into the Indicated category. The JORC compliant Mineral Resource Estimation is based on 42 drill holes for a total of 1,800 metres of vertical diamond drilling.

The revised resource estimate will now underpin the development of conceptual pit designs and allow the Company to update the high-level economic studies on the Project ahead of Pre-Feasibility Study work.

Previous beneficiation testwork indicates that the Itambé mineralisation (with a head grade of 51.6% Fe) can be upgraded to a high grade (67.7% Fe) product via a simple magnetic separation process. Drill core from the most recent drill campaign will be used to provide further samples for beneficiation testwork.

The updated Itambé JORC Mineral Resource estimate is set out in Table 6 below:

TABLE 6: ITAMBÉ IRON ORE PROJECT DECEMBER 2010 RESOURCE ESTIMATE – RESOURCE CATEGORY

Resource Category	Million Tonnes	Fe%	SiO_2%	Al_2O_3%	P%	LOI%
Indicated	4.69	37.1	37.0	4.52	0.06	2.67
Inferred	5.33	36.2	40.9	3.51	0.04	2.13
TOTAL	**10.02**	**36.6**	**39.1**	**3.98**	**0.05**	**2.38**

25% Fe Cut-off

The breakdown of the total Itambé Resource between Friable, Compact and Scree material is set out in Table 7.

TABLE 7: ITAMBÉ IRON ORE PROJECT DECEMBER 2010 RESOURCE ESTIMATE – MINERALISATION TYPE

Mineralisation Type	Million Tonnes	Fe%	SiO_2%	Al_2O_3%	P%	LOI%
Friable	4.16	40.0	34.1	4.46	0.06	2.42
Compact	4.68	33.7	47.1	1.52	0.03	0.89
Scree	1.18	36.1	25.0	12.1	0.10	8.23
TOTAL	**10.02**	**36.6**	**39.1**	**3.98**	**0.05**	**2.38**

25% Fe Cut-off

Following the most recent in-fill drilling program at Itambé, a number of samples of each mineralisation type have been sent off for beneficiation testwork. However, one feature of the newly identified scree is the presence of some high-grade surface zones.

Beneficiation testwork on samples from these surface exposures indicates that a high-grade (66% Fe) hematite sinter product with low impurities (particularly silica and phosphorus) can be produced using a Wet High Intensity Magnetic Separation (WHIMS) process. These results were achieved with a 67% mass recovery.

Table 8 below summarises the beneficiation results on the Itabirite Scree surface material from Itambé:

TABLE 8: SUMMARY OF BENEFICIATION TESTWORK ON ITAMBÉ MINERALISATION

	Fe%	SiO_2%	Al_2O_3%	P%	Mn%	Mass Recovery%	Metal Recovery%
Itabirite Scree Sample 2010							
Head Grade	53.3	12.7	5.33	0.05	0.03		
Beneficiated Product	**66.0**	**1.7**	**2.23**	**0.03**	**0.04**	**67.2**	**83.1**

The Itambé Project has good access to existing local infrastructure and is well located about 40km from a number of key regional steel mills such as Arcelor Mittal's João Monlevade blast furnace.

Future Work Program

It is anticipated that the nature of the ore and its favourable orientation will contribute towards a low strip ratio, low-cost mining operation. The work completed to date has put the Company in a position to prepare conceptual mining and pit optimisation studies and to assess the project's high level economics ahead of a Pre-Feasibility Study.

In line with the environmental work being undertaken on the Jambreiro Iron Ore Project, similar data collection was undertaken for the Itambé Iron Ore Project during the latter half of the year.

This data collection, in the areas of flora and fauna and water monitoring, will form the basis of the EIA/RIMA document required to be completed to secure the necessary environmental approvals for the Project.

It is expected that the EIA/RIMA document for the Itambé Project will be ready for lodgement in the first Quarter of 2012.

The PAE document required to commence the Mining Lease application process was lodged with the DNPM in June 2011.

02 OPERATIONS REVIEW

In addition to producing iron ore to sell into the world-class Brazilian steel industry, Centaurus also intends to sell iron ore into the global steel market. One of the important factors differentiating Brazil, and hence Centaurus Metals, is the very high quality of iron ore products produced from that country, which supports the Company's intention to implement an Export Market Strategy.

EXPORT IRON ORE PROJECTS IN BRAZIL

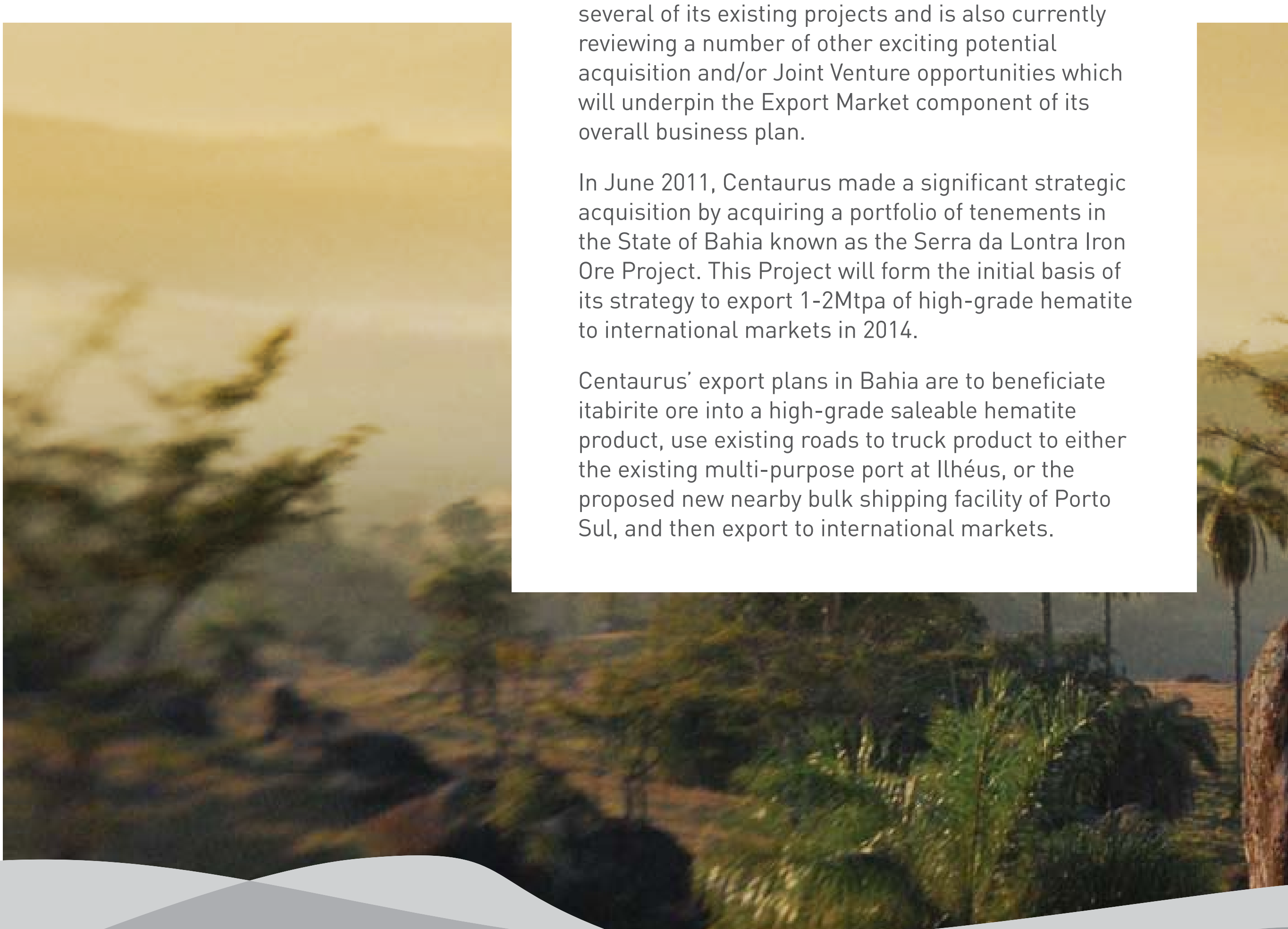
Rapidly declining availability and quality of high grade DSO lump worldwide has driven steel producers to far greater dependence on prepared feeds, especially sinter. This, together with the worldwide push to reduce carbon footprints, is driving steel producers to demand higher quality raw materials.

Centaurus plans to leverage off the cash flow that will be generated by the Domestic iron ore business to develop projects around existing infrastructure, such as ports and roads, which are capable of producing high-grade hematite products and of supporting a minimum project life of 10 years.

The Company has already commenced activities on several of its existing projects and is also currently reviewing a number of other exciting potential acquisition and/or Joint Venture opportunities which will underpin the Export Market component of its overall business plan.

In June 2011, Centaurus made a significant strategic acquisition by acquiring a portfolio of tenements in the State of Bahia known as the Serra da Lontra Iron Ore Project. This Project will form the initial basis of its strategy to export 1-2Mtpa of high-grade hematite to international markets in 2014.

Centaurus' export plans in Bahia are to beneficiate itabirite ore into a high-grade saleable hematite product, use existing roads to truck product to either the existing multi-purpose port at Ilhéus, or the proposed new nearby bulk shipping facility of Porto Sul, and then export to international markets.



Both the existing open access port and the planned new open access port are well located with respect to the major steel markets in the Middle East and Europe.

Following meetings with key government departments in the State of Bahia and discussions with CODEBA, the Port Authority that manages a number of ports in Bahia including the Ilhéus Port Facility, Centaurus expects that it will be able to secure a positive outcome with regard to accessing the required port space for a future operation.

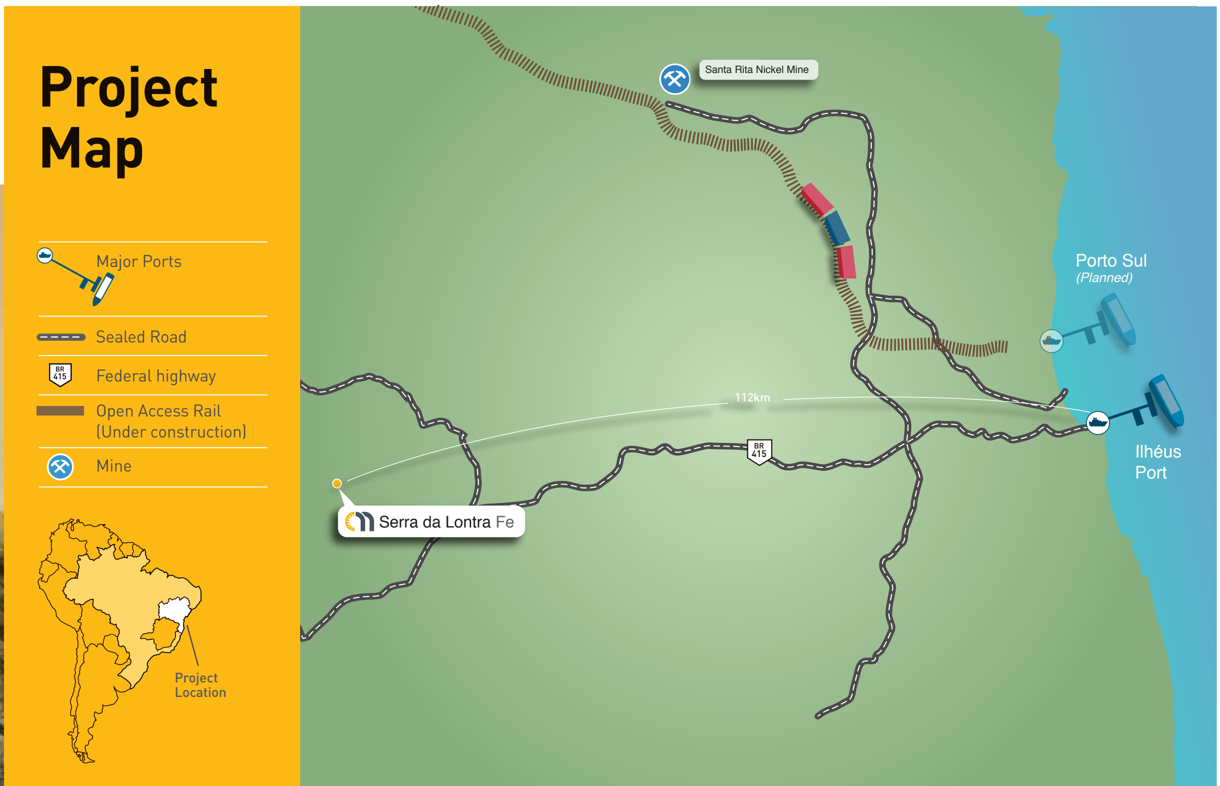
SERRA DA LONTRA

IRON ORE PROJECT

Located 140km via sealed road from the major regional export port of Ilhéus, in the State of Bahia, Brazil (*see Figure 4*), the Serra da Lontra Project comprises 12 tenements, 1 being a granted Exploration Licence which the Company has acquired ("the Granted Exploration Lease") and 11 being Exploration Licence Applications made by Centaurus.

In establishing the Exploration Target[2] of 30 to 50 million tonnes, Centaurus initially mapped the outcropping iron formation on the Granted Exploration Lease only (not the entire Project) over a strike length of some 1.2 kilometres on the main target (Senna Prospect) and over 0.5 kilometres on the secondary target (Fittipaldi Prospect) with solid mineralisation widths of 40 to 55 metres.

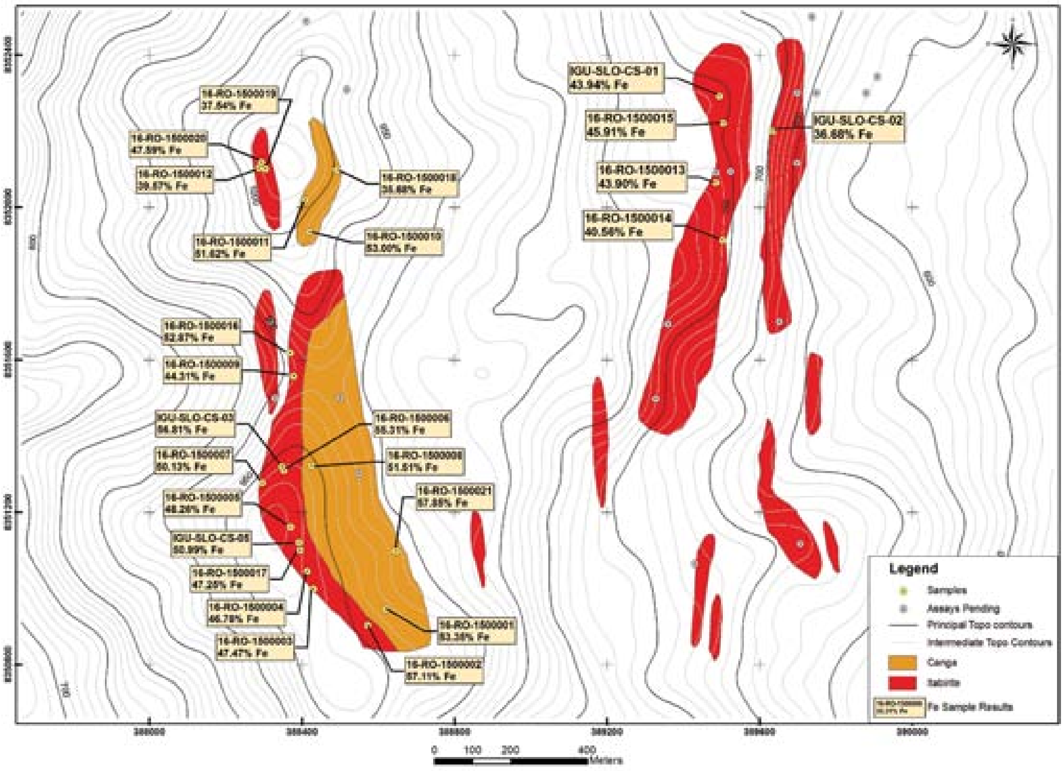
FIGURE 4: SERRA DA LONTRA PROJECT LOCATION



[2]Note: It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information above relating to the exploration target should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resources have not been used in this context. The potential quantity and grade range is conceptual in nature, since there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

02 OPERATIONS REVIEW

FIGURE 5: SERRA DA LONTRA SURFACE MAP AND ROCK CHIP LOCATION MAP



Exploration and Development on Exploration Lease

Centaurus will focus its initial exploration activities on the Granted Exploration Lease with a view to defining a JORC Resource which can underpin a project capable of producing iron ore for international export markets. Work has already commenced to secure key approvals, both environmental and mining.

The relatively low expected capital cost for the Project, combined with its ability to access existing infrastructure, means that Centaurus will be able to apply the same principles being proven in the execution of the Company's domestic projects.

Centaurus has engaged a number of personnel who have established a field office in the nearby township of Ibicui. A team of geologists commenced further mapping and sampling of the key prospect areas and a team of field technicians has started clearing lines for a ground magnetic survey which commenced in late August 2011. Drilling should commence in November 2011.

The mapping and sampling program has been very successful in confirming the grade of the surface mineralisation and extending the known limits of the outcropping mineralisation.

The strike length of the Senna Prospect has been confirmed at 1.2 kilometres while the program has also extended the strike length of the Fittipaldi Prospect by 600 metres to 1.1 kilometres. The sampling work encountered Itabirite mineralisation between 35% and 55% Fe with an average grade of 47% Fe.

DIVESTMENT OF NON CORE ASSETS

Brazil

In August 2010, Centaurus Metals entered into a Farm-Out Agreement with a Brazilian-based mining company Mining Ventures Do Sul Pesquisa e Mineração Ltda ('Mining Ventures') covering the Company's two non-core copper-gold projects in Brazil.

Under the terms of the agreement, Mining Ventures has agreed to spend up to US$4.25 million on the Project areas to earn up to a 90% interest.

The key project area is the Caçapava Project, located in the South of Brazil, which consists of seven tenements prospective for gold and base metal mineralisation. The Centaurus tenements are located adjacent to Mining Ventures' existing Caçapava do Sul Project; the combination of the two tenement packages in this region will provide Mining Ventures with a dominant tenement position in an area that they have been actively exploring over the past two years.

The second Project is the Brusque Project, located in the State of Santa Catarina.

Mining Ventures is a private company majority owned by Denham Capital, a US private equity firm focused on energy and commodities with over US$4.3 billion of assets under management. Mining Ventures owns a portfolio of mineral tenements in Brazil focused on copper, gold, iron ore and rare earth minerals.

Percyvale and Dish Projects

Consistent with its focus on developing its Brazilian iron ore business, Centaurus reached agreement in July 2010 to divest its non-core Percyvale and Dish Projects, located on the East Coast of Australia, to Southern Crown Resources ("Southern Crown").

The consideration for the divestment of these assets was 1.56 million shares in Southern Crown. Southern Crown successfully listed on the ASX on 2 December 2010.

Citadel Project

In November 2010, Centaurus entered into an agreement to divest its non-core Citadel Gold-Copper Project in Western Australia to a new resources company, Antipa Minerals Ltd ("Antipa").

Under the Agreement with Antipa, Centaurus divested the Citadel Project for consideration comprising 6,250,000 shares at an issue price of 20 cents each with a free attaching option for every two shares held.

Antipa successfully listed on the ASX on 20 April 2011. Centaurus holds approximately 12% of the issued capital of Antipa.

02 OPERATIONS REVIEW

LIBERDADE

PROJECT

In July 2010 the legal action initiated in June 2009 against Centaurus' former Joint Venture partner at the Liberdade Iron Ore Project in south-east Brazil was successfully concluded.

Following the successful award of damages by CAMARB in July 2010, the Company has been pursuing settlement through the courts.

As at the date of writing this report, the Company had received more than 80% of the damages claim of BRL$4.1 million with the balance expected to be received during the 2012 financial year.

CORPORATE

In October 2010, Centaurus completed a capital raising of A$18.2 million. The raising comprised a share placement of A$14.4 million and a Share Purchase Plan of A$3.8 million, both of which were completed at 7.5 cents per share.

The placement was undertaken to institutional and sophisticated clients of Perth-based stockbroking firm Hartleys Ltd and Sydney-based broking firm Southern Cross Equities Ltd in two tranches.

In July 2011, Centaurus entered into a Strategic Alliance with Australian iron ore company Atlas Iron Limited (ASX: AGO), under which Atlas will acquire a strategic 19.9% stake in the Company, and will provide technical, development and product marketing support as it develops its export and domestic iron ore businesses in Brazil.

Centaurus has entered into a subscription agreement with Atlas with respect to the Strategic Alliance with the following key terms:

- Centaurus to issue 212,000,000 shares at an issue price of 8.8 cents per share together with 30,000,000 free attaching options (each with an exercise price of 15 cents and an expiry date of 31 August 2014) to Atlas to raise a total of $18,656,000. The placement was completed in two tranches. The Tranche 1 shares and options were issued on 27 July 2011 under the Company's 15% placement capacity. The Tranche 2 shares and options were issued on 27 September 2011 following shareholder approval;
- Atlas is entitled to nominate one person to the Centaurus Board provided it holds greater than a 10% interest in the Company, and should they obtain a greater than 30% interest, Atlas can also nominate a second person to the Board. Atlas' Chief Commercial Officer, Mark Hancock, was appointed to the Centaurus Board on 23 September 2011;
- Subject to obtaining a waiver from the ASX Listing Rules, Atlas will be entitled to a top-up right to maintain its equity interest in Centaurus in the event that further equity issues are undertaken by the Company; and
- Atlas will provide technical, development and product marketing expertise at such times as Centaurus requires, assisting the Company in the development of its business and projects.

Following the Atlas placement and at the date of writing this report, the Company holds cash reserves of approximately $23.4 million.

In September 2011, shareholder approval was given to consolidate the Company's capital on a 1-for-8 basis. As from 5 October 2011, Centaurus shares will trade on a post-consolidation deferred settlement basis under the ASX code CTMDA. Centaurus shares will trade on this basis until 18 October 2011. Normal T+3 trading resumes on 19 October 2011 under the ASX code CTM.

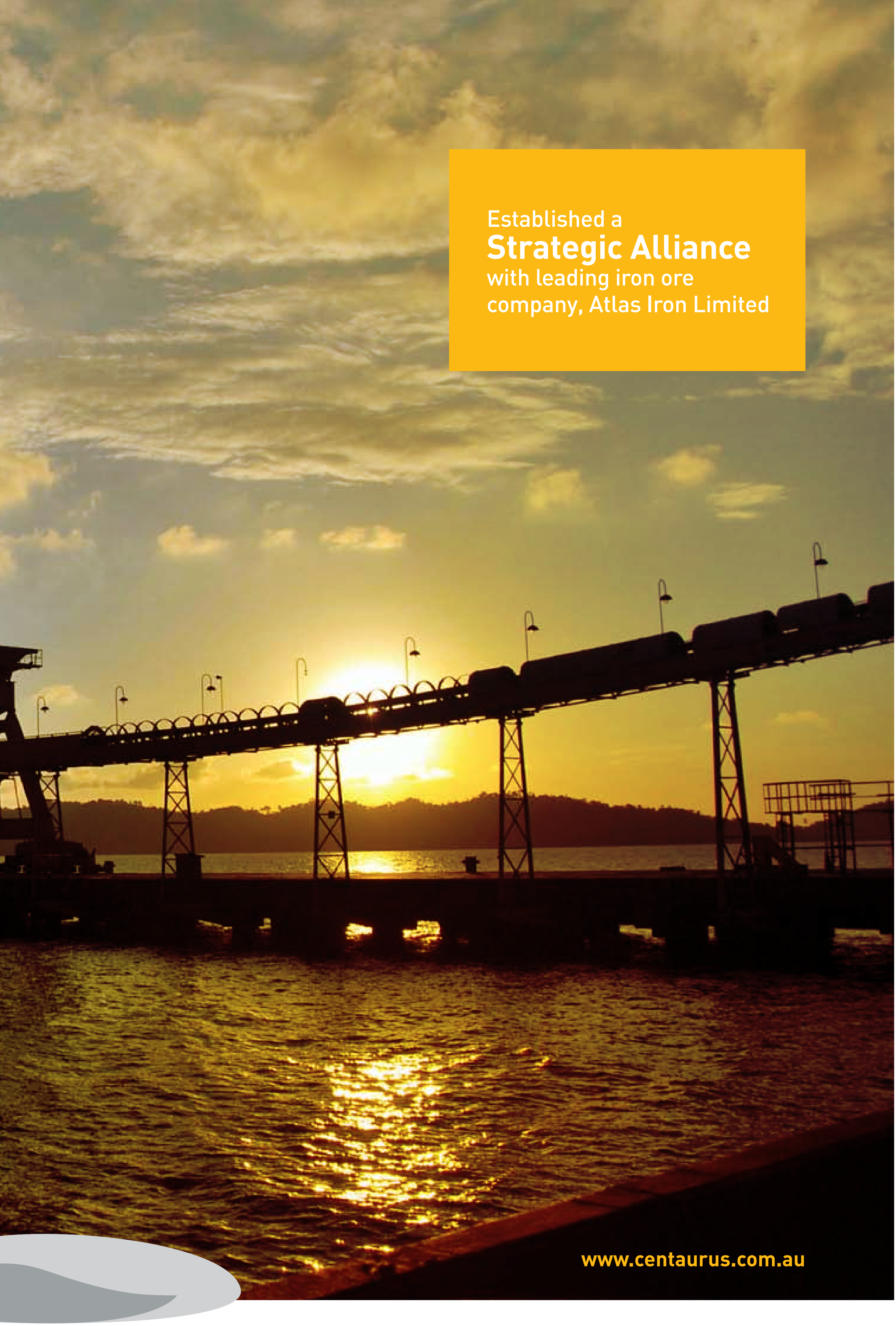
30 September 2011

COMPETENT PERSON'S 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.

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.

2011 FINANCIAL STATEMENT


Established a
Strategic Alliance
with leading iron ore
company, Atlas Iron Limited
www.centaurus.com.au

DIRECTORS' REPORT

For the year ended 30 June 2011

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 2011 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	Non-Executive Chairman
Mr Darren P Gordon	Managing Director
Mr Peter E Freund	Executive Director
Mr Keith G McKay	Non-Executive Director
Mr Richard G Hill	Non-Executive Director
Mr Geoffrey T Clifford	Non-Executive Director (Resigned 12 August 2011)

Unless otherwise disclosed, all directors held their office from 1 July 2010 until the date of this report.

2. Directors and Officers

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

Non-Executive Chairman, Age 48

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 and a director of London listed Aminex plc. 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:

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
Member of the Audit Committee

2. Directors and Officers (cont)

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

Managing Director, Age 39

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

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

Executive Director, Age 65

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 65

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

Rift Valley Resources Limited (appointed 18 February 2011)

Special responsibilities

Member of the Remuneration Committee
Member of the Audit Committee

2. Directors and Officers (cont)

Mr Richard G Hill, B.Juris, LLB., B.Sc. (Hons), FFin

Non-Executive Director, Age 43

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 (appointed 28 April 2006)
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

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

Company Secretary, Age 45

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 2011 and the number of meetings attended by each director were:

	Meetings of Directors		Meetings of Committees			
			Audit		Remuneration	
	Held*	Attended	Held	Attended	Held	Attended
Mr D M Murcia	13	13	n/a	n/a	1	1
Mr D P Gordon	13	13	n/a	n/a	n/a	n/a
Mr P E Freund	13	13	n/a	n/a	n/a	n/a
Mr K G McKay	13	12	3	3	1	1
Mr R G Hill	13	12	3	2	n/a	n/a
Mr G T Clifford	13	13	3	2	1	1

** Meetings of Directors includes circular resolutions passed by all directors.*

Held – denotes the number of meetings held and circular resolutions passed 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.

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. 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 and two executive directors 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.

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.

4.1 Board of Directors (cont)

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 which provides for the issue of options 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.

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.

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:

	2011 $	2010 $	2009 $	2008 $	2007 $
Net profit/(loss)	(12,204,218)	(5,635,542)*	(1,265,869)	(3,505,630)	3,553,405
Change in share price	$0.008	$0.01	$0.00	($0.06)	$0.07
Market capitalisation	$68.0 million	$42.3 million	$17.2 million	$17.2 million	$29.9 million

**The Group changed its accounting policy for exploration and evaluation expenditure. Exploration and evaluation expenditure is expensed in the year incurred, refer to note 2(e) for further details.*

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

DIRECTORS' REPORT (cont)

For the year ended 30 June 2011

4.3 Remuneration Report – audited (cont)

4.3.1 Principles of Remuneration (cont)

The executive pay and reward framework has four components:

- base pay and benefits;
- cash incentive bonuses;
- long-term incentives through participation in the Employee Share Option 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.
- *Cash Incentive Bonuses*
  The Board at its discretion may approve the payment of short term and long term cash incentive bonuses to executives for meeting or exceeding performance targets.
- *Expatriate Benefits*
  Executives located in Brazil receive expatriate 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*
  Long term incentives comprising of share options are granted from time to time to encourage exceptional performance in the realisation of strategic outcomes and growth in shareholder wealth. Options are granted for no consideration and do not carry voting or dividend entitlements. Information on the Employee Share Options granted during the year is set out in section 4.3.3.

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.

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 $390,000, reviewed annually. Provision of four weeks annual leave.

DIRECTORS' REPORT (cont)

For the year ended 30 June 2011

4.3 Remuneration Report – audited (cont)

4.3.1 Principles of Remuneration (cont)

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.
- Base salary, inclusive of superannuation is $375,000, 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 indicators relating to offtake agreements, government project approvals and definition of JORC Resources.
- Long Term Incentive Cash Bonuses - a bonus of up to 90% of total fixed remuneration is payable on meeting various key performance indicators relating to iron ore production and definition of JORC Resources.

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.
- Base salary, inclusive of superannuation is $230,000, reviewed annually. Provision of four weeks annual leave.

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.
- Base salary, inclusive of superannuation is $230,000, 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 indicators relating to acquisition of new projects.

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.
- Base salary, inclusive of superannuation is $225,000, reviewed annually. Provision of four weeks annual leave.
- Expatriate benefits including accommodation and relocation expenses are provided for living in Brazil.

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.
- Base salary, inclusive of superannuation is $241,000, reviewed annually. Provision of four weeks annual leave.

4.3 Remuneration Report – audited (cont)

4.3.1 Principles of Remuneration (cont)

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 2011. The level of fees for non-executive directors is set at $55,000 per annum and $80,000 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 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.

DIRECTORS' REPORT (cont)

For the year ended 30 June 2011

4.3 Remuneration Report – audited (cont)

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:

	Short Term Benefits			Post-employment benefits	Share-based payments[3]		S300A(1)(e)(i) Proportion of remuneration performance related	S300A(1)(e)(vi) Value of options as proportion of remuneration
2011	Salary & fees $	Cash Bonus $	Other Benefits[2] $	Super-annuation $	Options $	Total $	%	%
Non-Executive Directors								
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 Aug 2011)	28,287	-	-	25,463	2,416	56,166	-	4.3%
Executive Directors								
Mr D P Gordon	343,750	70,000[1]	-	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%
Executives [4]								
Mr M Papendieck (Resigned 5 Aug 2011)	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 Nov 2010)	96,553	-	26,056	2,957	-	125,566	-	-
Mr R Fitzhardinge (Appointed 19 Jul 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 Dec 2010)	117,626	-	-	9,338	39,654	166,618	-	23.8%
Total	1,850,602	70,000	230,170	146,289	576,659	2,873,720		

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

(2) Other benefits include 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.

DIRECTORS' REPORT (cont)

For the year ended 30 June 2011

4.3 Remuneration Report – audited (cont)

4.3.2 Directors' and Executive Officers' Remuneration (cont)

2010	Short Term Benefits			Post-employment benefits	Share-based payments[3]		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[2] $	Super-annuation $	Options $	Total $	%	%
Non-Executive Directors								
Mr D M Murcia	57,500	-	-	-	54,289	111,789	-	48.6%
Mr K G McKay	17,499	-	-	44,167	54,464	116,130	-	46.9%
Mr R G Hill (Appointed 28 Jan 2010)	19,113	-	-	1,720	45,681	66,514	-	68.9%
Mr G T Clifford	21,791	-	-	25,294	31,131	78,216	-	39.8%
Executive Directors								
Mr D P Gordon	268,335	-	-	-	156,254	424,589	-	36.8%
Mr P E Freund (Appointed 28 Jan 2010)	114,679	-	-	10,321	224,708	349,708	-	64.3%
Executives[4]								
Mr M Papendieck (Appointed 1 Feb 2010)	95,566	-	-	8,601	50,291	154,458	-	32.6%
Mr G A James	171,330	18,000[1]	-	17,040	35,705	242,075	7.4%	14.8%
Mr I Cullen (Appointed 1 Feb 2010)	79,167	-	26,960	4,890	42,851	153,868	-	27.8%
Mr K Petersen (Appointed 1 Feb 2010)	75,000	-	47,437	4,479	28,553	155,469	-	18.4%
Total	919,980	18,000	74,397	116,512	723,927	1,852,816		

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

(2) Other benefits include 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.

DIRECTORS' REPORT (cont)

For the year ended 30 June 2011

4.3 Remuneration Report – audited (cont)

4.3.3 Equity Instruments

Options are granted under the Employee Share Option Plan (Plan) which was approved by shareholders at the 2010 annual general meeting. Employees are eligible to participate in the Plan (including executive and non-executive directors) unless the Board in its absolute discretion determine otherwise. Options are granted from time to time under the Plan 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. Options may also be granted by the Company outside of the Plan, but under similar terms and conditions.

The Group has a policy that prohibits directors and employees who are granted share options 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 over ordinary shares in the Company that were granted as remuneration to each key management personnel during the reporting period and details on options that vested during the reporting period are as follows:

	Number of options granted during 2011	Grant Date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	Number of options vested during 2011
Directors						
Mr D M Murcia	500,000	30/11/2010	0.0754	0.110	30/11/2015	-
	500,000	30/11/2010	0.0754	0.110	30/11/2015	-
Executives						
Mr R Fitzhardinge	100,000	19/07/2010	0.0509	0.095	19/07/2015	100,000
	300,000	19/07/2010	0.0509	0.095	19/07/2015	-
	300,000	19/07/2010	0.0509	0.095	19/07/2015	-
	300,000	01/10/2010	0.0527	0.110	1/10/2014	300,000
	500,000	01/10/2010	0.0527	0.110	1/10/2014	-
	500,000	01/10/2010	0.0527	0.110	1/10/2014	-
Mr B Scarpelli	300,000	04/02/2011	0.0893	0.130	04/02/2016	300,000
	600,000	04/02/2011	0.0893	0.130	04/02/2016	-
	600,000	04/02/2011	0.0893	0.130	04/02/2016	-

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

DIRECTORS' REPORT (cont)

For the year ended 30 June 2011

4.3 Remuneration Report – audited (cont)

4.3.3 Equity Instruments (cont)

Analysis of options and rights over equity instruments granted as compensation - audited

Details of vesting profiles of the options granted as remuneration to each key management person of the Group and each of the five named Company executives and Group executives are detailed below:

	Number	Date	% vested in year	% forfeited in year	Financial years in which grant vests
Directors					
Mr D M Murcia	500,000	30/11/2010	-	-	2012[1]
	500,000	30/11/2010	-	-	2014[1]
Executives					
Mr R Fitzhardinge	100,000	19/07/2010	100	-	2011[1]
	300,000	19/07/2010	-	-	2013[2]
	300,000	19/07/2010	-	-	2014[3]
	300,000	01/10/2010	100	-	2011[1]
	500,000	01/10/2010	-	-	2013[4]
	500,000	01/10/2010	-	-	2014[5]
Mr B Scarpelli	300,000	04/02/2011	100	-	2011[1]
	600,000	04/02/2011	-	-	2013[2]
	600,000	04/02/2011	-	-	2014[3]

(1) Options vest on completion of service period.

(2) Options vest on commencement of iron ore production on a Mining Lease from the Company's iron ore projects in Brazil. (Estimated 31/12/2013).

(3) 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. (Estimated 31/12/2014).

(4) Options vest on definition of JORC Inferred Resource that delivers over 100 Mt iron ore from the Company's iron ore projects in Brazil. (Estimated 31/12/2012).

(5) Options vest on definition of JORC Inferred Resource that delivers over 250 Mt or JORC Measured and Indicated Resource that delivers over 100 Mt iron ore from the Company's iron ore projects in Brazil. (Estimated 31/12/2013).

Modification of terms of equity-settled share-based payment transactions– audited

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 2011 financial year.

Exercise of options granted as compensation – audited

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 I Cullen	2,000,000	$0.07

DIRECTORS' REPORT (cont)

For the year ended 30 June 2011

4.3 Remuneration Report – audited (cont)

4.3.3 Equity Instruments (cont)

Analysis of movements in options – audited

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 five named Company executives and relevant Group executives is detailed below:

	Value of options granted $[A]	Value of options exercised in year $[B]	Value of options Lapsed in year $[C]
Directors			
Mr D M Murcia	75,357	-	-
Mr D P Gordon	-	-	-
Mr K G McKay	-	-	-
Mr P E Freund	-	-	-
Mr R G Hill	-	-	-
Mr G T Clifford	-	-	-
Executives			
Mr M Papendieck	-	-	-
Mr G A James	-	-	-
Mr I Cullen	-	70,000	184,285
Mr K Petersen	-	-	-
Mr R Fitzhardinge	104,125	-	-
Mr B Scarpelli	133,967	-	-

(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 years 1 July 2010 to 30 June 2015).

(B) 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.

(C) The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using the Black Scholes option-pricing model assuming the performance criteria had been achieved.

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 32 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.

DIRECTORS' REPORT (cont)

For the year ended 30 June 2011

4.5 Risk Management (cont)

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.

DIRECTORS' REPORT (cont)

For the year ended 30 June 2011

4.6 Ethical Standards (cont)

The Group has a policy that prohibits directors and employees who are granted share options as part of their remuneration from entering into arrangements that limit their exposure to losses that would result from share price decreases. The Group requires all directors and key management personnel to sign annual declarations of compliance with this policy.

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 as at 30 June 2011 was as follows:

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

DIRECTORS' REPORT (cont)

For the year ended 30 June 2011

4.8 Diversity (cont)

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 agreed strategy of securing a new advanced exploration or development asset.
- 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:

	2011 $	2010 $
Interest income	**1,163,472**	381,689
Other income	**3,773,648**	38,549
	4,937,120	420,238
Loss before income tax expense	**(12,661,592)**	(5,635,542)
Income tax benefit	**457,374**	-
Loss attributable to members of Centaurus Metals Limited	**(12,204,218)**	(5,635,542)

DIRECTORS' REPORT (cont)

For the year ended 30 June 2011

6. Operating and Financial Review (cont)

Financial Position

At the end of the financial year the Group had net cash balances of $10,351,397 (2010: $4,920,035) and net assets of $34,357,361 (2010: $29,048,589). Total liabilities amounted to $8,173,591 (2010: $5,268,224) 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. Most of the Group's focus was directed at the Jambreiro Iron Ore Project. Two separate drilling campaigns and a trenching program were completed during the year. A maiden JORC Inferred Resource was announced in October 2010 and an interim upgrade to the JORC Resource estimate (combined Measured, Indicated and Inferred) of 70.6 million tonnes at an average grade of 28.0% Fe was announced in June 2011. A range of beneficiation test work was completed on friable and compact itabirite mineralisation with results demonstrating that a high-grade hematite product grading plus 66.0% Fe with low impurities could be produced using a low-cost magnetic separation process. Significant work was undertaken on collection of data to prepare applications for relevant environmental approvals and work was progressed to convert the existing Exploration Licences into Mining Leases.

The Group identified a new iron ore prospect, the Candonga Prospect, following the completion of a drilling program, combined with re-assay of historical drill core and ground magnetic survey work. The Prospect is located 30km from the Jambreiro Project.

At the Itambé Iron Ore Project, a drilling program was completed and the Group reported an updated JORC Indicated and Inferred Resource of 10.0Mt grading 36.6% Fe. Beneficiation test work on samples from surface exposures indicated that a 66.0% Fe hematite sinter product can be produced with low impurities. Work was undertaken on collection of data to prepare applications for relevant environmental approvals.

At the Passabem Iron Ore Project, a drilling program was completed and the Group announced a substantial increase in the JORC Indicated and Inferred Resource to 39.0Mt grading 31.0% Fe. Beneficiation test work was completed with results producing a hematite product grading 67.4% Fe with low levels of impurities.

In June 2011 the Group made a strategic acquisition by acquiring a portfolio of tenements in the state of Bahia, Brazil, known as the Serra da Lontra Iron Ore Project. Initial geological mapping of the outcropping itabirite mineralisation and surface sampling has been carried out.

In line with the Group's focus to develop an iron ore business in Brazil, the Group divested the Percyvale and Dish Gold Projects to Southern Crown Resources Limited and also divested the Citadel Gold-Copper Project to Antipa Minerals Limited. The Group entered into a farm out agreement with Mining Ventures Do Sul Pesquisa e Mineração Ltda ('Mining Ventures') covering its two non-core Brazilian Copper-Gold Projects.

Corporate

During September 2010 the Group announced and closed a capital raising to accelerate growth at its Brazilian iron ore projects. A total of $18.2 million was raised, with a $14.4 million share placement at 7.5 cents per share and a $3.8 million Share Purchase Plan ("SPP") to existing shareholders also at 7.5 cents per share. The SPP was fully subscribed by shareholders. A total of 242.5 million shares were issued for the capital raising.

One of Australia's leading iron ore executives, Mr George Jones, joined the Company as a strategic consultant. Mr Jones will provide advice to Centaurus' Board and Management team on a number of important aspects of its business as it progresses the development of several potential iron ore production projects in south-east Brazil.

DIRECTORS' REPORT (cont)

For the year ended 30 June 2011

6. Operating and Financial Review (cont)

In July 2010 the legal action initiated against the former Joint Venture partner at the Liberdade Iron Ore Project was successfully concluded. Following the successful award of damages and pursuit of settlement through the court system, approximately half of the damages claim of BRL$4.1 million has been received with the balance expected to be received during the 2012 financial year.

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 27 July 2011 the Group announced a strategic share placement whereby Altas Iron Limited ("Atlas") would subscribe $18.7M to Centaurus through a share placement comprising 212 million fully paid ordinary shares issued at 8.8 cents, resulting in a 19.9% stake in the Company, in addition Atlas would be issued 30 million options expiring 31 August 2014 exercisable at 15 cents. Tranche 1 of the placement occurred on 27 July 2011 with 110 million shares and 16 million options issued. Tranche 2 of the placement, comprising 102 million shares and 14 million options, was approved by shareholders on 22 September 2011.

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.

DIRECTORS' REPORT (cont)

For the year ended 30 June 2011

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	Other Options	Total number of options over ordinary shares
Directors				
Mr D M Murcia	12,907,235	2,500,000	-	2,500,000
Mr D P Gordon	52,558,328	6,000,000	1,600,000	7,600,000
Mr P E Freund	200,000	16,000,000[1]	-	16,000,000
Mr K G McKay	3,019,000	2,000,000	-	2,000,000
Mr R G Hill	8,555,440	1,500,000	8,177,720	9,677,720

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

12. Share Options

Options granted to directors and executives of the Company

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following directors and to the following of the five most highly remunerated officers of the Company as part of their remuneration:

	Number of options granted	Exercise price	Expiry date
Directors			
Mr D M Murcia	500,000	0.075	17/07/2014
	500,000	0.100	17/07/2014
Executives			
Mr R Fitzhardinge	100,000	0.095	19/07/2015
	300,000	0.095	19/07/2015
	300,000	0.095	19/07/2015
	300,000	0.110	01/10/2014
	500,000	0.110	01/10/2014
	500,000	0.110	01/10/2014
Mr B Scarpelli	300,000	0.130	04/02/2016
	600,000	0.130	04/02/2016
	600,000	0.130	04/02/2016

All options were granted during the financial year. No options have been granted since the end of the financial year.

DIRECTORS' REPORT (cont)

For the year ended 30 June 2011

12. Share Options (cont)

Unissued shares under options

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	
27/11/2011	$0.12500	-	-	12,000,000	-	12,000,000
06/01/2012	$0.12500	-	-	3,519,392	-	3,519,392
19/03/2012	$0.11500	250,000	-	-	-	250,000
19/03/2012	$0.13500	500,000	-	-	-	500,000
04/08/2012	$0.03125	-	-	24,000,000	-	24,000,000
20/11/2012	$0.20500	500,000	-	-	-	500,000
20/11/2012	$0.24500	500,000	-	-	-	500,000
20/11/2012	$0.28500	500,000	-	-	-	500,000
14/02/2013	$0.10000	-	-	16,000,000	-	16,000,000
01/10/2013	$0.11000	200,000	-	-	-	200,000
15/12/2013	$0.10000	250,000	-	-	-	250,000
15/12/2013	$0.12000	250,000	-	-	-	250,000
15/12/2013	$0.14000	500,000	-	-	-	500,000
31/12/2013	$0.08000	2,400,000	-	-	-	2,400,000
31/12/2013	$0.15000	2,600,000	-	-	-	2,600,000
01/01/2014	$0.13000	-	-	-	1,000,000	1,000,000
17/07/2014	$0.05000	1,000,000	-	-	-	1,000,000
17/07/2014	$0.07500	2,750,000	-	-	-	2,750,000
17/07/2014	$0.10000	3,250,000	-	-	-	3,250,000
17/07/2014	$0.12000	-	1,000,000	-	-	1,000,000
31/08/2014	$0.10000	-	-	5,000,000	-	5,000,000
31/08/2014	$0.12000	-	-	-	5,000,000	5,000,000
31/08/2014	$0.15000	-	-	16,000,000	-	16,000,000
01/10/2014	$0.11000	450,000	1,300,000	-	-	1,750,000
31/10/2014	$0.07000	8,000,000	8,000,000	-	-	16,000,000
17/01/2015	$0.13000	50,000	250,000	-	-	300,000
15/02/2015	$0.08000	150,000	2,350,000	-	-	2,500,000
06/03/2015	$0.13000	100,000	-	-	-	100,000
31/03/2015	$0.08000	500,000	2,000,000	-	-	2,500,000
31/03/2015	$0.10000	500,000	-	-	-	500,000
31/03/2015	$0.12000	-	500,000	-	-	500,000
01/06/2015	$0.13000	50,000	250,000	-	-	300,000
19/07/2015	$0.09500	100,000	600,000	-	-	700,000
29/08/2015	$0.10000	50,000	250,000	-	-	300,000
30/11/2015	$0.11000	-	1,000,000	-	-	1,000,000
04/02/2016	$0.13000	300,000	1,200,000	-	-	1,500,000
Total		25,700,000	18,700,000	76,519,392	6,000,000	126,919,392

These options do not entitle the holder to participate in any share issue of the Company.

DIRECTORS' REPORT (cont)

For the year ended 30 June 2011

12. Share Options (cont)

Shares issued on exercise of options

During the financial year the Company issued 2,075,000 ordinary shares as a result of the exercise of options. Since the end of the financial year the Company has issued 7,000,000 ordinary shares as a result of the exercise of options.

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.

	2011 $	2010 $
Audit services: *Auditors of the Company*		
Audit and review of financial reports (KPMG Australia)	**105,343**	25,500
Audit of financial reports (KPMG Brazil)	**10,957**	-
Services other than statutory audit:		
Other services		
Taxation compliance services (KPMG Australia)	**118,472**	50,595
Taxation compliance services (KPMG Brazil)	**85,000**	-

DIRECTORS’ REPORT (cont)

For the year ended 30 June 2011

15. Lead Auditor’s Independence Declaration

The Lead auditor’s independence declaration is set out on page 52 and forms part of the directors’ report for the financial year ended 30 June 2011.

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

D P Gordon
Managing Director
Perth, Western Australia

22 September 2011

LEAD AUDITOR'S INDEPENDENT DECLARATION

KPMG

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

To: the members 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 2011 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.

KPMG

KPMG

Trevor Hart
Partner

Perth
22 September 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	Notes	2011 $	2010 Restated* $
Other income	7	**3,773,648**	38,549
Exploration and evaluation expenses		**(9,487,861)**	(2,172,197)
Project generation expenses		**-**	(492,526)
Merger and acquisition expenses		**-**	(842,206)
Impairment of exploration and evaluation		**(2,509,982)**	-
Impairment of available for sale investments		**(384,444)**	-
Impairment of property plant and equipment		**(65,287)**	-
Personnel expenses	8	**(1,856,613)**	(1,028,164)
Share based payments	28	**(1,112,910)**	(753,755)
Occupancy expenses		**(308,595)**	(246,272)
Listing and share registry fees		**(108,847)**	(75,220)
Professional fees		**(591,816)**	(145,772)
Depreciation	9	**(177,164)**	(57,901)
Other expenses		**(845,660)**	(221,219)
Results from operating activities		**(13,675,531)**	(5,996,683)
Finance income		**1,163,472**	381,689
Finance expenses		**(149,533)**	(20,548)
Net finance income	10	**1,013,939**	361,141
Loss before income tax		**(12,661,592)**	(5,635,542)
Income tax benefit	11	**457,374**	-
Loss for the period		**(12,204,218)**	(5,635,542)
Other comprehensive income			
Net change in fair value of available-for-sale- financial assets		**(165,625)**	(100,000)
Foreign currency translation difference for foreign operation		**(732,313)**	528,942
Income tax on other comprehensive income		-	-
Other comprehensive income for the period, net of income tax		**(897,938)**	428,942
Total comprehensive income for the period		**(13,102,156)**	5,206,600
Earnings per share		**Cents**	Cents
Basic loss per share	22	**(1.56)**	(1.36)
Diluted loss per share	22	**(1.56)**	(1.36)

** Refer to note 2(e).*

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	30 June 2011 $	30 June 2010 Restated* $	1 July 2009 Restated* $
Current assets				
Cash and cash equivalents	12(a)	**10,351,397**	4,920,035	9,673,582
Other receivables and prepayments	13	**1,933,937**	595,973	86,229
Total current assets		**12,285,334**	5,516,008	9,759,811
Non-current assets				
Other investments, including derivatives	14	**1,829,071**	495,417	-
Property, plant and equipment	15	**878,739**	624,146	38,348
Exploration and evaluation assets	16	**27,537,808**	27,681,242	-
Total non-current assets		**30,245,618**	28,800,805	38,348
Total assets		**42,530,952**	34,316,813	9,798,159
Current liabilities				
Trade and other payables	17	**4,016,265**	783,839	257,697
Employee benefits	18	**229,722**	99,407	14,798
Total current liabilities		**4,245,987**	883,246	272,495
Non-current liabilities				
Deferred tax liabilities	19	**3,927,604**	4,384,978	-
Total non-current liabilities		**3,927,604**	4,384,978	-
Total liabilities		**8,173,591**	5,268,224	272,495
Net assets		**34,357,361**	29,048,589	9,525,664
Equity				
Share capital		**53,851,446**	36,553,428	15,544,255
Reserves		**4,562,357**	4,347,385	351,380
Accumulated losses		**(24,056,442)**	(11,852,224)	(6,369,971)
Total equity		**34,357,361**	29,048,589	9,525,664

** Refer to note 2(e).*
The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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 $
Balance at 1 July 2010	**36,553,428**	**2,966,597**	**951,846**	**606,706**	**(100,000)**	**(10,135,336)**	**30,843,241**
Impact of change in accounting policy	**-**	**-**	**-**	**(77,764)**	**-**	**(1,716,888)**	**(1,794,652)**
Balance at 1 July 2010 (restated, refer to note 2(e))	**36,553,428**	**2,966,597**	**951,846**	**528,942**	**(100,000)**	**(11,852,224)**	**29,048,589**
Total comprehensive income for the period							
Loss for the period	-	-	-	-	-	(12,204,218)	(12,204,218)
Other comprehensive income							
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	-	-	-	(732,313)	(165,625)	-	(897,938)
Total comprehensive income for the period	**-**	**-**	**-**	**(732,313)**	**(165,625)**	**(12,204,218)**	**(13,102,156)**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
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
Total transactions with owners	**17,298,018**	**-**	**1,112,910**	**-**	**-**	**-**	**18,410,928**
Balance at 30 June 2011	**53,851,446**	**2,966,597**	**2,064,756**	**(203,371)**	**(265,625)**	**(24,056,442)**	**34,357,361**

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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont)

For the year ended 30 June 2010

	Issued capital $	Option reserve $	Share-based payment reserve $	Translation reserve (restated) $	Available-for-sale investments revaluation reserve $	Accumulated losses (restated) $	Total equity (restated) $
Balance at 1 July 2009	**15,544,255**	**-**	**351,380**	**-**	**-**	**(6,369,971)**	**9,525,664**
Impact of change in accounting policy	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 1 July 2009 (restated, refer to note 2(e))	**15,544,255**	**-**	**351,380**	**-**	**-**	**(6,369,971)**	**9,525,664**
Total comprehensive income for the period							
Loss for the period	-	-	-	-	-	(5,635,542)	(5,635,542)
Other comprehensive income							
Foreign currency translation difference for foreign operation	-	-	-	528,942	-	-	528,942
Net change in fair value of available-for-sale financial assets	-	-	-	-	(100,000)	-	(100,000)
Total other comprehensive income for the period	-		-	528,942	(100,000)	-	428,942
Total comprehensive income for the period	**-**	**-**	**-**	**528,942**	**(100,000)**	**(5,635,542)**	**(5,206,600)**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares related to business combination	20,909,173	-	-	-	-	-	20,909,173
Issue of options related to business combination	-	2,966,597	-	-	-	-	2,966,597
Issue of ordinary shares	100,000	-	-	-	-	-	100,000
Share-based payment transactions	-	-	753,755	-	-	-	753,755
Transfer of share based payments lapsed/forfeited	-	-	(153,289)	-	-	153,289	-
Total transactions with owners	**21,009,173**	**2,966,597**	**600,466**	**-**	**-**	**153,289**	**24,729,525**
Balance at 30 June 2010	**36,553,428**	**2,966,597**	**951,846**	**528,942**	**(100,000)**	**(11,852,224)**	**29,048,589**

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2011

	Notes	2011 $	2010 $
Cash flows from operating activities			
Cash paid to suppliers and employees		**(3,414,290)**	(1,895,165)
Exploration and evaluation expenditure		**(8,494,448)**	(2,468,394)
Proceeds from court settlement		**1,340,792**	-
Receipts from customers		**19,893**	-
Interest received		**702,866**	382,401
Net cash used in operating activities	12[b]	**(9,845,187)**	(3,981,158)
Cash flows from investing activities			
Payments for plant and equipment		**(576,827)**	(381,700)
Payment for investment		**(88,888)**	-
Refunds/(payments) for security deposits		**(16,633)**	(140,621)
Payments for acquisition of exploration assets		**(1,305,000)**	-
Proceeds from sale of plant and equipment		**20,400**	22,319
Proceeds from sale of mineral tenements		**-**	35,000
Payments for merger and acquisition costs		**(20,000)**	(821,408)
Acquisition of subsidiary, net of cash acquired		**-**	504,722
Net cash used in investing activities		**(1,986,948)**	(781,688)
Cash flows from financing activities			
Proceeds from issue of equity securities net of capital raising costs		**17,298,018**	-
Net cash from financing activities		**17,298,018**	-
Net increase/(decrease) in cash and cash equivalents		**5,465,883**	(4,762,846)
Cash and cash equivalents at 1 July		**4,920,035**	9,673,582
Effect of exchange rate fluctuations on cash held		**(34,521)**	9,299
Cash and cash equivalents at 30 June	12[a]	**10,351,397**	4,920,035

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2011

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

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 2011 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 22 September 2011.

(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.

(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.

2. Basis of Preparation (cont)

(d) Use of estimates and judgements (cont)

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 – determining the fair values
- Note 16 – exploration and evaluation assets
- Note 24 – financial instruments

(e) Change of accounting policy

Exploration and Evaluation

During the current reporting period the Group has made a voluntary change to its accounting policy relating to the treatment of exploration and evaluation expenditure. Exploration and evaluation expenditure was previously recognised as an asset to the extent allowable under AASB 6 Exploration for and Evaluation of Mineral Resources. The Group has now elected to expense all exploration and evaluation expenditure, with the exception of acquisition costs which will continue to be recognised as an asset, as incurred. This change has been implemented as the Board of Directors are of the opinion that the change is both in line with Australian Accounting Standards and provides the users with reliable and more relevant information consistent with the Australian Accounting Standards Board Framework for the preparation and presentation of financial statements as it is more transparent and less subjective. The change in policy is irrespective of whether or not the Board believe expenditure could be recouped from either a successful development and commercial exploitation or sale of the respective assets. The new policy is detailed below and has been applied retrospectively in accordance with the requirements of AASB 108 Accounting Policies, Change in Accounting Estimates and Errors.

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 are 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.

The financial report has been prepared on the basis of a retrospective application of the new accounting policy relating to exploration and evaluation expenditure. The following table demonstrates the effect of this change.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

2. Basis of Preparation (cont)

(e) Change of accounting policy (cont)

	Previous Policy 30/06/2010 $	Effect of the change in the accounting policy for exploration and evaluation $	Revised Policy 30/06/2010 $
Consolidated Entity			
Statement of comprehensive income – year ended 30 June 2010			
Exploration and evaluation expense	455,309	1,716,888	2,172,197
Loss before income tax	3,918,654	1,716,888	5,635,542
Income tax	-	-	-
Basic and diluted loss per share	0.92	0.44	1.36
Statement of financial position as at 30 June 2010			
Exploration and evaluation assets	29,475,894	(1,794,652)	27,681,242
Foreign currency translation reserve	606,706	(77,764)	528,942
Accumulated losses	10,135,336	1,716,888	11,852,224

(f) 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 33.

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, except as explained in note 2(e), which address changes in accounting policies.

(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.

3. Significant Accounting Policies (cont)

(a) Basis of consolidation (cont)

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.

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.

3. Significant Accounting Policies (cont)

(b) Foreign currency (cont)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

3. Significant Accounting Policies (cont)

(c) Financial instruments (cont)

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.

3. Significant Accounting Policies (cont)

(d) Property, plant and equipment (cont)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

3. Significant Accounting Policies (cont)

(e) Exploration and evaluation expenditure (cont)

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.

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.

3. Significant Accounting Policies (cont)

(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 and 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.

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.

3. Significant Accounting Policies (cont)

(g) Impairment (cont)

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.

(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.

3. Significant Accounting Policies (cont)

(i) Employee benefits (cont)

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

3. Significant Accounting Policies (cont)

(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.

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.

3. Significant Accounting Policies (cont)

(m) Finance income and finance costs (cont)

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.

(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.

3. Significant Accounting Policies (cont)

(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 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.

(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 2011, but have not been applied in preparing this financial report.

- AASB 9 Financial Instruments 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 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.

- AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements removes the requirements to include individual key management personnel disclosures in the notes to the financial statements, however disclosure is still required in the Remuneration Report under s.300A of the Corporations Act 2001. The amendments, which become mandatory for the Groups 30 June 2014 financial statements, are not expected to have a significant impact on the financial statements, early adoption is not permitted.

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.

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.

5. Financial Risk Management (cont)

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 receivables from customers and investment securities. No impairment of receivables in the Group is required for recognition.

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. No allowance for impairment is required as at 30 June 2011.

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 2011, the Group has current trade and other payables of $4,016,265 (2010: $783,839). 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 functional currency of the Group in the Australian dollar (AUD). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

5. Financial Risk Management (cont)

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. Southern Crown Resources Limited and Antipa Mineral Limited are subject to escrow requirements.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

6. Operating Segments

The Group has one reportable segment, being iron ore exploration and evaluation in Brazil.

	Total	
	2011 $	2010 Restated $
Reportable Segment Information – Iron Ore Exploration For the year ended 30 June		
Segment loss before income tax		
Segment loss before income tax	**(10,169,286)**	(2,165,567)
Unallocated corporate expenses	**(3,035,106)**	(3,830,476)
Net finance costs	**542,800**	360,501
	(12,661,592)	(5,635,542)
Interest income		
Segment interest income	**620,672**	21,188
Unallocated interest income	**542,800**	360,501
	1,163,472	381,689
Depreciation		
Segment depreciation expense	**117,040**	21,312
Unallocated depreciation expense	**60,124**	36,589
	177,164	57,901
Impairment		
Segment impairment expense	**2,575,269**	-
Unallocated impairment expense	**384,444**	-
	2,959,713	-
Gain on disposal of tenements		
Segment gain on disposal of tenements	**-**	-
Unallocated gain on disposal of tenements	**1,716,727**	-
	1,716,727	-
Reportable segment assets		
Segment assets	**26,557,102**	25,852,046
Unallocated other assets	**15,973,850**	8,464,767
Total assets	**42,530,952**	34,316,813

	2011 Revenue $	2011 Non-current assets $	2010 Revenue $	2010 Non-current assets $
Geographical Segment Information				
Brazil	**-**	**28,139,255**	-	27,800,757
Australia	**-**	**2,106,363**	-	1,000,048
Total	**-**	**30,245,618**	-	28,800,805

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

7. Other Income

	2011 $	2010 $
Proceeds on court settlement	**1,965,646**	-
Net gain on disposal of mineral tenements	**1,716,727**	35,000
Proceeds from insurance claim	**71,382**	3,549
Other	**19,893**	-
	3,773,648	38,549

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. The $1,965,646 represents the principle award plus inflation, the interest component has been shown in Finance Income.

8. Personnel Expenses

Salaries, fees and other benefits	**2,517,154**	1,232,436
Superannuation	**204,373**	157,611
Transferred to exploration expenditure expense	**(864,914)**	(361,883)
	1,856,613	1,028,164

9. Depreciation

Depreciation	**204,886**	57,901
Transferred to exploration expenditure expense	**(27,722)**	-
	177,164	57,901

10. Finance Income and Expense

Finance income		
Interest income on bank deposits	**670,866**	381,689
Interest income on court settlement	**492,606**	-
	1,163,472	381,689
Finance expense		
Change in fair value of derivatives	**(148,799)**	(20,000)
Interest expense	**(734)**	(548)
	(149,533)	(20,548)
Net finance income recognised in profit or loss	**1,013,939**	361,141

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

11. Income Tax

	2011 $	2010 $
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(12,661,592)**	(5,635,542)
Tax at the Australian tax rate of 30%	**(3,798,478)**	(1,690,663)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Overseas project generation and review costs	**433,862**	418,440
Share-based payments	**333,873**	226,126
Proceeds from court settlement	**(604,547)**	-
Foreign currency gains	**(209,070)**	-
Sundry items	**10,772**	8,571
	(3,833,588)	(1,037,526)
Effect of tax rates in foreign jurisdictions	**(136,760)**	(11,164)
Under/(over) provision of prior year tax	**668,692**	(31,248)
Deferred tax assets not recognised	**2,844,282**	1,141,495
Other	**-**	(61,557)
Income tax benefit	**(457,374)**	-
(b) Tax losses		
Tax losses	**25,721,093**	23,594,649
Capital losses	**2,473,264**	2,473,264
	28,194,357	26,067,913
Potential tax benefit	**8,637,423**	7,820,374

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.

	2011 $	2010 $
(c) Deferred tax assets not recognised relate to the following:		
Deferred tax assets		
Tax losses	**8,637,423**	7,820,374
Taxable temporary differences	**(4,136,853)**	(4,582,923)
Deductible temporary differences	**2,961,959**	236,025
Net deferred tax assets	**7,462,529**	3,473,476

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

11. Income Tax (cont)

	Assets		Liabilities		Net	
	2011 $	2010 $	**2011 $**	2010 $	**2011 $**	2010 $
(d) Deferred tax assets and liabilities are attributable to the following:						
Receivables	**-**	-	**(179)**	(9,779)	**(179)**	(9,779)
Available-for-sale financial assets	**159,973**	-	**(209,070)**	-	**(49,097)**	-
Exploration	**2,452,873**	-	**(3,927,604)**	(4,582,923)	**(1,474,731)**	(4,582,923)
Accrued expenses/provisions	**36,800**	29,822	**-**	-	**36,800**	29,822
Transaction costs relating to issue of capital	**312,313**	206,203	**-**	-	**312,313**	206,203
Tax losses	**(2,752,710)**	(28,301)	**-**	-	**(2,752,710)**	(28,301)
Set off of tax	**(209,249)**	(207,724)	**209,249**	207,724	**-**	-
Net tax assets/(liabilities)	**-**	-	**(3,927,604)**	(4,384,978)	**(3,927,604)**	(4,384,978)

(e) 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: (2010: $nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

12. Cash and Cash Equivalents

	2011 $	2010 $
(a) Cash and Cash Equivalents		
Cash at bank and on hand	**14,105**	920,035
Deposits - short term	**10,337,292**	4,000,000
	10,351,397	4,920,035
Deposits		
The deposits are bearing floating and fixed interest rates between 4.75% and 6.10% (2010: between 4.50% and 5.50%).		
(b) Reconciliation of Cash Flows from Operating Activities		
Loss for the period	**(12,204,218)**	(5,635,542)
Adjustments for:		
Depreciation	**177,164**	57,901
Project generation expenses	**-**	492,526
Merger and acquisition expenses	**20,000**	842,206
Non-cash employee benefits expense – share based payments	**1,112,910**	753,755
(Profit) on sale of mineral tenements	**(1,716,727)**	(35,000)
Impairment losses		
Exploration and evaluation assets	**2,509,982**	-
Available-for-sale financial assets	**384,444**	-
Property plant and equipment	**65,287**	-
Change in fair value of held for trading derivative instruments	**148,799**	20,000
(Profit)/loss on sale of plant and equipment	**(71,382)**	(3,549)
Income tax benefit	**(457,374)**	-
Operating loss before changes in working capital and provisions	**(10,031,115)**	(3,507,703)
Change in other receivables	**(1,165,237)**	(28,039)
Change in trade creditors and provisions	**1,351,165**	(445,416)
Net cash used in operating activities	**(9,845,187)**	(3,981,158)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

13. Other Receivables and Prepayments

	2011 $	2010 $
Trade receivables	**109,668**	-
Receivable from court settlement	**1,117,460**	-
Other receivables	**427,692**	411,000
Security deposits	**124,442**	107,809
Prepayments	**154,675**	77,164
	1,933,937	595,973

14. Other Investments, Including Derivatives

Available-for-sale financial assets (1)	**1,567,987**	466,667
Derivative instruments (2)	**261,084**	28,750
	1,829,071	495,417

(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 2011, the resulting decrease being debited to the fair value reserve, with the exception of Clancy Exploration Limited which has been impaired during the year, with $384,444 being transferred to statement of comprehensive income. Further movement in share prices after 30 June 2011 has 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, 3,125,000 unlisted options in Antipa Minerals Limited and 1,250,000 unlisted options in Clancy Exploration Limited. The fair value of the listed options has been determined by reference to the market price at 30 June 2011. 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.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

15. Property, Plant and Equipment

	Software $	Plant & Equipment $	Motor Vehicles $	Furniture & Fixtures $	Leasehold Improvements $	Land $	Total $
Cost							
Balance at 1 July 2009	-	112,941	-	17,488	17,485	-	147,914
Acquisitions through business combinations	26,053	71,487	119,896	47,975	64,495	67,364	397,270
Additions	46,677	29,441	84,090	3,071	214,552	9,290	387,121
Disposals	-	(60,311)	-	(18,581)	(50,357)	-	(129,249)
Effect of movements in exchange rates	1,492	3,506	12,092	3,037	2,029	4,809	26,965
Balance at 30 June 2010	74,222	157,064	216,078	52,990	248,204	81,463	830,021
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	171,375	168,664	417,316	95,173	277,676	75,201	1,205,405
Depreciation							
Balance as at 1 July 2009	-	76,799	-	15,282	17,485	-	109,566
Acquisitions through business combinations	6,812	25,269	38,798	6,836	58,974	-	136,689
Depreciation for the year	5,962	20,047	14,067	2,441	15,384	-	57,901
Disposals	-	(40,613)	-	(15,617)	(49,341)	-	(105,571)
Effect of movements in exchange rates	1,899	(563)	3,387	538	2,029	-	7,290
Balance at 30 June 2010	14,673	80,939	56,252	9,480	44,531	-	205,875
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
Carrying amounts							
at 1 July 2009	-	36,142	-	2,206	-	-	38,348
At 30 June 2010	59,549	76,125	159,826	43,510	203,673	81,463	624,146
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

16. Exploration and Evaluation Assets

	$ Restated
Cost	
Balance at 1 July 2009 (restated*)	-
Acquisition through business combinations	27,174,780
Effect of movements in exchange rate	506,462
Balance at 30 June 2010 (restated*)	27,681,242
Balance at 1 July 2010 (restated*)	27,681,242
Additions	3,159,320
Disposals	(226,906)
Effect of movements in exchange rate	(565,866)
Balance at 30 June 2011	30,047,790
Impairment losses	
Balance at 1 July 2009 (restated*)	-
Impairment loss	-
Balance at 30 June 2010 (restated*)	-
Balance at 1 July 2010	-
Impairment of capitalised exploration expenditure	2,509,982
Balance at 30 June 2011	2,509,982
Carrying amounts	
Balance at 1 July 2009 (restated*)	-
Balance at 30 June 2010 (restated*)	27,681,242
Carrying amounts	
Balance at 1 July 2010	27,681,242
Balance at 30 June 2011	27,537,808

** Refer to note 2(e).*

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

17. Trade and Other Payables

	2011 $	2010 $
Trade and other creditors	**3,222,531**	391,524
Accrued expenses	**793,734**	392,315
	4,016,265	783,839

18. Employee Benefits

Liability for annual leave	**229,722**	99,407

19. Deferred Tax Liabilities

Deferred tax liability attributable to exploration and evaluation assets	**3,927,604**	4,384,978

The deferred tax liability relates to Brazil exploration assets acquired through a business combination. Potential deferred tax assets of $1.5 million 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

	2011 Number of Shares	2010 Number of Shares
On issue at 1 July	**604,398,639**	286,003,678
Issue of ordinary shares for share placement at 7.5 cents per share	**192,000,000**	-
Issue of ordinary shares for share purchase plan at 7.5 cents per share	**50,524,998**	-
Exercise of options	**2,075,000**	-
Issue of ordinary shares related to business combination	**-**	316,805,640
Issue of ordinary shares for services	**-**	1,589,321
On issue at 30 June – Fully paid	**848,998,637**	604,398,639

Issue of ordinary shares

The Company issued a total of 192,000,000 ordinary fully paid shares at $0.075 per share as part of a Share Placement completed in two tranches. 88,400,000 ordinary fully paid shares were issued on 20 September 2010 and ratified at a general meeting held on 20 October 2010, in addition shareholders approved the issue of 103,600,000 ordinary fully paid shares which were issued on 26 October 2010.

On 5 October 2010 the Company issued 50,524,998 ordinary fully paid shares at $0.075 per share pursuant to a Share Purchase Plan.

Additionally 2,075,000 ordinary fully paid shares were issued as a result of the exercise of vested options issued under the Company's Employee Share Option Plan. Options were exercised at an average price of $0.0702.

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.

20. Capital and Reserves (cont)

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 28.

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options 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.

21. Dividends

There were no dividends paid or declared during the year (2010: nil).

22. Earnings/(Loss) Per Share

Basic (loss) per share

The calculation of basic and diluted earnings per share at 30 June 2011 was based on the loss attributable to ordinary shareholders of $12,204,218 (2010: $5,635,542) and a weighted average number of ordinary shares outstanding of 781,212,542 (2010: 428,056,003), calculated as follows:

Loss attributable to ordinary shareholders

	2011 $	2010 $
Loss for the period	**(12,204,218)**	(5,635,542)
Loss attributable to the shareholders	**(12,204,218)**	(5,635,542)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

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

Weighted average number of ordinary shares

	2011 Number	2010 Number
Issued ordinary shares at 1 July	**604,398,639**	286,003,678
Effect of shares issued related to share placement	**138,647,671**	-
Effect of shares issued related to share purchase plan	**37,097,807**	-
Effect of shares issued on exercise of options	**1,068,425**	-
Effect of shares issued related to business combination	**-**	141,477,587
Effect of shares issued in February 2010	**-**	574,768
Weighted average number of ordinary shares 30 June	**781,212,542**	428,056,033

Diluted earnings per share

Potential ordinary shares were not considered to be dilutive as the consolidated entity made a loss for the year ended 30 June 2011 and the exercise of potential ordinary shares would not increase that loss.

23. Related Parties

Key management personnel compensation

	2011 $	2010 $
Short term employee benefits	**2,150,772**	1,012,377
Post-employment benefits	**146,289**	116,512
Share-based payments	**576,659**	723,927
	2,873,720	1,852,816

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, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

23. Related Parties (cont)

Options and rights over equity instruments

The movement during the reporting period in the number of options over 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 2010	Granted as compensation	Exercise	Other changes[2]	Held at 30 June 2011	Vested during the year	Vested and exercisable at 30 June 2011
Directors							
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
Executives							
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[1]	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 represents options that expired or were forfeited during the year.

	Held at 1 July 2009	Granted as compensation	Bid options issued on takeover of Centaurus Resources Limited	Other changes[4]	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
Directors							
Mr D M Murcia	-	1,500,000	-	-	1,500,000	500,000	500,000
Mr D P Gordon	-	6,000,000	1,600,000	-	7,600,000	3,600,000	3,600,000
Mr K G McKay	1,000,000	1,000,000	-	-	2,000,000	1,000,000	1,500,000
Mr P E Freund	-	16,000,000[2]	-	-	16,000,000	4,000,000	4,000,000
Mr G T Clifford	1,000,000	500,000	-	-	1,500,000	250,000	500,000
Mr R G Hill	-	1,500,000	8,177,720	-	9,677,720	8,677,720	8,677,720
Executives							
Mr M Papendieck	-	4,000,000	6,000,000	-	10,000,000	7,000,000	7,000,000
Mr K M Seymour[1]	750,000	-	-	750,000	-	-	-
Mr G A James	750,000	1,750,000	-	-	2,500,000	250,000	1,000,000
Mr I Cullen	-	4,000,000[2]	-	-	4,000,000	2,000,000	2,000,000
Mr K Petersen	-	3,400,000[3]	8,000,000	-	11,400,000	8,600,000	8,600,000

(1) Resigned on 1 July 2009.

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

(3) Includes 2,400,000 options issued as replacement awards pursuant to the takeover of Centaurus Resources Limited.

(4) Other changes represents options that expired or were forfeited during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

23. Related Parties (cont)

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 2010	Purchases	Other [1]	Received on the exercise of options	Sales	Held at 30 June 2011
Directors						
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
Executives						
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.

	Held at 1 July 2009	Purchases	Issue on acquisition of Centaurus Resources Limited	Received on the exercise of options	Sales	Held at 30 June 2010
Directors						
Mr D M Murcia	7,000,000	1,040,566	1,333,336	-	-	9,373,902
Mr D P Gordon	44,000,000	-	8,358,328	-	-	52,358,328
Mr K G McKay	2,419,000	-	-	-	-	2,419,000
Mr P E Freund	-	200,000	-	-	-	200,000
Mr G T Clifford	1,000,000	-	-	-	-	1,000,000
Mr R G Hill	-	-	8,555,440	-	-	8,555,440
Executives						
Mr M Papendieck	-	-	9,196,000	-	-	9,196,000
Mr G A James	100,000	93,985	266,667	-	-	460,652
Mr I Cullen	-	-	-	-	-	-
Mr K Petersen	-	-	5,280,000	-	-	5,280,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

23. Related Parties (cont)

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.

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 value year ended 30 June		Balance outstanding as at 30 June	
	Transaction	**2011 $**	2010 $	**2011 $**	2010 $
Consolidated					
Key management person					
Mr K G McKay	Consulting fees	**8,800**	60,302	**-**	-
Mr D M Murcia [1]	Legal fees	**65,453**	19,309	**5,000**	16,135
Total and current liabilities				**5,000**	16,135

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

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:

	2011 $	2010 $
Cash and cash equivalents	**10,351,397**	4,920,035
Other receivables and prepayments	**1,933,937**	595,973
Other investments, including derivatives	**1,829,071**	495,417
	14,114,405	6,011,425

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

	Carrying amount	
	2011 $	2010 $
Australia	**293,279**	154,062
Brazil	**1,640,658**	441,911
	1,933,937	595,973

Impairment losses

Amounts receivable as a result of the Court Settlement award relating to Liberdade are past due as amounts in instalments have been received, no impairment is considered necessary. None of the Company's other receivables are past due (2010: 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
30 June 2011							
Trade and other payables	4,016,265	(4,016,265)	(4,016,265)	-	-	-	-
	4,016,265	(4,016,265)	(4,016,265)	-	-	-	-
30 June 2010							
Trade and other payables	783,839	(783,839)	(783,839)	-	-	-	-
	783,839	(783,839)	(783,839)	-	-	-	-

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

24. Financial Instruments (cont)

Currency risk

Exposure to currency risk

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

AUD Equivalent	30 June 2011 BRL $	30 June 2010 BRL $
Cash	**2,907,520**	449,048
Other receivables and prepayments	**1,640,659**	441,911
Trade and other payables	**(3,667,908)**	(430,020)
Net exposure	**880,271**	460,939

Sensitivity analysis

A strengthening of the AUD, as indicated below, against the BRL 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.

	Equity $	Profit or loss $
30 June 2011	(88,027)	-
BRL (10 percent strengthening)		
30 June 2010	(46,094)	-
BRL (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.

Interest rate risk

Profile

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

	2011 $	2010 $
Variable rate instruments		
Financial assets	**10,351,397**	4,920,035
Financial liabilities	**-**	-
	10,351,397	4,920,035

24. Financial Instruments (cont)

Interest rate risk (cont)

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 2010.

	Profit or loss		Equity	
	100bp Increase $	100bp Decrease $	100bp Increase $	100bp Decrease $
June 2011				
Variable rate instruments	103,514	(103,514)	-	-
Cash flow sensitivity (net)	103,514	(103,514)	-	-
30 June 2010				
Variable rate instruments	49,200	(49,200)	-	-
Cash flow sensitivity (net)	49,200	(49,200)	-	-

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 2011		30 June 2010	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Assets carried at fair value				
Cash and cash equivalents	**10,351,397**	**10,351,397**	4,920,035	4,920,035
Other receivables and prepayments	**1,933,937**	**1,933,937**	595,973	595,973
Available-for-sale financial assets	**1,567,987**	**1,567,987**	466,667	466,667
Held for trading derivatives instruments	**261,084**	**261,084**	28,750	28,750
	14,114,405	**14,114,405**	6,011,425	6,011,425
Liabilities carried at fair value				
Trade and other payables	**4,016,265**	**4,016,265**	783,839	783,839
	4,016,265	**4,016,265**	783,839	783,839

24. Financial Instruments (cont)

Fair values (cont)

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 $
30 June 2011				
Available-for-sale financial assets	1,567,987	-	-	1,567,987
Derivative instruments (i)	16,667	-	244,417	261,084
	1,584,654	-	244,417	1,829,071
30 June 2010				
Available-for-sale financial assets	466,667	-	-	466,667
Derivative instruments (i)	-	-	28,750	28,750
	466,667	-	28,750	495,417

There have been no transfers of assets from Levels during the year ended 30 June 2011 (2010: no transfers in either direction).

(i) Decline in fair value of derivative instruments of $148,799 (2010:$20,000) has been charged to finance expense.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy:

	Financial assets available for sale
Balance at 1 July 2010	28,750
Additions arising from sale of tenements	381,133
Total gains and losses recognised in profit and loss:	
Change in fair value of options	(165,466)
Balance at 30 June 2011	244,417

During the year, the Group acquired 3,125,000 unlisted options in Antipa Minerals Limited as part of the consideration for the sale of tenements, in addition the Group continued to hold 1,250,000 unlisted options in Clancy Exploration Limited. As the options are unlisted a quoted market price is not available. The fair value of options in Antipa Minerals Limited has been estimated using the Black and Scholes valuation.

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could leave to different measurements of fair value.

Key inputs and assumptions used in the models at 30 June 2011 include:

Volatility - this has been estimated at 104.9% based on the historical volatility of listed companies in the exploration industry.

Term - the life of the option has been estimated at 2.78 years which is the options term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

25. Contingent Liabilities

The Company and the Group had contingent liabilities at 30 June 2011 in respect of:

(a) Royalties payable under the Itambé tenement acquisition agreement:

i. At the date of this report there is no defined JORC Indicated Resources greater than 35 million tonnes of Iron Ore for the Itambé 1 tenement. Under the Itambé 1 tenement acquisition agreement, in the event of defining an economic feasible mineral reserve greater than 35 million tonnes of iron ore with more than 35% of Iron on the Itambé 1 tenement, a royalty of USD $0.20 per tonne of economically feasible iron ore is payable.

(b) Royalties payable under the Cenibra tenement acquisition agreement:

Future resource-based payments are made according to a confidential schedule of rates and the grade of the in situ Measured and Indicated Resource and is paid in 3 instalments over a 4 year period.

There are no other contingent liabilities that require disclosure.

Guarantees

Guarantees given in respect of bank security bonds amounting to $124,442 (2010: $107,809), secured by cash deposits lodged as security with the bank.

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

26. Capital Commitments

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various government bodies.

	2011 $	2010 $
Contracted for but not provided and payable:		
Less than one year	**634,924**	707,572
Between one and five years	**-**	1,748,716
More than five years	**-**	-
	634,924	2,456,288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

27. Operating Leases

	2011 $	2010 $
Leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	**248,754**	381,824
Between one and five years	**125,927**	495,217
More than five years	**-**	-
	374,681	877,041

The Group leases a number of offices and apartments under operating lease. The leases run for a period of one to three 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.

28. 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 Directors and Consultants outside of the ESOP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

28. Share-Based Payments (cont)

The terms and conditions relating to the grant of options are as follows:

Grant Date	Number of Options	Vesting Conditions	Option Term
Employee Options			
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		
Director Options			
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		
Consultant Options			
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		

28. Share-Based Payments (cont)

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 deliver over 100 Mt iron ore from the Company's iron ore projects in Brazil.*

Note 4: *Options vest on definition of JORC Inferred Resource that delivers over 250 Mt or JORC Measured and Indicated Resource that delivers over 100 Mt 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.*

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2011	Number of options 2011	Weighted average exercise price 2010	Number of options 2010
Outstanding at 1 July	**$0.095**	**49,870,000**	$0.160	6,300,000
Forfeited during the period	**$0.112**	**(4,445,000)**	$0.136	(2,850,000)
Expired during the period	**$0.220**	**(1,200,000)**	-	-
Exercised during the period	**$0.070**	**(2,075,000)**	-	-
Granted during the period	**$0.113**	**17,000,000**	$0.088	46,420,000
Outstanding at 30 June	**$0.097**	**59,150,000**	$0.095	49,870,000
Exercisable at 30 June	**$0.100**	**30,500,000**	$0.105	17,885,000

The options outstanding at 30 June 2011 have an exercise price in the range of $0.07 to $0.285 (2010: $0.050 to $0.285) and the weighted average remaining contractual life of 3.2 years (2010: 4.0 years).

The weighted average share price at the date of exercise for share options exercised in 2011 was $0.106 (2010: no options exercised).

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 2011 was $0.063 (2010: $0.035). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

28. Share-Based Payments (cont)

Inputs for measurement of grant date fair values (cont)

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
Employee Options								
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
Consultant Options								
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
Director Options								
30/11/2010	30/11/2015	$0.110	5.00 years	$0.10	99.10%	Nil	5.18%	$0.0754

Employee expenses

	2011 $	2010 $
Share options granted in 2008	-	10,186
Share options granted in 2009	**2,215**	9,206
Share options granted in 2010	**485,318**	734,362
Share options granted in 2011	**625,377**	-
Total expense recognised as employee costs	**1,112,910**	753,754

29. Farm-Out and Joint Venture Exploration Agreements

The Group has entered into a farm-out and joint venture exploration agreement with Brazilian based mining company Mining Ventures Do Sul Pesquisa e Mineracao Ltda. The joint venture covers the Group's two non-core Brazilian Copper – Gold Projects. Under the agreement a new company was formed called Mineração Passo das Pedras. Mining Ventures Do Sul Pesquisa e Mineracao Ltda will spend up to $4.25 million on the Project areas to earn up to a 90% interest. As at 30 June 2011 the Group owned 100% of Mineração Passo das Pedras.

The Group has entered into a farm-out and joint venture exploration agreement with Summit Resources (Aust) Pty Ltd for the Mt Guide Project. Summit has earned a 90% interest in the Project. MM Mining Plc is earning 80% of Summit's interest in the Project. The Group has a free carried 10% interest in the Project until the completion of a bankable feasibility study.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

30. Group Entities

	Country of incorporation	Ownership interest	
		2011	**2010**
Parent entity			
Centaurus Metals Limited			
Subsidiaries			
Centaurus Resources Pty Ltd	Australia	**100%**	100%
San Greal Resources Pty Ltd	Australia	**100%**	100%
Centaurus Brasil Mineração Ltda	Brazil	**100%**	100%
CSLJ Limited	Channel Islands	**100%**	100%
Glengarry Sabah Pty Ltd	Australia	**100%**	100%
Semporna Mining Sdn Bhd	Malaysia	**100%**	100%
Mineração Passo das Pedras Ltda	Brazil	**100%**	-

31. Subsequent Events

On 27 July 2011 the Group announced a strategic share placement whereby Altas Iron Limited ("Atlas") would subscribe $18.7M to Centaurus through a share placement comprising 212 million fully paid ordinary shares issued at 8.8 cents, resulting in a 19.9% stake in the Company, in addition Atlas would be issued 30 million options expiring 31 August 2014 exercisable at 15 cents. Tranche 1 of the placement occurred on 27 July 2011 with 110 million shares and 16 million options issued. Tranche 2 of the placement, comprising 102 million shares and 14 million options, was approved by shareholders on 22 September 2011.

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.

32. Remuneration of Auditors

	2011 $	2010 $
Audit services		
Auditors of the Company		
KPMG Australia: Audit and review of financial reports	**-**	25,500
KPMG Australia: Review December 2010 financial reports	**30,000**	-
KPMG Brazil: Audit June 2010 financial reports	**10,957**	-
KPMG Australia: Audit June 2010 financial reports	**75,343**	-
	116,300	25,500
Other services		
Auditor of the Company		
KPMG Australia: Taxation services	**118,472**	50,595
KPMG Brazil: Taxation services	**85,000**	-
	203,472	50,595

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont)

For the year ended 30 June 2011

33. Parent Entity Information

As at and throughout the financial year ending 30 June 2011 the parent company of the Group was Centaurus Metals Limited.

Result of the parent entity

	Company	
	2011 $	2010 $
Loss for the period	**(3,571,897)**	(3,963,021)
Other comprehensive income		
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	**-**	-
Other comprehensive income for the period, net of income tax	**(265,625)**	-
Total comprehensive loss for the year	**(3,837,522)**	(3,963,021)

Financial position of the parent entity at the year end

Current assets	**7,716,671**	4,575,293
Non-current assets [1]	**37,637,923**	26,128,440
Total assets	**45,354,594**	30,703,733
Current liabilities	**578,077**	411,577
Total liabilities	**578,077**	411,577
Net assets	**44,776,517**	30,292,156
Share capital	**53,851,446**	36,553,428
Reserves	**4,676,681**	3,918,442
Accumulated losses	**(13,751,610)**	(10,179,714)
Total equity	**44,776,517**	30,292,156

Parent entity contingencies

The parent entity had no contingent liabilities as at 30 June 2011 (2010: 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 2011.

33. Parent Entity Information (cont)

Parent entity lease commitments

The parent entity has the following lease commitments:

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2011 $	2010 $
Less than one year	**166,872**	139,060
Between one and five years	**111,248**	333,744
More than five years	**-**	-
	278,120	472,804

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 2011 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 2011.

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

22 September 2011

INDEPENDENT AUDITOR'S REPORT

KPMG

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 2011, 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 33 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.

INDEPENDENT AUDITOR'S REPORT (cont)

KPMG

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 2011 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 2011. 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 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Trevor Hart
Partner

Perth
22 September 2011

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 28 September 2011.

A. Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Atlas Iron Limited – 212,000,000 shares and 30,000,000 unlisted options
Lujeta Pty Ltd – 60,000,000 shares

B. Class of Shares and Voting Rights

(a) At 28 September 2011 there were 4,316 holders of ordinary shares in the Company.

(b) The voting rights attaching to the ordinary shares, set out in Clause 41 of the Company's Constitution, are:

On a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

On a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares, shall have a fraction of a vote for each partly paid share. The fraction shall be equivalent to the proportion which the amount paid is of the total amounts paid and payable, excluding amounts credited, provided that the amounts paid in advance of a call are ignored when calculating a true portion.

(c) At 28 September 2011, there were 73 holders of options over 140,319,392 unissued ordinary shares. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

C. Distribution of Equity Securities

(a) Analysis of numbers of equity security holders by size of holding:

			Class of Equity Security	
			Ordinary Shares	Options
1	-	1,000	109	-
1,001	-	5,000	291	-
5,001	-	10,000	595	-
10,001	-	100,000	2,321	13
100,001	and	over	1,000	60
			4,316	73

(b) There were 451 holders of less than a marketable parcel of ordinary shares.

SHAREHOLDER INFORMATION (cont)

D. Equity Security Holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of each class of quoted equity security are listed below:

	Ordinary Shares	
	Number Held	Percentage of Issued Shares
Atlas Iron Limited	212,000,000	19.85
Lujeta Pty Ltd	60,000,000	5.62
Mr Darren Gordon	52,558,328	4.92
Bridgelane Pty Ltd	44,611,000	4.18
Citicorp Nominees Pty Ltd	16,408,181	1.53
HSBC Custody Nominees (Aust) Limited	16,352,909	1.53
UBS Nominees Pty Ltd	15,741,242	1.47
Mr Bradley George Bolin	12,000,000	1.12
Vulcan Custodian Limited	11,410,000	1.07
JP Morgan Nominees Aust Limited	10,711,949	1.00
Mr Richard Hill	8,555,440	0.80
MPH Resources Pty Ltd	7,000,000	0.65
Bond Street Custodians Limited	6,688,653	0.63
Egg Au Pty Ltd	6,069,200	0.57
Matzo Consulting Pty Ltd	6,050,000	0.57
Mr Mark John Elton Papendieck	6,000,000	0.57
Tohei Pty Ltd	5,907,235	0.55
Mr Grant Anthony Pestell	5,851,880	0.55
UBS Wealth Management Aust Nominees Pty Ltd	5,309,040	0.50
Mr Robin Scrimgeour	5,034,944	0.47
Total Top 20 Shareholders	514,260,001	48.15
Other Shareholders	553,738,636	51.85
Total Number of Issued Shares	1,067,998,637	100.00

In October 2011 the Company's capital will be consolidated on a 1-for-8 basis.

E. Restricted Securities

The Company currently has no restricted securities.

F. On-market Buy Back

There is no current on-market buy back.

TENEMENT INFORMATION

Australian Tenements

Tenement	Project Name	Location	Interest
EPM14233	Mt Guide	Queensland	[1]

(1) Subject to a Farm-Out and Joint Venture Exploration Agreement with Summit Resources (Aust) Pty Ltd. Summit has earned a 90% interest in the Project. MM Mining Plc is earning 80% of Summit's interest in the Project.

Brazilian Tenements

Tenement	Project Name	Location	Interest
832.316/2005	Itambé	Minas Gerais	100%
831.409/2008	Itambé	Minas Gerais	100%
831.410/2008	Itambé	Minas Gerais	100%
831.411/2008	Itambé	Minas Gerais	100%
831.412/2008	Itambé	Minas Gerais	100%
831.413/2008	Itambé	Minas Gerais	100%
831.414/2008	Itambé	Minas Gerais	100%
832.335/2008	Itambé	Minas Gerais	100%
830.922/2009	Itambé	Minas Gerais	100%
830.923/2009	Itambé	Minas Gerais	100%
830.924/2009	Itambé	Minas Gerais	100%
831.645/2006	Passabem	Minas Gerais	100%
830.588/2008	Passabem	Minas Gerais	100%
832.303/2008	Ponte de Pedra	Minas Gerais	100%
832.304/2008	Ponte de Pedra	Minas Gerais	100%
832.305/2008	Ponte de Pedra	Minas Gerais	100%
832.476/2008	Ponte de Pedra	Minas Gerais	100%
832.589/2008	Ponte de Pedra	Minas Gerais	100%
832.590/2008	Ponte de Pedra	Minas Gerais	100%
832.591/2008	Ponte de Pedra	Minas Gerais	100%
832.592/2008	Ponte de Pedra	Minas Gerais	100%
832.593/2008	Ponte de Pedra	Minas Gerais	100%
832.601/2008	Ponte de Pedra	Minas Gerais	100%
831.212/2009	Ponte de Pedra	Minas Gerais	100%
831.213/2009	Ponte de Pedra	Minas Gerais	100%
832.690/2009	Ponte de Pedra	Minas Gerais	100%
832.691/2009	Ponte de Pedra	Minas Gerais	100%
832.692/2009	Ponte de Pedra	Minas Gerais	100%
833.998/2008	Guanhães	Minas Gerais	100%
833.999/2008	Guanhães	Minas Gerais	100%
834.000/2008	Guanhães	Minas Gerais	100%
834.001/2008	Guanhães	Minas Gerais	100%
834.002/2008	Guanhães	Minas Gerais	100%
834.003/2008	Guanhães	Minas Gerais	100%
834.004/2008	Guanhães	Minas Gerais	100%

TENEMENT INFORMATION (cont)

Brazilian Tenements (cont)

Tenement	Project Name	Location	Interest
832.792/2010	Guanhães	Minas Gerais	100%
832.793/2010	Guanhães	Minas Gerais	100%
832.794/2010	Guanhães	Minas Gerais	100%
832.796/2010	Guanhães	Minas Gerais	100%
834.378/2008	Itamarandiba	Minas Gerais	100%
834.379/2008	Itamarandiba	Minas Gerais	100%
834.380/2008	Itamarandiba	Minas Gerais	100%
834.381/2008	Itamarandiba	Minas Gerais	100%
834.382/2008	Itamarandiba	Minas Gerais	100%
834.383/2008	Itamarandiba	Minas Gerais	100%
834.384/2008	Itamarandiba	Minas Gerais	100%
834.435/2008	Itamarandiba	Minas Gerais	100%
834.436/2008	Itamarandiba	Minas Gerais	100%
834.437/2008	Itamarandiba	Minas Gerais	100%
834.438/2008	Itamarandiba	Minas Gerais	100%
834.439/2008	Itamarandiba	Minas Gerais	100%
834.440/2008	Itamarandiba	Minas Gerais	100%
832.894/2009	Itamarandiba	Minas Gerais	100%
832.895/2009	Itamarandiba	Minas Gerais	100%
832.896/2009	Itamarandiba	Minas Gerais	100%
832.897/2009	Itamarandiba	Minas Gerais	100%
832.898/2009	Itamarandiba	Minas Gerais	100%
832.899/2009	Itamarandiba	Minas Gerais	100%
834.794/2007	Rio Pardo	Minas Gerais	100%
834.795/2007	Rio Pardo	Minas Gerais	100%
834.796/2007	Rio Pardo	Minas Gerais	100%
832.523/2009	Rio Pardo	Minas Gerais	100%
832.465/2008	Serra do Bicho	Minas Gerais	100%
832.468/2008	Serra do Bicho	Minas Gerais	100%
832.469/2008	Serra do Bicho	Minas Gerais	100%
832.470/2008	Serra do Bicho	Minas Gerais	100%
832.472/2008	Serra do Bicho	Minas Gerais	100%
832.473/2008	Serra do Bicho	Minas Gerais	100%
832.474/2008	Serra do Bicho	Minas Gerais	100%
834.106/2010	Cenibra	Minas Gerais	[2]
831.649/2004	Cenibra	Minas Gerais	[2]
831.629/2004	Cenibra	Minas Gerais	[2]
831.636/2004	Cenibra	Minas Gerais	[2]
831.637/2004	Cenibra	Minas Gerais	[2]
831.638/2004	Cenibra	Minas Gerais	[2]

TENEMENT INFORMATION (cont)

Brazilian Tenements (cont)

Tenement	Project Name	Location	Interest
831.639/2004	Cenibra	Minas Gerais	(2)
831.642/2004	Cenibra	Minas Gerais	(2)
832.249/2006	Cenibra	Minas Gerais	(2)
832.250/2006	Cenibra	Minas Gerais	(2)
832.255/2006	Cenibra	Minas Gerais	(2)
833.409/2007	Cenibra	Minas Gerais	(2)
833.410/2007	Cenibra	Minas Gerais	(2)
834.347/2007	Cenibra	Minas Gerais	(2)
834.352/2007	Cenibra	Minas Gerais	(2)
830.721/2007	Cenibra	Minas Gerais	(2)
833.895/2007	Cenibra	Minas Gerais	(2)
831.947/2002	Ribeirão	Minas Gerais	(3)
831.972/2005	Ribeirão	Minas Gerais	(3)
834.213/2010	Ribeirão	Minas Gerais	(3)
872.208/2007	Serra da Lontra	Bahia	100%
810.411/2007	Caçapava do Sul	Rio Grande do Sul	(4)
810.412/2007	Caçapava do Sul	Rio Grande do Sul	(4)
810.413/2007	Caçapava do Sul	Rio Grande do Sul	(4)
810.414/2007	Caçapava do Sul	Rio Grande do Sul	(4)
810.522/2007	Caçapava do Sul	Rio Grande do Sul	(4)
810.523/2007	Caçapava do Sul	Rio Grande do Sul	(4)
810.525/2007	Caçapava do Sul	Rio Grande do Sul	(4)
815.891/2010	Brusque	Santa Catarina	(4)
815.510/2007	Brusque	Santa Catarina	(4)
815.909/2007	Brusque	Santa Catarina	(4)

(2) The Group has an agreement with Celulose Nipo-Brasileira S.A. to acquire 100% of the tenement.

(3) The Group has an agreement with Oratorios Engenharia Mineral Ltda to acquire 100% of the tenement.

(4) Subject to a Farm-Out and Joint Venture Exploration Agreement with Mining Ventures Do Sul Pesquisa e Mineracao Ltda. As at 30 June 2011 the Group held a 100% interest in the tenements.

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