

19 January 2012

CENTAURUS TO DRILL CANDONGA PROJECT AFTER TRENCHING RESULTS HIGHLIGHT IRON POTENTIAL CLOSE TO JAMBREIRO

NEW DRILLING PLANNED TARGETING POTENTIAL 1.6km STRIKE OF HIGH-GRADE ITABIRITE MINERALISATION

International iron ore company Centaurus Metals Limited (ASX Code: **CTM**) is pleased to report that it has confirmed the presence of high-grade itabirite mineralisation at surface in various locations over a strike length of **approximately 1.6km** from trenching at its **Candonga Iron Ore Project**, located 40km from its flagship Jambreiro Project in Minas Gerais, south-east Brazil.

The results have enhanced the potential of the Candonga Project as a future source of ore feed for Centaurus' planned iron ore operation at Jambreiro, where it completed a positive Pre-Feasibility Study on an initial 2Mtpa mine in November last year and is currently undertaking a Bankable Feasibility Study.

This potential remains subject to further metallurgical test work to be undertaken as part of the ongoing beneficiation test work program for Jambreiro, as the mineralogy of the Candonga mineralisation appears to be different to that of Jambreiro, being of considerably higher in-situ Fe grade and mineral species.

The trenching work has significantly enhanced the definition of drill targets for the next round of exploration and drilling at Candonga. The RC rig which is currently completing in-fill drilling at Jambreiro will be moved to the Candonga Project once the drilling program is complete.

The friable itabirite mineralisation at surface identified in the trenches, which varies in width between **15 and 88 metres**, contains hematite, magnetite and goethite.

The trenching program comprised a total of six trenches for 256 metres (*see Figure 1 for location of trenches*), with highlights of the trenching assay results including (*see Table 1 for complete results*):

- **88.0 metres @ 55.8% Fe, 4.2% Al₂O₃ and 0.03% P** in trench **CDG-TR-11-006**
- **42.0 metres @ 52.2% Fe, 4.5% Al₂O₃ and 0.04% P** in trench **CDG-TR-11-004**
- **36.0 metres @ 46.6% Fe, 4.0% Al₂O₃ and 0.08% P** in trench **CDG-TR-11-001**
- **30.0 metres @ 57.6% Fe, 4.0% Al₂O₃ and 0.03% P** in trench **CDG-TR-11-002**

The trench results correlate well with the drill results from the Company's initial drill program at Candonga in 2010, which included **85.6 metres at 40.0% Fe in drill hole CDG-DD-10-001** and **53.0 metres at 45.6 %Fe in drill hole CDG-RC-10-003** (*see Table 2*).

The holes in the initial program intersected iron enriched intervals of friable mineralisation at surface before becoming more compact at depth. At surface, medium to coarse grained hematite and goethite are the primary iron minerals with both being substituted by magnetite at depth. Early observation and metallurgical characterisation work indicates that this mineralisation has properties which appear highly complementary in a physical and mineral species sense to the Jambreiro concentrate product, providing further market flexibility and appeal to Centaurus' domestic product range.

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Characterisation work on the Candonga diamond core collected from the initial drill program shows that the beneficiation characteristics of the mineralisation varies with the type of material processed. The early magnetic separation test work shows that that friable mineralisation with a head grade 53.7% Fe (consistent with the iron grade in the trenches) upgrades to a 63.5% Fe product with 5.8% silica content.

Although undertaken on a relatively small sample the characterisation test work is very encouraging. Initiation of further flowsheet test work is planned, based on a larger sample which will be generated as part of the upcoming drill program. This test work will be focussed on how to leverage processing, logistics and infrastructure benefits from the proposed Jambreiro Project development.

Centaurus is encouraged by the results from the Candonga trenching program, which support its emerging regional iron ore development strategy in south-eastern Brazil. The Company looks forward to commencing drilling at the Candonga Project.

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Competent Person's Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Roger Fitzhardinge who is a Member of the AusIMM. Roger Fitzhardinge is a permanent employee of Centaurus Metals Limited. Roger Fitzhardinge has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Roger Fitzhardinge consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



Figure 1 – Map of the Jambreiro Iron Ore Project Showing Trench Locations

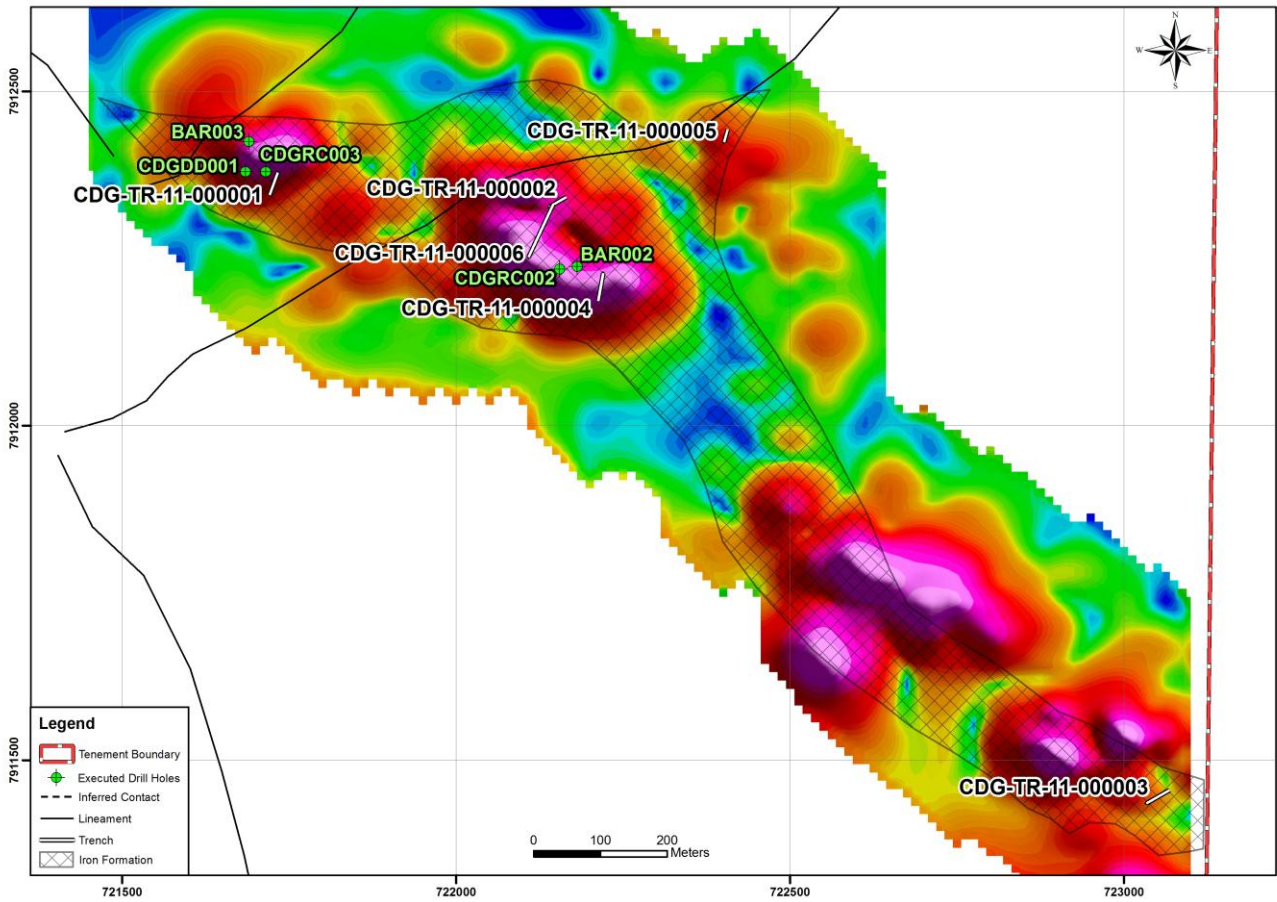




Table 1 – Candonga Trench Program Assay Results - January 2012

Trench ID	SAD East	SAD North	mRL	Azi	Final Length (m)	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	LOI%
CDG-TR-11-0001						46.64	24.65	4.02	0.08	0.08
CDG-TR-11-0001	721733	7912379	861	250	36.00	46.64	24.65	4.02	0.08	0.08
CDG-TR-11-0002						57.59	10.26	4.05	0.03	0.03
CDG-TR-11-0002	722139	7912327	889	30	30.00	57.59	10.26	4.05	0.03	0.03
CDG-TR-11-0003						39.53	29.26	6.80	0.08	0.08
CDG-TR-11-0003	723033	7911435	884	30	40.00	39.53	29.26	6.80	0.08	0.08
CDG-TR-11-0004						52.22	17.07	4.50	0.04	0.04
CDG-TR-11-0004	722220	7912228	913	260	42.00	52.22	17.07	4.50	0.04	0.04
CDG-TR-11-0005						40.49	31.47	5.72	0.03	0.03
CDG-TR-11-0005	722401	7912424	893	75	20.00	40.49	31.47	5.72	0.03	0.03
CDG-TR-11-0006						55.83	12.52	4.17	0.03	0.03
CDG-TR-11-0006	722108	7912252	898	65	88.00	55.83	12.52	4.17	0.03	0.03

Intervals calculated using a 20% Fe cut-off grade with 3 metre minimum mining width
All samples were analysed using an XRF fusion method with LOI at 1000 °C

Table 2 – Candonga Drill Results – October 2010

Hole ID	From (m)	Downhole Composite width (m)	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	LOI%
Diamond Drilling							
CDG-DD-10-0001	3.00	85.65	39.97	35.65	1.05	0.07	1.95
BAR-002	0.00	15.00	48.58	16.27	7.54	0.07	3.28
BAR-003	0.00	47.80	36.91	39.47	2.15	0.12	4.56
Reverse Circulation Drilling							
CDG-RC-10-0002	1.00	12.00	60.64	5.57	4.23	0.02	0.11
CDG-RC-10-0003	0.00	53.00	45.64	27.61	1.46	0.12	4.38

Intervals calculated using a 20% Fe cut-off grade with 3 metre minimum mining width
All samples were analysed using an XRF fusion method with LOI at 1000 °C