

14 September 2015

## CANDONGA AGREEMENT DOCUMENTATION COMPLETED AND SECOND INSTALMENT OF CONSIDERATION RECEIVED

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- Candonga DSO Project Agreement has now been completed with private Brazilian group, Ecosinter, for total consideration of R\$4M (~A\$1.6M) payable in 10 equal instalments of R\$400,000.
  - First two instalments have now been paid to Centaurus by Ecosinter with the next eight instalments to be received on a monthly basis through to May 2016.
  - Centaurus has assigned the lease of the Company's field office in Guanhães to Ecosinter to support their operations in the region.
  - Significant value retained in the Company's remaining iron ore portfolio in SE Brazil, for which processes are advancing to realise value.
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Centaurus Metals Limited (ASX Code: **CTM**) is pleased to advise that it has completed the Agreement documentation for the Candonga DSO Iron Ore Project in south-eastern Brazil with private Brazilian group, Ecosinter – Indústria de Beneficiamento de Resíduos Ltda (“Ecosinter”), for R\$4 million (~A\$1.6 million). This has resulted in the second instalment amount of R\$400,000 being paid to the Company by Ecosinter.

Centaurus has executed documentation for a future lease of the Candonga Project with Ecosinter under which Ecosinter will manage and operate the Project while Centaurus retains title to the underlying tenement. As previously announced (*see ASX Announcement – 8 July 2015*), the total consideration payable by Ecosinter to secure future access to the Candonga resource is R\$4 million, to be paid in 10 equal monthly payments of R\$400,000 each. The first two instalments totalling R\$800,000 have now been paid to the Company.

The Company has also agreed to assign the lease to its existing field office in Guanhães to Ecosinter, which will assist Ecosinter with their future developments in the region and reduce operational costs for Centaurus.

The strong interest in the Project from Ecosinter, which has experience in small-scale domestic iron ore operations and downstream processing, continues to support the Company's view that low-cost DSO projects remain profitable for domestic market supply even at a time when international iron ore prices are relatively low, due to the domestic cost curve and the overall weakness in the Brazilian currency.

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We believe that Ecosinter will be able to establish an operation at the Candonga site with low capital and operating costs due to the high grade nature of the ore, the low strip ratio, its proximity to the domestic market and the strong relationships Ecosinter has developed with the key steel and pig iron customers in the domestic market. Domestic-focused DSO projects like Candonga should be profitable in the local market for groups with access to capital and funding to develop them.

The agreement with Ecosinter only relates to the Candonga Iron Ore Project with Centaurus retaining 100% ownership of the much larger, development-ready Jambreiro Iron Ore Project, which is licensed for 3Mtpa of wet production, and the highly prospective Conquista DSO Iron Ore Project, located only 8km from Candonga.

The realisation of value from the Candonga Project is consistent with the Company's previously announced strategy to progressively reposition outside of the bulk commodities sector while continuing to pursue opportunities to unlock value from its existing iron ore portfolio.

## Jambreiro Iron Ore Project

In light of the strong interest in the Candonga asset, Centaurus is continuing to progress a number of avenues (including possible joint venture and divestment) to realise value from the Jambreiro Project, which remains a highly valuable asset in the domestic market, particularly for mining or steel groups with access to capital and funding.

In December 2013, the Company completed a Feasibility Study on the Jambreiro Project for a 1Mtpa operation based on the existing Ore Reserve<sup>1</sup>. This study forecast production of 18Mt of high-grade low-impurity product over a period of 18 years. The key economics from the 1Mtpa study at the time were as follows:

Key Financial Outcome	Total
Total Revenue	A\$750 million
EBITDA	A\$350 million
Capital Costs	A\$53 million
Annual Average Operating Cash Flow	A\$19.4 million
LOM Average Sales Price	US\$37.6/dmt
Operating Cash Cost (per tonne Product - LoM)	A\$22.0/dmt
NPV <sub>8</sub> Pre- tax	A\$96.7 million
NPV <sub>8</sub> Post- tax	A\$55.9 million
Post Tax IRR	21%

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<sup>1</sup> Refer to the ASX Announcement dated 13 January 2014 for details of the material assumptions underpinning the production target for the Jambreiro Project. The Company confirms that key material assumptions underpinning the production target continue to apply and have not materially changed.

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The strong economics were generated using a Life-of-Mine (LOM) average mine gate price of US\$37.6/dmt which, based on the exchange rates at the time, delivered a local currency price of R\$82.7/dmt. This LOM average price generated total LOM revenue of R\$1.5 billion (A\$750 million) and EBITDA of R\$699 million (A\$350 million).

Based on the Company's ongoing domestic market price analysis, it is likely that the current Real-denominated mine gate sinter feed price for the Jambreiro product that would be at least equivalent to the price used in the 2013 Feasibility Study. As a result, the Jambreiro Project continues to offer significant value for groups with access to capital and funding.

## **Conquista DSO Iron Ore Project**

The Conquista Project, which is located just 8km from Candonga, has the ability to significantly enhance the future economics and life of any operation at the Candonga Project, or be a successful standalone project. The Project therefore retains significant value for Centaurus and the Company will continue to investigate ways to maximise its value for shareholders.

Completion of the Candonga Project deal and subsequent interest in the Conquista Project from a number of local producers continues to validate the Company's belief in the value that can be generated from small domestic-focused DSO Projects in Brazil.

Based on exploration to date at Conquista, this project appears to be significantly larger than the Candonga Project. The Company has established an Exploration Target for the Conquista Project of 3.5-8.0Mt of high-grade DSO grading 64-67% Fe with a further 20-40Mt of itabirite mineralisation grading 35-45% Fe. The Exploration Target is based on detailed geological mapping, the auger drill-hole results and is underpinned by the ground magnetic survey<sup>2</sup>. The Exploration Target quantity and grade is conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

Centaurus plans to undertake some low-cost exploration activities at the Project to increase confidence in the Exploration Target and the overall value of the Project before aiming to determining the best way to realise value from the Project.

**ENDS**

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<sup>2</sup> Refer to ASX announcement on 19 March 2015 for further information on the Exploration Target for the Conquista Project.

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## **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 mineralization and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Roger Fitzhardinge and Volodymyr Myadzel consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.*

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

*Beck Nader has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Beck Nader consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.*