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CENTAURUS OUTLINES STAGED DEVELOPMENT PLAN FOR JAMBREIRO PROJECT WITH LOW CAPEX 1MTPA START-UP

Key Points

- Board approves revised development strategy for the Jambreiro Iron Ore Project in SE Brazil based on a low CAPEX 1Mtpa start-up project with the ability to subsequently expand the production base to 2-3Mtpa.
 - The new strategy results in a 61% reduction in pre-production capital expenditure to A\$53M (US\$47M), while still supporting robust economics with average life-of-mine C1 cash operating costs (including royalties) estimated at A\$22/tonne (US\$20/tonne).
 - The revised base case production scenario significantly reduces funding risk and provides a higher level of confidence in delivering the Project against the current schedule of achieving first production in Q1 2015, enabling Centaurus to benefit from continued strong iron ore prices.
 - Discussions continuing with a leading Brazilian-based iron ore and steel group for a potential life-of-mine, take-or-pay off-take arrangement. The ability to finalise such an arrangement remains subject to the re-commencement of work on partially constructed port capacity by third party groups for the long term benefit of the potential off-taker.
 - The new staged development scenario will enable Centaurus to press ahead with construction of a 1Mtpa operation in parallel with the finalisation of off-take arrangements.
 - Centaurus has also commenced discussions to establish contractual arrangements with rail and port operators of the infrastructure required to establish a future export path for Jambreiro ore using existing rail infrastructure and a number of port alternatives. This export strategy provides an attractive future growth option for the Company.
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International iron ore company Centaurus Metals Ltd (ASX Code: **CTM**) today announced a revised development plan for its flagship **Jambreiro Iron Ore Project** in south-east Brazil based on the commencement of production at 1Mtpa with the ability to subsequently increase to 2-3Mtpa.

This revised development strategy will result in a substantial reduction in pre-production capital, enabling Centaurus to commence development with significantly less financing risk and in the shortest possible timeframe to take advantage of continued strong iron ore prices.

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Centaurus is continuing to progress discussions with a leading Brazilian-based iron ore and steel group in respect to off-take and encompassing a potential life-of-mine, take-or-pay arrangement (see ASX Announcement – 2 October 2013).

While these negotiations are progressing well, the finalisation of this off-take arrangement is reliant on the re-commencement of construction of a new port development in the south-east region of Brazil. This new port development should provide an opportunity for the potential off-taker to optimise their iron ore consumption, including any future arrangement in respect to Jambreiro ore, between the domestic and export markets. At present, the timely completion of this partially constructed port capacity is awaiting the settlement of a sale of the port development to new international third parties.

As a result of these external logistical and infrastructure-related factors, it is difficult for Centaurus to accurately forecast when the off-take arrangements will be finalised.

The new staged development approach significantly reduces Centaurus' exposure to these external factors, while at the same time reducing its overall financing risk and providing greater certainty in its timeframe to production. Under the revised production base, development would commence in April 2014 with first production targeted for Q1 2015 (as previously planned).

The Company plans to establish a strong cash flow business from the initial 1Mtpa Jambreiro development and then expand its production rate into the domestic market or as soon as it has established a direct export path for the Jambreiro high-grade product into the seaborne market. No further environmental approvals will be required as the Project is already approved for a 3Mtpa production rate.

Revised Base Case

The proposed 1Mtpa operation for Jambreiro is estimated to require initial capital expenditure of A\$53 million (US\$47 million) with an average life-of-mine operating cost of A\$22 per tonne (US\$20 per tonne) of finished product, including royalties. The new project is based on an 18-year initial project life¹. The capital and operating cost estimates are based on an internal cost study which utilises definitive data collected during the 2012 Bankable Feasibility Study (BFS) as well as recent price checks on key components of the capital and operating costs.

The major reduction in the capital cost, compared with the BFS estimate announced to the market on 5 November 2012, has been generated from the proportional reduction in the production rate and a significantly improved plant design which has reduced the processing plant footprint and the quantities of concrete and steel required to construct the plant.

¹ Updated initial life of mine estimation is based on the current JORC 2004 Proven and Probable Ore Reserve of 48.5 Mt at an average grade of 28.1% Fe (see ASX announcement on 5 November 2012). Given the conservatism built into the pit optimization parameters used for the current reserve estimate the Company is confident that the new operational costs will not result in a material change to the new reserve estimate. The Company announced an upgraded JORC 2004 Resource of 128.0 Mt at an average grade of 27.2% Fe (see ASX announcement on 29 July 2013). In line with the recent changes to the project strategy the updated Reserve Estimate which was planned for Q4 2013 will now be completed in Q1 2014.



In addition, there has been a transfer of some capital expenditure to operating costs such as contracting out the mining fleet and commencing the project on diesel generated power rather than establishing a new power line. The plan also sees some non-essential initial capital costs deferred until the Project becomes cash flow positive.

The lower production rate will extend the life of the friable Reserves, which are extremely well suited to the low cost gravity processes which continue to underpin the beneficiation flow sheet under the revised development scenario.

It is expected that the new base case scenario should see Jambreiro in production by Q1 2015, in line with its published timetable, as all of the environmental licences required to start construction are already in place and the financing exercise has been simplified by reducing the capital cost and removing the absolute requirement to secure off-take in advance of financing the Project.

The Jambreiro Project will produce a high-grade, low impurity product and, in light of the discussions that have been held to date with potential customers in the domestic market, the Company is confident that it will be able to sell all ore produced from Jambreiro under the new development plan at market-based prices into the domestic or export markets.

New Export Opportunity

In conjunction with the development of the new base case production scenario for Jambreiro, the Company has also been actively pursuing potential avenues to export Jambreiro product using the existing and well established EFVM rail line and a number of port alternatives in the vicinity of both the Brazilian port of Vitória and the major Tubarão port complex in the State of Espírito Santo.

In this regard, the Company has commenced discussions to establish contractual arrangements with rail and port operators of the infrastructure required to establish a future export path for Jambreiro ore. While further work needs to be undertaken in respect to this future development option, the Company is confident that an economic export business can be developed for Jambreiro on the back of the smaller base case domestic market production scenario.

Management Comment

Centaurus' Managing Director Darren Gordon said the revised development strategy would significantly reduce funding risk, create greater certainty around development and production timelines and put the Company on track to join the ranks of iron ore producers under a low CAPEX scenario which has proven to be highly successful for other junior ASX-listed iron ore companies. He continued:

"The best result for our shareholders is to get into production as soon as we possibly can, so that we can benefit from the resilient conditions, strong demand and strong prices in the iron ore market. While we have every confidence that we will ultimately finalise a suitable life-of-mine off-take deal that will support project expansions, we cannot keep holding up the development and financing of the project waiting until this occurs."

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“The 1Mtpa start-up approach cuts our upfront capital expenditure requirement by more than half and will enable us to be in production in Q1 2015, with far greater certainty that we will achieve this timetable. Most importantly, it greatly reduces our funding risk and puts us in a position where we can realise value from this Project in a timely fashion and while the iron ore sector remains buoyant.

“We then have the option to grow incrementally to 2-3Mtpa production and to pursue an attractive export option for the project, funding this from project cash flow.

“The Company has established a very good working relationship with all potential customers in the domestic Brazilian market and each understands the benefit of accessing a reliable supply of the high-grade, low-impurity iron ore product available from the Jambreiro Project to replace declining ore volumes and grade out of the Brazilian Southern System.

“The combination of the new base case production scenario for the domestic market and the potential to expand the Company’s overall production base in the future through an export path, which looks to have significant potential, continues to underpin our confidence in the Jambreiro Project as a high quality asset that will deliver strong returns to our shareholders,” Mr Gordon said.

-ENDS-

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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.

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