

## JUNE 2016 QUARTERLY ACTIVITIES REPORT

*Pivotal gold drilling program underway at the Mombuca Gold Project in Brazil following significant progress with the Company's diversification and growth strategy in the June Quarter*

28 July 2016



### JUNE QUARTER HIGHLIGHTS

#### GOLD EXPLORATION – MOMBUCA GOLD PROJECT

- ▶ Significant walk-up drill targets from surface identified at the Mombuca Gold Project following successful Induced Polarisation (IP) survey.
- ▶ The survey identified a number of open-ended high chargeability zones that extend to more than 250m depth. These chargeability anomalies, which indicate the likely presence of sulphides, correlate extremely well with the gold-bearing sulphide mineralisation identified at surface.
- ▶ A number of these IP chargeability targets are coincident with magnetic low features found within a broader magnetic high anomaly.
- ▶ The strong correlation between the chargeability high, the resistivity high and the magnetic low is a strong indicator of magnetite depletion by sulphide rich fluids and represents an excellent gold drill target for the Company.
- ▶ Subsequent to the end of the quarter, diamond drilling of the key prospect areas commenced.

#### CORPORATE

- ▶ Exciting new growth opportunity secured in the international potash fertiliser business with the formation of a 50/50 joint venture with substantial shareholder and private international investment company, Tavarua International Inc., to pursue potash projects in Australia and south-east Asia.
- ▶ Successful \$650,000 capital raising completed to accelerate the maiden drilling program at Mombuca Gold Project.

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## OVERVIEW

The June 2016 Quarter was an exciting and productive period for Centaurus, with exploration activities focused on the highly prospective Mombuca Gold Project in south-east Brazil, where an Induced Polarisation (IP) survey completed over the project area identified a number of walk-up drill targets at surface.

The survey highlighted a number of open-ended high chargeability zones that extend to more than 250m depth and are continuous for over 650m of strike within the priority ITZ Prospect, with the survey clearly demonstrating the strong relationship between gold-bearing sulphide mineralisation previously identified at surface and the chargeability zones at depth.

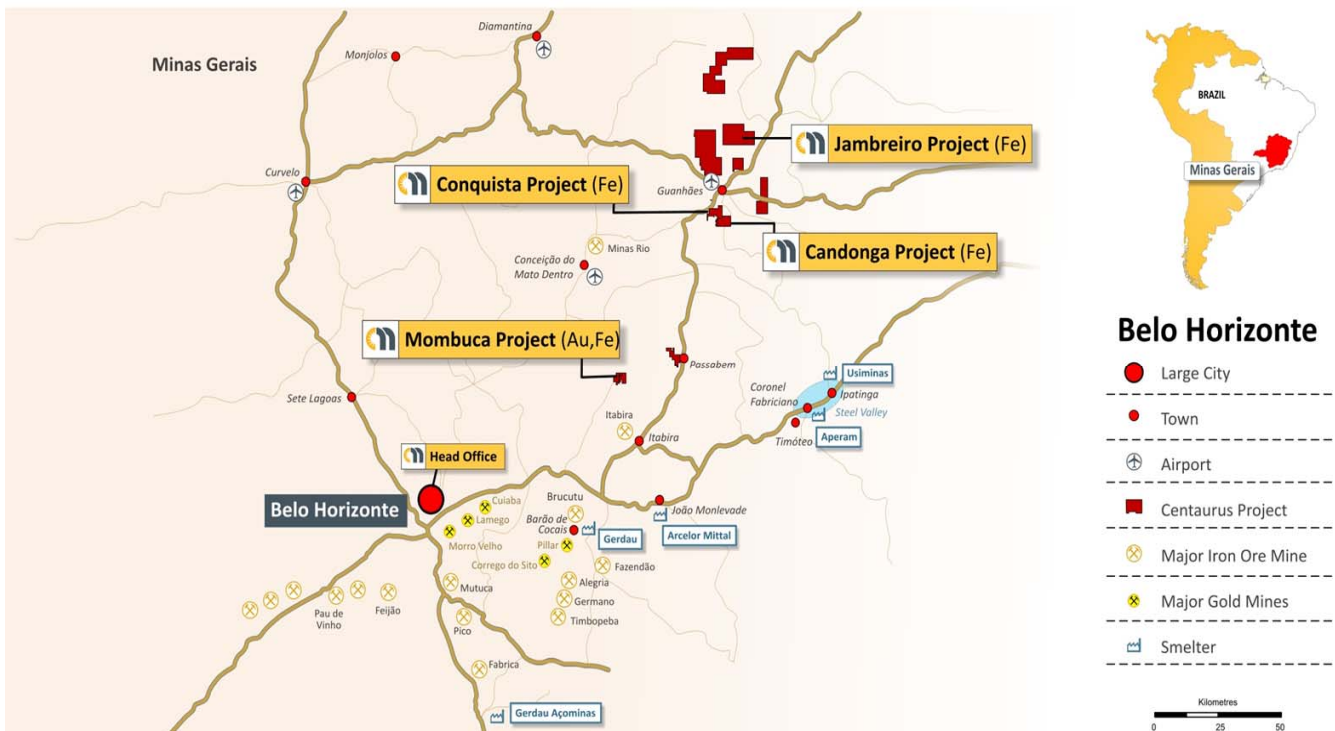
A number of these IP chargeability targets are coincident with magnetic low features found within a broader magnetic high anomaly. This type of geophysical feature presents excellent targets for drilling.

A 2,500 metre diamond drill campaign commenced at Mombuca in mid-July, funded by a \$650,000 capital raising completed during the reporting period.

Also during the Quarter the Company secured the backing of its substantial shareholder, Mr Ingo Wender, to embark on a new growth strategy in the international potash fertiliser business through the formation of a 50/50 joint venture.

The joint venture, known as Nova Potash, represents another step in Centaurus' previously announced diversification strategy, positioning the Company to capitalise on long term global demand for potash fertilisers, as increased farming efficiency is required to feed the world's growing population.

Figure 1: Centaurus project locations in south-east Brazil





## EXPLORATION

### MOMBUCA GOLD PROJECT

Centaurus completed an Induced Polarisation (IP) survey over Mombuca Gold Project during the June Quarter which identified a number of open-ended high chargeability zones that extend to more than 250m depth. These chargeability anomalies, which indicate the likely presence of sulphides, correlate extremely well with the gold-bearing sulphide mineralisation identified at surface.

Results from the IP survey were then integrated with 3D inversion work from the ground magnetic survey completed in November 2015.

The integration of the various geophysical datasets delivered very valuable results, indicating that a number of these IP chargeability targets are coincident with magnetic low features found within a broader magnetic high anomaly. This type of geophysical feature is a good indicator of iron oxide (magnetite) depletion zones due to sulfidation or hydrothermal upgrade of hematite-rich zones, both of which present excellent targets for drilling.

The standout IP anomaly, now to be known as the Bela Prospect, occurs on section 675540mE, roughly 1.5km to the east of the ITZ Prospect. This line was designed to test the IP response across a significant magnetic anomaly located in the south of the line. The location of both targets can be seen in Figure 2.

At the Bela Prospect, an extremely high chargeability anomaly was identified which is open at depth. The anomaly is at its strongest at the base of the survey, where it is roughly 250m wide and projects upwards before weakening some 50-75m below surface (see Figure 3).

This anomaly is perfectly coincident with a resistivity high that may be associated with silica alteration as well as a significant magnetic low feature surrounded by a larger magnetic high anomaly that can indicate magnetite depletion by sulphide rich fluids. This combination of geophysical indicators makes for an excellent, high-priority drill target.

Within the ITZ Prospect there is a similar example of this relationship between the IP chargeability high and magnetic low anomalies.

Section 673955mE (see Figure 4) is located near the centre of the ITZ Prospect and:

- is coincident with anomalous gold-in-soil results as well as some historical adits;
- demonstrates clearly where the chargeability anomaly crosses a number of resistivity responses (representing different lithologies or silica alteration levels); and
- is coincident with a magnetic low feature within a broader magnetic high anomaly.

The correlation between all of this data presents another excellent drill target for the Company.

The Magnetic Susceptibility results were generated from a 3D inversion of the ground magnetic survey data that was collected in November 2015. Both the inversion work on the ground magnetic data and the integration with the IP survey data was completed by highly experienced US-based geophysicist, Mr Robert B. Ellis. Mr Ellis specialises in South American gold and base metals projects and has previously worked with AngloGold, Kinross, Codelco and Barrick (amongst others) and has extensive experience in Brazil working with Yamana.





Figure 2 - Mombuca Project showing IP line locations (black & white lines) over satellite image and analytic signal of the ground magnetics.

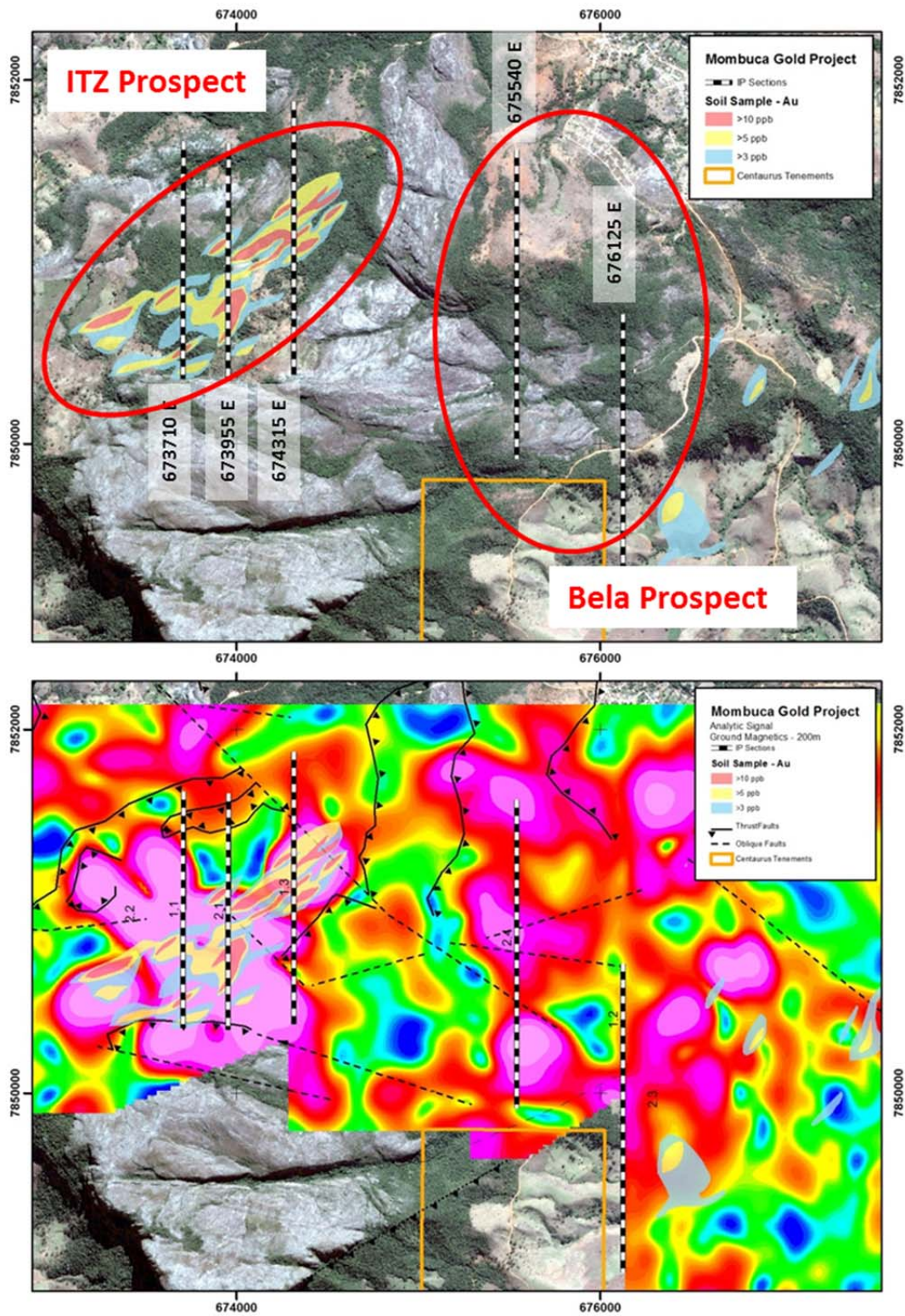




Figure 3: The Bela Prospect (Section 675540mE approx. 1.5km east of the ITZ Prospect) shows 2D inverted Chargeability (top) and Resistivity (central) with the 3D inversion of the magnetic susceptibility (bottom).

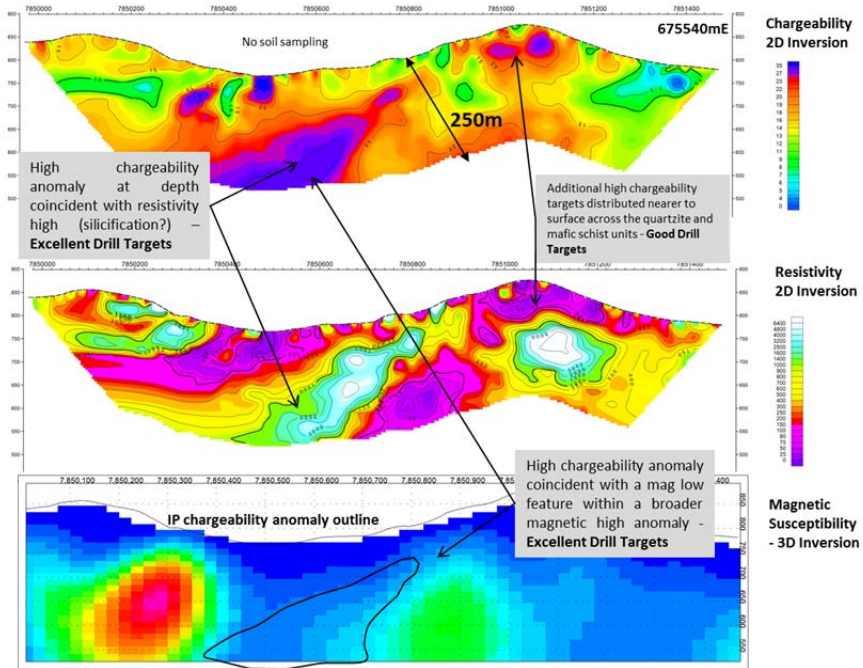
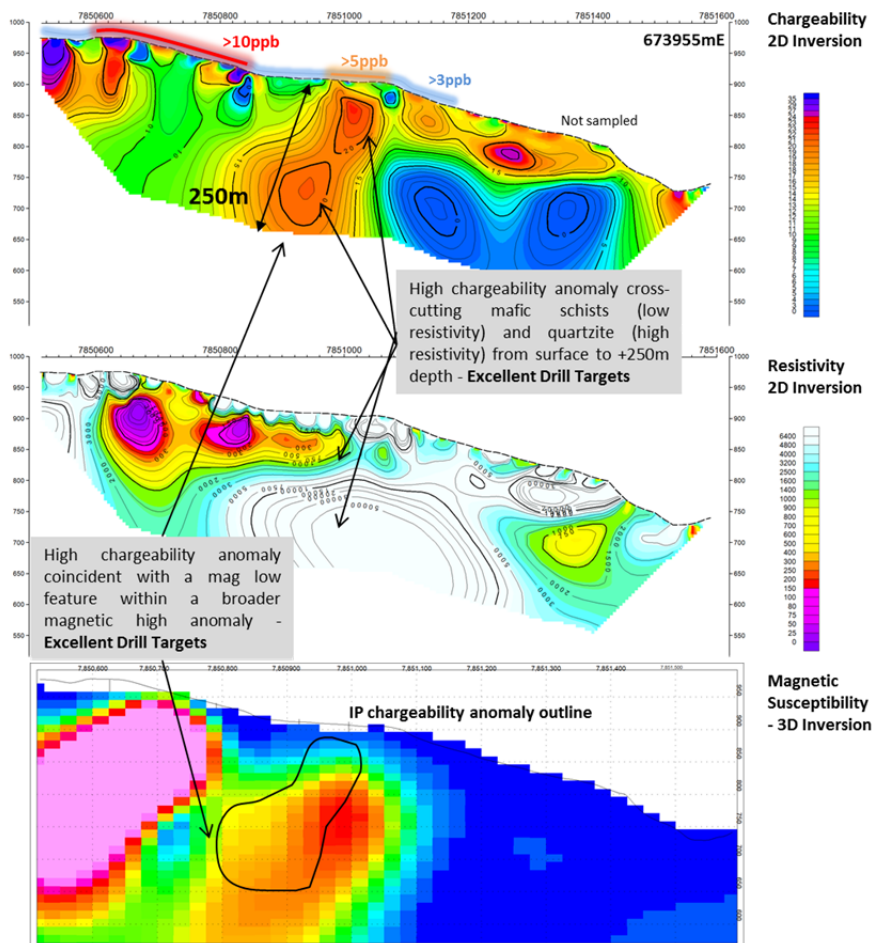


Figure 4: Section 673955mE (in the ITZ) shows 2D inverted Chargeability (top) and Resistivity (central) with the 3D inversion of the magnetic susceptibility (bottom).







**Future Exploration and Drilling**

Based on these excellent geophysical targets, coupled with the positive exploration results returned to date, the Company has identified multiple walk-up drill targets for the Mombuca Gold Project.

A 2,500m diamond drilling program commenced subsequent to quarter-end with this drilling to provide the first comprehensive test of what has emerged as an outstanding greenfields opportunity for the Company in recent months.

With gold prices in Brazil at long term historical highs, the Company sees gold exploration as a significant opportunity for the Company to drive shareholder value and leverage its strong exploration skills in a commodity that has attractive economics.

**AURORA COPPER PROJECT**

Figure 5: Centaurus copper project locations in north-east Brazil



No field activities were undertaken at the Aurora Copper Project during the quarter with the majority of the Company’s focus being on the exploration work at the Mombuca Gold Project.

**IRON ORE PROJECTS**

*Conquista DSO Project*

The Conquista Project comprises a portfolio of highly prospective tenements with extensive Direct Ship Ore (DSO) mineralisation located just 8km along well maintained gravel roads from the Candonga Project.

The Company has established an Exploration Target for the Conquista tenements of 3.5-8Mt 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, auger drill-hole results and is underpinned by the ground magnetic survey. 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 believes that the Conquista DSO Iron Ore Project has the ability to be a significant cash generator for the Company in the near future via sale of the asset or through joint development. The Company is in discussions with interested parties in respect to the Conquista asset.

*Jambreiro Project*

The Company’s 100%-owned Jambreiro Project, located in south-east Brazil, is a shovel-ready development project that is licenced for 3Mtpa of wet production and which represents a strategic asset in the Brazilian domestic iron ore and steel sector.

Centaurus intends to pursue opportunities to extract value from the Jambreiro Project via either an outright sale or joint development proposition. The Company’s Brazilian subsidiary that holds the Jambreiro asset also holds tax losses of approximately R\$180 million (A\$72 million).

**CORPORATE**

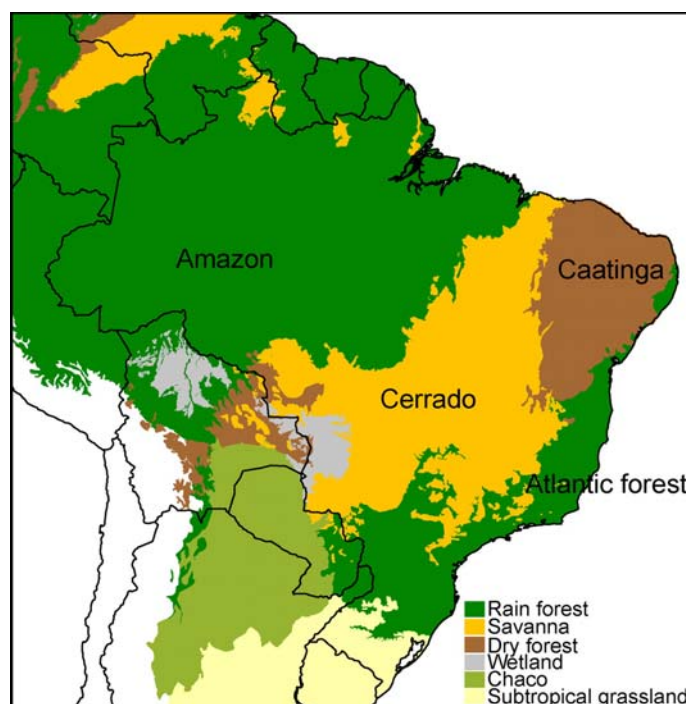
**Nova Potash JV**

During the Quarter, Centaurus secured the backing of its substantial shareholder, Mr Ingo Wender, to embark on a new growth strategy in the international potash fertiliser business through the formation of a 50/50 strategic joint venture.

Tavarua International Inc. (“Tavarua”), a private international investment company controlled by Mr Wender, has agreed to form a 50/50 joint venture with Centaurus to investigate new potash opportunities in Australia and south-east Asia. Tavarua has provided the newly established joint venture vehicle, Nova Potash Pty Ltd (“Nova”), with initial capital of A\$190,000.

Over the past four years Mr Wender has been working with the leading Brazilian agricultural research institute, Embrapa, to identify a solution for the low-cost delivery of potash fertilisers to the extensive Cerrado agricultural region of central Brazil, see Figure 5.

**Figure 5: The Cerrado Agricultural Region is a vast tropical savannah that covers ~21% of Brazil, second only to the Amazon Region in size.**





This extensive database of information held by Tavarua was generated from resource development work undertaken by Mr Wender on his various potash tenements in Brazil and the various Embrapa agronomical studies.

Under the arrangements, the new joint venture will utilise this extensive geological, ore processing, product characterisation and agronomical knowledge base and data to assess the opportunity to achieve a similar low-cost delivery of potash fertiliser for the Australian and south-east Asian markets – where annual demand for potash fertilisers is currently over 5Mtpa and growing rapidly.

#### *Joint Venture Terms*

Tavarua and Centaurus have established a new 50/50 strategic Joint Venture through a newly formed company known as Nova Potash Pty Ltd. Tavarua has provided the initial capital for Nova in an amount of A\$190,000 and will support Nova financially should further funding be required by the joint venture.

Further, Tavarua will provide Nova with all geological, ore processing and agronomical information generated from the work it has already completed in Brazil together with Embrapa over the past four years.

Centaurus will manage the joint venture on behalf of the joint venture participants. As manager, Centaurus will initially establish the business and identify potential areas in Australia and south-east Asia that could provide an opportunity for the low-cost delivery of potash, similar to that contemplated by Tavarua in Brazil. Centaurus will be able to recoup the costs of managing the joint venture from Nova.

Should the initial review work be successful in identifying suitable project areas, the joint venture partners will negotiate terms for the future exploration and development of these assets.

#### *Potash Market Outlook*

As the world's population continues to grow and food producers are required to increase yields, global demand for potash is forecast to grow significantly. The world's population is growing by more than 200,000 people each day, requiring an extra 40,000ha of arable land; however, with significant limitations on land available for farming, farmers are increasingly being forced to focus more on the yields that can be extracted from existing land. Fertiliser has by far the biggest impact on yields and potash is the key fertiliser for high-value crops.

The Food and Agricultural Organization of the UN (FAO) projects that ~80% of future growth in crop production will come from yield advancements. Of the factors that affect crop yields it has been estimated that ~50% of the impact is due to fertiliser.

#### **Capital raising**

Centaurus successfully raised \$0.65 million during the reporting period to accelerate the maiden drilling program at the Mombuca Project.

The share placement – which was undertaken with sophisticated private clients of CPS Capital, as well as some long-standing major shareholders of the Company – has allowed the Company to immediately commence a 2,500m diamond drilling program at Mombuca.

The share placement, comprising 130 million fully-paid ordinary shares at an issue price of \$0.005 per share, was undertaken within the Company's available placement capacity under ASX Listing Rules 7.1 and 7.1A.





**Annual General Meeting**

The Annual General Meeting of the Company’s shareholders was held on 31 May 2016, with all resolutions passed unanimously on a show of hands.

A General Meeting of shareholders has also been called for 28 July 2016 to ratify the share placement described above.

**Cash Position**

At 30 June 2016, the Company held cash reserves of A\$1.0 million.

**Shareholder Information**

Following the completion of the capital raising outlined above, at the end of the reporting period the Company had 659,667,912 shares on issue with the Top 20 holding 53.8% of the total issued capital. Directors and Senior Management held 7.2% of the total issued capital.

**DARREN GORDON  
MANAGING DIRECTOR**

**Competent Person Statement**

*The information in this report that relates to Exploration Results is based on information compiled by Roger Fitzhardinge who is a Member of the Australasia Institute of Mining and Metallurgy. 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 2012 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.*

**Exploration Targets**

*This Report comments on and discusses Centaurus Metals Limited’s exploration in terms of target size and type. The information in relation to Exploration Targets should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. The potential quantity and quality of material discussed as Exploration Targets is conceptual in nature since there has been insufficient work completed to define them as Mineral Resources or Ore Reserves. It is uncertain if further exploration work will result in the determination of a Mineral Resource or Ore Reserve.*