Centaurus Metals Limited ABN 40 009 468 099

And its controlled entities

Annual Financial Report
six months ended 31 December 2012

Centaurus Metals Limited ABN 40 009 468 099

Contents

CENTAURUS METALS LIMITED

Corporate Directory

Directors

Mr D M Murcia B.Juris, LL.B
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 R G Hill B.Juris, LLB., BSc (Hons), FFin
Non-Executive Director

Mr M D Hancock B.Bus, CA, FFin
Non-Executive Director

Ms S Lyons, BA (Econ), MBA
Non-Executive Director

Mr S E Zaninovich B.E Civil
Non-Executive Director

Mr G A James
Company Secretary

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Chartered Accountants
235 St Georges Terrace
Perth WA 6000

Bankers
Australia
National Australia Bank
1232 Hay Street
West Perth WA 6005

Brazil
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Endereço: Rua da Bahia, 951 – 5º andar
Belo Horizonte, MG
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Stock Exchange Listing

Centaurus Metals Limited shares are
listed on the Australian Securities Exchange

Ordinary fully paid shares
(ASX code: CTM)

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Directors' Report

For the six months ended 31 December 2012

The directors present their report together with the consolidated financial statements of Centaurus Metals Limited ("Company"), being the Company and its subsidiaries, for the period ended 31 December 2012 and the auditor's report thereon.

1. Directors

The directors of the Company at any time during or since the end of the financial period are:

Mr Didier M Murcia	Independent Non-Executive Chairman
Mr Darren P Gordon	Managing Director
Mr Peter E Freund	Executive Director
Mr Richard G Hill	Independent Non-Executive Director
Mr Mark D Hancock	Non-Executive Director
Ms Sheila Lyons	Non-Executive Director (Appointed 11 October 2012)
Mr Steven E Zaninovich	Independent Non-Executive Director (Appointed 10 January 2013)
Mr Keith G McKay	Independent Non-Executive Director (Resigned 10 January 2013)

Unless otherwise disclosed, all directors held their office from 1 July 2012 until the date of this report.

2. Directors and Officers

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

Non-Executive Chairman   Age 50

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. 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:

Alicanto Minerals Limited (appointed 30 May 2012)
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)

Special responsibilities

Chairman of the Board
Chairman of the Remuneration Committee

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

Managing Director   Age 41

Experience and expertise

Managing Director appointed 4 May 2009. Chartered Accountant with over 20 years resource sector experience as a senior finance and resources executive. Former Chief Financial Officer for Gindalbie Metals Limited.

Special responsibilities

Managing Director

Directors' Report

For the six months ended 31 December 2012

2. Directors and Officers (continued)

Mr Peter E Freund, FAusIMM(CP), F.AIM
Executive Director Age 66

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 Richard G Hill, B.Juris, LLB., BSc (Hons), FFin
Non-Executive Director Age 44

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:

Genesis Minerals Ltd (appointed 13 February 2013)
YTC Resources Limited (appointed 28 April 2006, resigned 11 July 2012)
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

2. Directors and Officers (continued)

Mr Mark D Hancock, B.Bus, CA, FFin
Non-Executive Director Age 44

Experience and expertise
Non-executive director appointed 23 September 2011. Currently an Executive Director – Commercial and joint Group Secretary at Atlas Iron Limited. Over 20 years experience in senior financial roles across a number of leading companies in Australia and South East Asia, including Lend Lease Corporation Ltd, Woodside Petroleum Ltd and Premier Oil Plc.

Other directorships
During the last three years Mr Hancock held directorships in the following ASX listed companies:

Atlas Iron Limited (appointed 25 May 2012)
Aurox Resources Limited (appointed 13 August 2010). Aurox Resources Limited was acquired by Atlas Iron Limited and was delisted from the ASX on 1 September 2010.
Giralia Resources NL (appointed 2 March 2011). Giralia Resources NL was acquired by Atlas Iron Limited and was delisted from the ASX on 7 April 2011.
FerrAus Ltd (appointed 13 September 2011). FerrAus Ltd was acquired by Atlas Iron Limited and was delisted from the ASX on 26 October 2011.

Special responsibilities
Member of the Audit Committee

Ms Sheila Lyons, BA (Econ), MBA
Non-Executive Director Age 42

Experience and expertise
Non-executive director appointed 11 October 2012. Currently the Vice President, Investments at Liberty Metals & Mining Holdings. Over 20 years experience in corporate finance and investment banking, specialising in the natural resource sector. Held a number of senior executive positions in corporate finance and investment banking with Scientia Group, HSBC and Duetsche Bank.

Mr Steven E Zaninovich, B.E Civil
Non-Executive Director (appointed 10 January 2013) Age 45

Experience and expertise
Independent non-executive director appointed 10 January 2013. Civil Engineer with over 20 years experience in mine development and construction predominately in overseas locations. Currently the Chief Operating Officer of ASX Listed Gryphon Minerals Ltd.

Other directorships
Gryphon Minerals Ltd (appointed 28 January 2010, resigned 22 May 2012 to take up Chief Operating Officer role).

Special Responsibilities
Member of the Audit Committee
Member of the Remuneration Committee

Directors' Report
For the six months ended 31 December 2012

2. Directors and Officers (continued)

Mr Keith G McKay, BSc (Hons), FAusIMM, MAICD
Non-Executive Director (resigned 10 January 2013) Age 66

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
During the last three years Mr McKay held directorships in the following ASX listed companies:

Rift Valley Resources Limited (appointed 18 February 2011)

Special responsibilities
Member of the Remuneration Committee
Member of the Audit Committee

Mr Geoffrey A James, B.Bus, CA, ACIS
Company Secretary Age 46

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 (until 3 December 2012)

Mr John W Westdorp, B.Bus, CPA, MAICD
Chief Financial Officer Age 49

Experience and expertise
Mr Westdorp was appointed as Chief Financial Officer on 3 December 2012. Mr Westdorp is a Certified Practicing Accountant. He has over 20 years experience and was previously the Chief Financial Officer of Murchison Metals Ltd.

Special responsibilities
Chief Financial Officer (appointed 3 December 2012)

Directors' Report

For the six months ended 31 December 2012

3. Directors' Meetings

The number of meetings of the Company's Board of Directors and of each Board Committee held during the six month period ended 31 December 2012 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	4	4	n/a	n/a	1	1
Mr D P Gordon	4	4	n/a	n/a	n/a	n/a
Mr P E Freund	4	3	n/a	n/a	n/a	n/a
Mr R G Hill	4	3	1	1	1	1
Mr M D Hancock	4	4	1	1	n/a	n/a
Ms S Lyons	2	2	n/a	n/a	n/a	n/a
Mr K G McKay	4	3	1	0	1	1

Held – denotes the number of meetings held 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 period, 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, two executive directors and two non independent non-executive directors at the date of signing the Directors' Report.

4.1 Board of Directors (continued)

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.

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 operating 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 are 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 and Performance Share Plan which provide for the issue of options and performance rights 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. 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;
- provides recognition for contribution; and
- seeks to retain experienced and competent individuals in key executives roles

4.3 Remuneration Report – audited

4.3.1 Principles of Remuneration (continued)

The remuneration framework currently consists of base pay, cash incentive bonuses and long-term incentives through participation in the Employee Share Option Plan and Performance Share 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 in addition to being influenced by broader market factors. The performance of the Group in respect of the current period and the previous four financial years is set out below:

	Dec 2012 $	June 2012 $	2011 $	2010 $	2009 $
Net loss	(9,125,800)	(20,783,843)	(12,204,218)	(5,635,542)*	(1,265,869)
Change in share price [1]	($0.11)	($0.201)	$0.064	$0.08	$0.00
Market capitalisation at year end	$64.6 million	$58.7 million	$68.0 million	$42.3 million	$17.2 million

[1] In October 2011 the Group completed a 1-for-8 share consolidation, comparatives have been restated.

* The Group changed its accounting policy for exploration and evaluation expenditure effective 1 July 2009. Exploration and evaluation is expensed in the year incurred.

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

The executive pay and reward framework has four components:
- base pay and benefits;
- short term incentives in the form of cash bonuses based on achievement of milestones;
- long term incentives through participation in the Employee Share Option Plan and Performance Share 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.
- *Incentives – Cash Bonuses*
  The Board may pay discretionary cash bonuses or offer performance based incentives, where employees are paid pre-determined cash bonuses on achievement of milestones based on the Company's strategic objectives.
- *Expatriate Benefits*
  Expatriate executives located in Brazil receive 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 and Performance Rights*
  Long term incentives comprising of share options and performance rights are granted from time to time to encourage exceptional performance in the realisation of strategic outcomes and growth in shareholder wealth. Options and performance rights are granted for no consideration and do not carry voting or dividend entitlements. Information on share options and performance rights granted during the year is set out in section 4.3.4.

4.3 Remuneration Report – audited

4.3.1 Principles of Remuneration (continued)

Short Term Incentive Plan

The Group has implemented a Short Term Incentive Plan ("STI") to motivate and reward employees for the achievement of specific milestones. The milestones are linked to the Group's strategic objectives of becoming a substantial producer of iron ore for both the domestic Brazilian steel market and the global iron ore export market. Achievement of the milestone would result in the payment of a pre-determined cash bonus.

The milestones used and the respective weightings of the milestones will vary by role and are designed to align performance measures to the responsibilities of each role. The STI plan is comprised of 100% non-financial milestones, reflecting the Group's position as a developer of iron ore projects.

Due to the commercially sensitive nature of the milestones, the precise metrics being used have not been disclosed. A summary of the milestones in place as at the date of this report is as follows:

(A) Domestic Production Strategy (Jambreiro Project):
- Obtaining government environmental approvals;
- Entering into agreements for the sale of iron ore with Brazilian steel groups;
- Securing debt and/or equity funding facilities to support the development of the Project;
- Achieving commencement of on-site construction; and
- Securing access to infrastructure facilities.

(B) Export Production Strategy:
- Definition of a JORC Inferred Resource exceeding a target level; and
- Securing access to port facilities.

(C) Project Acquisition:
- Achieve a set production threshold for a new project acquisition; and
- Securing access to new tenement packages adjacent to existing projects.

These milestones have been chosen to ensure the performance of executives is aligned with the Group's broader strategic objectives.

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 and Performance Share 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 $425,000 effective from 1 July 2012, reviewed annually. Provision of four weeks annual leave.
- Short Term Incentive Cash Bonuses – as at 31 December 2012 a bonus of up to 25% of total fixed remuneration is payable on meeting various key performance hurdles relating to production targets and acquisition of new projects.
- Long Term Incentive Performance Rights – subject to shareholder approval, performance rights are issued under the Company's Performance Share Plan with vesting conditions based on performance hurdles relating to production targets.

Directors' Report

For the six months ended 31 December 2012

4.3 Remuneration Report – audited

4.3.1 Principles of Remuneration (continued)

Employment Agreements (continued)

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. Entitled to 6 months salary if position is made redundant.
- Base salary, inclusive of superannuation is $400,000 effective from 1 July 2012, 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 – as at 31 December 2012 a bonus of up to 40% of total fixed remuneration is payable on meeting various key performance hurdles relating to offtake agreements and project funding approvals.
- Long Term Incentive Cash Bonuses – as at 31 December 2012 a bonus of up to 90% of total fixed remuneration is payable on meeting various key performance hurdles relating to commencement of iron ore production, achievement of annualised iron ore production rates and definition of JORC Inferred and Measured Resources exceeding a targeted level from the Group's existing projects or new projects that may be acquired.
- Long Term Incentive Performance Rights – subject to shareholder approval, performance rights are issued under the Company's Performance Share Plan with vesting conditions based on performance hurdles relating to production targets.

J W Westdorp – Chief Financial Officer

- Term of agreement – commenced on 3 December 2012 with no set term. Mr Westdorp or the Company may terminate the agreement by giving 2 months notice. Entitled to 6 months salary if position is made redundant.
- Base salary, inclusive of superannuation is $350,000 effective from 3 December 2012, reviewed annually. Provision of four weeks annual leave.
- Short Term Incentive Cash Bonuses – as at 31 December 2012 a bonus of up to 30% of total fixed remuneration is payable on meeting various key performance hurdles relating to project funding approvals, project development targets and implementation of key software systems.
- Long Term Incentive Performance Rights – performance rights are issued under the Company's Performance Share Plan with vesting conditions based on performance hurdles relating to production targets and market capitalisation targets.

G A James – 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. Entitled to 6 months salary if position is made redundant.
- Base salary, inclusive of superannuation is $240,000 effective from 1 July 2012, reviewed annually. Provision of four weeks annual leave.
- Short Term Incentive Cash Bonuses – as at 31 December 2012 a bonus of up to 15% of total fixed remuneration is payable on meeting key performance hurdles relating to project funding approvals.
- Long Term Incentive Performance Rights – performance rights are issued under the Company's Performance Share Plan with vesting conditions based on performance hurdles relating to production targets.

4.3 Remuneration Report – audited

4.3.1 Principles of Remuneration (continued)

Employment Agreements (continued)

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 2012. The level of fees for non-executive directors is set at $60,000 per annum and $90,000 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 $400,000. There is no provision for retirement allowances for non-executive directors.

Non-executive directors are eligible to be granted with options and performance rights 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 and performance rights to be reasonable in the circumstances, and 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

For the six months ended 31 December 2012

4.3 Remuneration Report – audited

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 other key management personnel of the Group are:

	Short Term Benefits			Post-employment benefits	Share-based payments [2]			
6 months ended 31 December 2012	**Salary & fees $**	**Cash Bonus $**	**Other Benefits [1] $**	**Super-annuation $**	**Options & rights $**	**Total $**	**S300A(1)(e)(i) Proportion of remuneration performance related [4] %**	**S300A(1)(e)(vi) Value of options and rights as proportion of remuneration %**
Non-Executive Directors								
Mr D M Murcia	45,000	-	-	-	6,326	51,326	-	12.3%
Mr K G McKay	27,523	-	-	2,477	-	30,000	-	-
Mr R G Hill	27,523	-	-	2,477	-	30,000	-	-
Mr M D Hancock	30,000	-	-	-	-	30,000	-	-
Ms S Lyons (appointed 11 October 2012)	13,387	-	-	-	-	13,387	-	-
Executive Directors								
Mr D P Gordon	200,000	42,500	5,394	12,500	46,828	307,222	29.1%	15.2%
Mr P E Freund	187,500	70,000	27,182	12,500	36,647	333,829	31.9%	11.0%
Executives [3]								
Mr J W Westdorp (appointed 3 December 2012)	27,083	-	-	2,083	5,054	34,220	14.8%	14.8%
Mr G A James	110,092	18,000	-	9,909	16,296	154,297	22.2%	10.6%
Total	**668,108**	**130,500**	**32,576**	**41,946**	**111,151**	**984,281**		

(1) Other benefits include non-cash benefits and expatriate benefits for executives located in Brazil.

(2) 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 fair value of the rights is calculated using the 5 day volume weighted average share price prior to date of grant. The value disclosed is the portion of the fair value of the options and rights recognised in this reporting period.

(3) Key management personnel have been reassessed during this period in accordance with the amendments to the Corporations Act 2001 disclosure requirements. The 30 June 2012 comparative table reflects these amendments to the Executives regarded as key management personnel. There are no other personnel who meet the criteria of s300A executive disclosure.

(4) The vesting of performance rights and options is conditional on the achievement of future targets which if not achieved will result in the forfeiture of the related rights or options. The proportion of performance related remuneration consists of short term incentives and long term incentives. The percentages disclosed include the value of options and performance rights expensed during the year in accordance with Australian Accounting Standards and assumes the achievement of all related vesting conditions. Details of the vesting conditions related to the options and rights have been disclosed in section 4.3.4.

Directors' Report

For the six months ended 31 December 2012

4.3 Remuneration Report – audited

4.3.2 Directors' and Executive Officers' Remuneration

12 months ended 30 June 2012	Short Term Benefits Salary & fees $	Short Term Benefits Cash Bonus $	Short Term Benefits Other Benefits (1) $	Post-employment benefits Super-annuation $	Share-based payments (2) Options & rights $	Total $
Non-Executive Directors						
Mr D M Murcia	80,000	-	-	-	36,147	116,147
Mr K G McKay	50,459	-	-	4,541	-	55,000
Mr R G Hill	50,459	-	-	4,541	11,681	66,681
Mr M D Hancock (Appointed 23 September 2011)	42,519	-	-	-	-	42,519
Mr G T Clifford (Resigned 12 August 2011)	6,146	-	-	553	-	6,699
Executive Directors						
Mr D P Gordon	365,000	35,000	4,841	25,000	71,908	501,749
Mr P E Freund	304,072	34,404	85,132	49,263	71,584	544,455
Executives (3)						
Mr G A James	211,009	-	-	18,991	6,692	236,692
Total	**1,109,664**	**69,404**	**89,973**	**102,889**	**198,012**	**1,569,942**

(1) Other benefits include non-cash benefits and expatriate benefits for executives located in Brazil.

(2) 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 fair value of the rights is calculated using the 5 day volume weighted average share price prior to date of grant. The value disclosed is the portion of the fair value of the options and rights recognised in this reporting period.

(3) There are no other personnel who meet the criteria of s300A executive disclosure.

4.3 Remuneration Report – audited

4.3.3 Analysis of Bonuses

Details of the vesting profile of incentive cash bonuses awarded as remuneration to each director of the Company and other key management personnel are detailed below:

	Included in remuneration $	Grant Date	% Vested in year	% Forfeited in year (5)	% Unvested (6)	Financial years in which unvested bonus payable
Executive Directors						
Mr D P Gordon – performance	42,500(1)	23/10/2012	11.0%	61.0%	28.0%	2013
Mr P E Freund – performance	70,000(2)	23/10/2012	12.0%	2.0%	86.0%	2013
Executives						
Mr J Westdorp – performance	-(3)	-	0.0%	0.0%	100%	2013
Mr G James – performance	18,000 (4)	4/11/2012	30.0%	10.0%	60%	2013

(1) A cash bonus of up to 90% of total fixed remuneration is payable on meeting various key performance hurdles. During the period 11% of the bonus amount was paid on meeting performance hurdles relating to obtaining government environmental approvals. 61% of the bonus amount was forfeited with 28% of the bonus unvested and will vest in the future provided performance hurdles are met.

(2) A cash bonus of up to 60% of total fixed remuneration is payable on meeting various key performance hurdles. During the period 12% of the bonus amount was paid for meeting performance hurdles relating to obtaining government environmental approvals and achieving feasibility study results to exceed targeted levels of Capex and Opex costs. 2.0% of the bonus amount was forfeited and the remaining 86.0% of the bonus is unvested and will vest in future years provided performance hurdles are met.

(3) A cash bonus of up to 30% of total fixed remuneration is payable on meeting various key performance hurdles. During the period no performance hurdles were met or bonuses forfeited.

(4) A cash bonus of up to 25% of total fixed remuneration is payable on meeting various key performance hurdles. During the period 30% of the bonus amount was paid for meeting performance hurdles relating to achieving feasibility study results to exceed targeted levels of Capex and Opex costs. 10.0% of the bonus amount was forfeited and the remaining 60.0% of the bonus is unvested and will vest in future years provided performance hurdles are met.

(5) The amounts forfeited are due to the performance criteria not being met in relation to the current financial period.

(6) No amounts have been accrued as remuneration in the six month period to 31 December 2012 period as the performance hurdles have not yet been met.

4.3.4 Equity Instruments

A Performance Share Plan (PSP) was adopted by the Board on 23 July 2012 and was approved by shareholders on 31 August 2012. Under the PSP, the Board may from time to time in its absolute discretion grant performance rights to eligible persons including executives and employees, in the form and subject to such terms and conditions as the Board determines. Performance rights are, in effect, options to acquire unissued shares in the Company, the exercise of which is subject to certain performance milestones and remaining in employment during the vesting period. Performance rights are granted under the PSP for no consideration and are granted for a period not exceeding 5 years. The performance rights will only vest into shares if the performance conditions relating to production targets are met.

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

4.3 Remuneration Report – audited

4.3.4 Equity Instruments (continued)

The Group has a policy that prohibits directors and employees who are granted share options and performance rights as part of their remuneration from entering into arrangements that limit their exposure to losses that would result from share price decreases.

Rights over equity instruments granted as compensation

Details of rights over ordinary shares in the Company that were granted as remuneration to each key management personnel during the reporting period and details of options and rights that vested during the reporting period are as follows:

PERFORMANCE RIGHTS	Number of performance rights granted	Grant Date	Fair value per performance rights ($)	Exercise price per performance right ($)	Expiry date	Number of performance rights vested during 2012
Executive Directors						
Mr D Gordon[(1)]	300,000	31/08/2012	0.2853	-	31/08/2017	-
	400,000	31/08/2012	0.2853	-	31/08/2017	-
Mr P Freund	300,000	31/08/2012	0.2853	-	31/08/2017	-
	300,000	23/11/2012	0.3000	-	31/08/2017	-
Executives						
Mr J Westdorp	100,000	3/12/2012	0.2926	-	03/12/2017	-
	200,000	3/12/2012	0.2926	-	03/12/2017	-
	200,000	3/12/2012	0.2926	-	03/12/2017	-
Mr G James	100,000	31/08/2012	0.2853	-	31/08/2017	-
	150,000	31/08/2012	0.2853	-	31/08/2017	-

(1) Performance rights were granted to Mr D Gordon following shareholder approval on 31 August 2012. As at 30 June 2012, the fair value was provisionally estimated with approximately 4 months recognised as remuneration in accordance with Australian Accounting Standards as the service period had commenced in March 2012. This estimate was revised at the Grant date, 31 August 2012, resulting in a change to the valuation from $0.4288 to $0.2853 per performance right. The rights were provided at no cost to the recipient.

Analysis of rights over equity instruments granted as compensation

Details of vesting profiles of performance rights granted as remuneration to each key management personnel of the Group during the reporting period are detailed below:

PERFORMANCE RIGHTS	Number of performance rights issued	Grant Date	% vested in year	% forfeited in year (A)	Financial years in which grant vests
Executive Directors					
Mr D Gordon	300,000	31/08/2012	-	-	2013[(1)]
	400,000	31/08/2012	-	-	2015[(2)]
Mr P Freund	300,000	31/08/2012	-	-	2013[(1)]
	300,000	23/11/2012	-	-	2014[(3)]
Executives					
Mr J Westdorp	100,000	03/12/2012	-	-	2013[(1)]
	200,000	03/12/2012	-	-	2015[(2)]
	200,000	03/12/2012	-	-	2016[(4)]
Mr G James	100,000	31/08/2012	-	-	2013[(1)]
	150,000	31/08/2012	-	-	2015[(2)]

(1) Performance rights vest on first sale of iron ore from the Jambreiro Iron Ore Project on or before 31 December 2013.

(2) Performance rights vest on first sale of iron ore into the export market from the Company's current or future Brazilian Projects on or before 30 June 2015.

(3) Performance rights vest on first sale of iron ore into the export market from the Company's current or future Brazilian Projects on or before 30 June 2014.

(4) Performance rights vest on market capitalisation exceeding $500 million by 30 June 2016.

4.3 Remuneration Report – audited

4.3.4 Equity Instruments (continued)

Analysis of options over equity instruments granted as compensation

Details of vesting profiles of the options granted as remuneration to each key management personnel of the Group are detailed below:

OPTIONS	Number of options granted	Grant Date	% vested in year	% forfeited in year	Financial years in which grant vests
Directors					
Mr D Murcia	62,500	30/11/2010	-	-	2013
Executive Directors					
Mr D Gordon	125,000 125,000	31/03/2010 31/08/2010	- -	- -	2013 (1) 2014 (2)
Executives					
Mr G James	43,750 50,000	15/02/2010 15/02/2010	- -	-	2013 (1) 2014 (3)

(1) Options vest on commencement of iron ore production on a Mining Lease from the Company's iron ore projects in Brazil.

(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.

(3) Options vest on achievement of iron ore production from the Company's iron ore projects at an average rate of 150,000 tonnes per month over a consecutive 3 month period.

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

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. Subsequent to period end the Board of Directors modified the vesting conditions for options granted to employees which 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. This requirement was revised down via Board approval subsequent to year end to 150,000 tonnes per month over a consecutive 3 month period. This modification does not apply to the vesting conditions of the options held by the Managing Director, Mr D Gordon.

There are no amounts unpaid on the shares issued as a result of the exercise of the options for the six month period ended 31 December 2012.

Exercise of options granted as compensation

There were no shares issued on exercise of option which were previously granted as compensation to key management personnel.

Directors' Report

For the six months ended 31 December 2012

4.3 Remuneration Report – audited

4.3.4 Equity Instruments (continued)

Analysis of options over equity instruments granted as compensation

Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each director, key management person and each of the Company executives and relevant Group executives is detailed below:

	Value of options granted $(A)	Value of performance rights granted $(B)	Value of options exercised in year $(C)	Value of options lapsed in year $(D)
Directors				
Mr D M Murcia	-	-	-	-
Mr D P Gordon	-	-	-	-
Mr K G McKay	-	-	-	-
Mr P E Freund	-	175,590	-	-
Mr R G Hill	-	-	100,000	-
Mr M D Hancock	-	-	-	-
Ms S Lyons	-	-	-	-
Executives				
Mr J W Westdorp	-	146,315	-	-
Mr G A James	-	71,325	-	-

(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 period 30 January 2012 to 31 December 2014).

(B) The value of performance rights granted in the period is the fair value calculated using the 5 day volume weighted average share price prior to grant date. The fair value of performance rights granted to D Gordon had been provisionally calculated using the 5 day volume weighted average share price prior to 30 June 2012 ($0.4288 per right), this was subsequently revised upon grant date ($0.2853 per right) resulting in a decrease in the value calculated at 30 June 2012 in the amount of $100,437. In accordance with Australian Accounting Standards the fair value is recognised over the service period which commenced prior to date of grant being 31 August 2012. The total value of the rights granted is included in the table above. This amount is allocated to remuneration over the vesting period.

(C) 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. Options exercised by Mr R G Hill were not previously granted as remuneration.

(D) The value of unvested options that lapsed during the year represents the benefit forgone and is calculated at the date the options 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 31 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.

4.5 Risk Management (continued)

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 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 that all employees 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.

4.6 Ethical Standards (continued)

The Group has a policy that prohibits directors and employees who are granted share options and performance rights as part of their remuneration from entering into arrangements that limit their exposure to losses that would result from share price decreases.

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 being 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 was as follows:

	31 Dec 2012	30 June 2012
Women employees in the whole organisation	30%	26%
Women in Senior Executive positions	0%	0%
Women on the Board of Directors	14%	0%

4.8 Diversity (continued)

Gender Diversity

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 strategic objectives.
- 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 period the principal activities of the Group consisted of exploration and development of iron ore mineral resources. There were no 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:

	6 months 31 Dec 2012 $	12 months 30 June 2012 $
Interest income	**543,011**	1,093,355
Other income	**482,122**	43,219
	1,025,133	1,136,574
Loss before income tax expense	**(9,125,800)**	(20,783,843)
Income tax benefit	**-**	-
Loss attributable to members of Centaurus Metals Limited	**(9,125,800)**	(20,783,843)

6. Operating and Financial Review (continued)

Financial Position

At the end of the period the Group had net cash balances of $23,402,755 (30 June 2012: $8,845,662) and net assets of $44,345,983 (30 June 2012: $27,091,502). Total liabilities amounted to $5,838,893 (30 June 2012: $7,154,938) and were limited to trade and other payables, employee benefits and deferred tax liabilities.

Exploration and Development

The Group's key focus within its project portfolio in south-east Brazil during the period remained on its Domestic Iron & Steel Business, which is based on commencing targeted annualised production of 2Mtpa of iron ore from the Jambreiro Iron Ore Project by the end of 2013. Production from this operation is planned to be sold into the domestic steel industry in south-east Brazil.

The Group made substantial progress at the Jambreiro Project during the period with the award of a key environmental licence and the completion of a Bankable Feasibility Study ("BFS"). In regards to environmental approvals, the Group received the Preliminary Licence ("LP") following approval of the Project's Environmental Impact Assessment. The LP is a key approval for the Project as it validates that the overall project definition is environmentally and socially sound. Following the receipt of the LP, the Group lodged the Installation Licence ("LI") Application with the State Environmental Agency in Minas Gerais, SUPRAM. Once the LI is approved, the Group will have all of the environmental approvals required to commence the on-site construction of the Jambreiro processing plant.

On 5 November 2012, the Group announced an updated Proven and Probable JORC Ore Reserve estimate as part of the Jambreiro BFS comprising 48.5Mt at an average grade of 28.1% Fe for the friable component of the Jambreiro resource. The Proven component of the Ore Reserve estimate now comprises 73% of the overall Ore Reserve compared with 25% in the maiden Ore Reserve estimate announced in November 2011.

The overall Jambreiro JORC Resource estimate stands at 125.2Mt at an average grade of 26.7% Fe including both friable material (65.8Mt grading 27.7% Fe) and compact material (59.4Mt grading 25.6%). The Jambreiro BFS is based on the friable component of the Project for an initial 9-year mine life. Work undertaken to date has indicated a strong opportunity to continue mining beyond the initial friable project by up to a further 9 years.

On 5 November 2012, the Group announced the results of the Jambreiro BFS, which outlined a robust 2Mtpa project capable of generating revenues of A$847 million and EBITDA of A$556 million over its initial 9-year life. The strong economics of the proposed A$136 million development, include a A$140 million post-tax NPV_8 and a post tax IRR of 33% for a 2Mtpa operation. Forecast mine gate cash operating costs (C1 + Royalties) are A$16.2/tonne of product which positions the Project at the bottom end of the global mine site based cost curve.

The results of the BFS have provided a strong base to negotiate off-take arrangements and debt finance facilities to facilitate a Final Investment Decision. Interim Board approval for expenditure of A$4 million was provided to commence detailed engineering and procurement processes for long-lead items. On-site construction is scheduled to commence in Q2 2013 upon approval of the Installation Licence. Production ramp-up is planned to commence from December 2013 through to April 2014.

During the period the Group commenced exploration at a new greenfields exploration target, the G100 Project, located 15km north of the Jambreiro Project. An initial Reverse Circulation ("RC") exploration drilling program was commenced following the completion of geological mapping and a ground magnetic survey. A first phase of eight RC holes was completed by the end of the period. Access to priority drill targets was restricted and it is expected drilling will recommence in Q1 2013 once further landowner access and environmental permits are secured. No assay results on the first phase of drilling had been received by 31 December, but based on logging of the drill holes, iron mineralisation of significant grade or quantities has not yet been encountered. The results of the first eight holes do not appear to explain the strength of the magnetic signature identified by the ground magnetic survey.

6. Operating and Financial Review (continued)

Following the completion of the phase 1 drilling at G100, the Group commenced an RC drilling program located at the Canavial Project, which is located 8km from the Jambreiro Project to the south west. No results had been received on the drilling completed during the period. The current exploration drilling follows up six RC holes that were drilled on the Canavial tenements in late 2011.

No substantial work was undertaken on the Group's Itambé and Passabém projects as the focus of activities was on the Jambreiro project and surrounding tenements.

The Group progressed exploration work on several projects that form part of the proposed Export Iron & Steel Business in Brazil. For the Serra da Lontra Project, the drilling program on the Senna Prospect was completed during the period. Following this drilling, a Proof of Concept ("POC") study was undertaken to test the technical and financial feasibility of the Project as a stand-alone export project. The financial results of the POC study showed that the identified siliceous itabirite mineralisation did not support a stand alone. As a result of the POC study work, the Group decided not to proceed with the final option payment of US$3M to the vendor of the Serra da Lontra Project but is negotiating to see if an alternative payment structure can be agreed. Should negotiations with the vendor prove to be unsuccessful, the Group will return the tenement to the vendor and retain no further interest in the Project.

On the Curral Velho Project, located in the State of Paraiba in north-eastern Brazil, a geological mapping program was undertaken on the two known mineralised trends. A number of samples were taken from the Project and sent for material characteristics testing and metallurgical testwork.

The Group is committed to its strategy of developing a longer term export business in Brazil. Exploration work is continuing in the region surrounding the Serra da Lontra Project to identify projects to underpin the export market strategy.

Competent Person's Compliance 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 the 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 Limited.

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.

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 Metals Limited.

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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve's. 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.

Corporate
On 9 July 2012, the Group announced it had secured the support of new and existing institutional and strategic investors as part of a $26.2 million equity raising to underpin the continued exploration and development of its iron ore projects in Brazil.

The equity raising was undertaken through a two-tranche share placement at a price of 44 cents per share comprising of:

- an $11 million share placement to Boston-based Liberty Metals & Mining Holdings, LLC ("LMM"); and
- a $15.2 million share placement to Centaurus' major shareholder, Atlas Iron Limited ("Atlas"), and institutional and professional investor clients of Ord Minnett and Bell Potter.

6. Operating and Financial Review (continued)

The share placement was approved by shareholders on 31 August 2012, with a total of 59.5 million shares issued. In addition to the share placement, 2.7 million shares were issued on 1 August 2012 following the exercise of options. As a result of the share issues, LMM held a 12.77% interest and Atlas held a 19.58% interest in the Company.

On 11 October 2012, Centaurus announced the appointment of experienced international corporate finance executive, Sheila Lyons, to its Board as a non-executive Director and representative of its new major shareholder, Boston-based Liberty Metals & Mining Holdings, LLC.

In December 2012 the Group expanded the senior management team with the commencement of experienced senior finance executive, Mr John Westdorp, as Chief Financial Officer.

Centaurus Metals Limited has elected to change its financial year end from 30 June to 31 December, effective from 1 July 2012. The purpose of the change of financial year end is to synchronise with the Brazilian operations of the Group.

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

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.

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	Employee rights
Directors			
Mr D M Murcia	1,613,405	312,500	-
Mr D P Gordon	6,769,791	750,000	700,000
Mr P E Freund	25,000	2,000,000(1)	600,000
Mr R G Hill	1,569,430	187,500	-
Mr M D Hancock	33,333	-	-
Miss S Lyons	-	-	-
Mr S Zaninovich	6,250	-	-

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

12. Share Options & Rights

Options & rights granted to directors and executives of the Company

During or since the end of the period, the Company granted options & performance rights for no consideration over unissued ordinary shares in the Company to the following directors and to the key management personnel of the Company as part of their remuneration:

	Number of options granted	Number of performance rights granted	Exercise price	Expiry date
Directors(2)				
Mr P E Freund	-	300,000	- (1)	31/08/2017
		300,000	- (1)	31/08/2017
Executives				
Mr J W Westdorp	-	100,000	- (1)	03/12/2017
	-	200,000	- (1)	03/12/2017
	-	200,000	- (1)	03/12/2017
Mr G A James	-	100,000	- (1)	31/08/2017
	-	150,000	- (1)	31/08/2017

(1) Performance rights issued with a zero exercise price.
(2) Mr D P Gordon was awarded 700,000 performance rights during the year ended 30 June 2012 however grant date occurred on 31 August 2012.

All rights were granted during the period. No rights have been granted since the end of the period.

Directors' Report
For the six months ended 31 December 2012

12. Share Options & Rights (continued)

Unissued share options and performance rights

At the date of this report unissued ordinary shares of the Company under option are:

		Employee Options		Non - Employee Options		
Expiry date	Exercise price	Vested	Unvested	Vested	Unvested	Total number of shares under option
01/10/2013	$0.88	12,500	-	-	-	12,500
31/12/2013	$1.20	50,000	-	-	-	50,000
01/01/2014	$1.04	-	-	62,500	-	62,500
17/07/2014	$0.40	125,000	-	-	-	125,000
17/07/2014	$0.60	281,250	-	-	-	281,250
17/07/2014	$0.80	406,250	-	-	-	406,250
17/07/2014	$0.96	125,000	-	-	-	125,000
31/08/2014	$0.80	-	-	625,000	-	625,000
31/08/2014	$0.96	-	-	625,000	-	625,000
31/08/2014	$1.20	-	-	3,750,000	-	3,750,000
01/10/2014	$0.88	56,250	162,500	-	-	218,750
31/10/2014	$0.56	2,000,000	-	-	-	2,000,000
31/12/2014	$0.80	-	300,000	200,000	-	500,000
31/12/2014	$1.30	-	-	200,000	-	200,000
31/12/2014	$1.80	-	-	-	400,000	400,000
17/01/2015	$1.04	6,250	31,250	-	-	37,500
15/02/2015	$0.64	-	93,750	-	-	93,750
06/03/2015	$1.04	12,500	-	-	-	12,500
31/03/2015	$0.64	62,500	250,000	-	-	312,500
31/03/2015	$0.80	62,500	-	-	-	62,500
31/03/2015	$0.96	62,500	-	-	-	62,500
19/07/2015	$0.76	12,500	75,000	-	-	87,500
29/08/2015	$0.80	6,250	31,250	-	-	37,500
30/11/2015	$0.88	62,500	62,500	-	-	125,000
04/02/2016	$1.04	37,500	150,000	-	-	187,500
30/01/2017	$0.80	100,000	300,000	-	-	400,000
		3,481,250	**1,456,250**	**5,462,500**	**400,000**	**10,800,000**

At the date of this report there are 3,700,000 unissued shares relating to performance rights with 3,200,000 rights expiring on or before 31 August 2017 and 500,000 rights expiring on or before 3 December 2017.

Shares issued on exercise of options

During the period the Company issued 2,700,000 ordinary shares as a result of the exercise of options. No ordinary shares have been issued since 31 December 2012 as a result of the exercise of options.

13. Indemnification and Insurance of Officers and Auditors

During the period, 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 period 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, 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 period are set out below.

	31 December 2012 $	30 June 2012 $
Audit services:		
Auditors of the Company		
Audit and review of financial reports KPMG	**69,634**	**92,318**
	69,634	**92,318**
Services other than statutory audit:		
Other services		
Taxation compliance services (KPMG)	**61,320**	**40,930**
	61,320	**40,930**

Directors' Report
For the six months ended 31 December 2012

15. Lead Auditor's Independence Declaration

The Lead auditor's independence declaration is set out on page 32 and forms part of the directors' report for the period ended 31 December 2012.

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

D P Gordon
Managing Director
Perth, Western Australia

26 March 2013

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

To: the directors of Centaurus Metals Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the six months ended 31 December 2012 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

G-Thm

Graham Hogg
Partner

Perth

26 March 2013

CENTAURUS METALS LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 31 December 2012

	Notes	**6 months 31 December 2012 $**	12 months 30 June 2012 $
Other income	7	**482,122**	43,219
Exploration and evaluation expenses		**(7,115,483)**	(13,038,892)
Impairment of exploration and evaluation		**(105,758)**	(52,157)
Impairment of available for sale investments		**(23,438)**	(1,299,409)
Loss on sale of tenements		**-**	(1,736,849)
Provision for doubtful debts		**-**	(176,576)
Net reversal of impairment		**136,642**	-
Personnel expenses	8	**(1,457,339)**	(2,424,314)
Share based payments	28	**(267,045)**	(459,813)
Occupancy expenses		**(233,872)**	(342,717)
Listing and share registry fees		**(103,102)**	(121,107)
Professional fees		**(256,348)**	(477,212)
Depreciation	9	**(64,561)**	(142,929)
Other expenses		**(648,619)**	(1,320,352)
Results from operating activities		**(9,656,801)**	(21,549,108)
Finance income		**543,011**	1,093,355
Finance expenses		**(12,010)**	(328,090)
Net finance income	10	**531,001**	765,265
Loss before income tax		**(9,125,800)**	(20,783,843)
Income tax benefit	11	**-**	-
Loss for the period		**(9,125,800)**	(20,783,843)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Net change in fair value of available-for-sale- financial assets reclassified to profit and loss		**-**	265,625
Net change in fair value of available-for-sale financial assets		**110,972**	-
Foreign currency translation difference for foreign operation		**(53,031)**	(6,066,755)
Other comprehensive income for the period, net of income tax		**57,941**	(5,801,130)
Total comprehensive income for the period		**(9,067,859)**	(26,584,973)
Earnings per share			
		Cents	Cents
Basic loss per share	22	**(5.14)**	(16.07)
Diluted loss per share	22	**(5.14)**	(16.07)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CENTAURUS METALS LIMITED

Consolidated Statement of Financial Position
As at 31 December 2012

	Notes	31 December 2012 $	30 June 2012 $
Current assets			
Cash and cash equivalents	12(a)	**23,402,755**	8,845,662
Other receivables and prepayments	13	**913,105**	682,728
Total current assets		**24,315,860**	9,528,390
Non-current assets			
Other receivables and prepayments	13	**1,336,437**	476,593
Other investments, including derivatives	14	**1,120,679**	563,726
Property, plant and equipment	15	**965,589**	963,707
Exploration and evaluation assets	16	**22,446,311**	22,714,024
Total non-current assets		**25,869,016**	24,718,050
Total assets		**50,184,876**	34,246,440
Current liabilities			
Trade and other payables	17	**2,321,754**	3,609,005
Employee benefits	18	**433,044**	444,787
Total current liabilities		**2,754,798**	4,053,792
Non-current liabilities			
Deferred tax liabilities	19	**3,084,095**	3,101,146
Total non-current liabilities		**3,084,095**	3,101,146
Total liabilities		**5,838,893**	7,154,938
Net assets		**44,345,983**	27,091,502
Equity			
Share capital		**98,766,042**	72,710,747
Reserves		**(453,974)**	(778,960)
Accumulated losses		**(53,966,085)**	(44,840,285)
Total equity		**44,345,983**	27,091,502

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CENTAURUS METALS LIMITED

Consolidated Statement of Changes in Equity
For the period ended 31 December 2012

	Issued capital	Option reserve	Share-based payment reserve	Translation reserve	Available-for - sale investments revaluation reserve	Accumulated losses	Total equity
	$	$	$	$	$	$	$
Balance at 1 July 2012	**72,710,747**	**2,966,597**	**2,524,569**	**(6,270,126)**	**-**	**(44,840,285)**	**27,091,502**
Total comprehensive income for the period							
Loss for the period	-	-	-	-	-	(9,125,800)	(9,125,800)
Other comprehensive income							
Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	110,972	-	110,972
Foreign currency translation difference for foreign operation	-	-	-	(53,031)	-	-	(53,031)
Total other comprehensive income for the period	-	-	-	(53,031)	110,972	-	57,941
Total comprehensive income for the period	**-**	**-**	**-**	**(53,031)**	**110,972**	**(9,125,800)**	**(9,067,859)**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	26,200,916	-	-	-	-	-	26,200,916
Share Issue costs	(820,621)	-	-	-	-	-	(820,621)
Issue of ordinary shares on exercise of options	675,000	-	-	-	-	-	675,000
Share-based payment transactions	-	-	267,045	-	-	-	267,045
Total transactions with owners	**26,055,295**	**-**	**267,045**	**-**	**-**	**-**	**26,322,340**
Balance at 31 December 2012	**98,766,042**	**2,966,597**	**2,791,614**	**(6,323,157)**	**110,972**	**(53,966,085)**	**44,345,983**

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.

CENTAURUS METALS LIMITED

Consolidated Statement of Changes in Equity
For the period ended 31 December 2012

	Issued capital	Option reserve	Share-based payment reserve	Translation reserve	Available-for - sale investments revaluation reserve	Accumulated losses	Total equity
	$	$	$	$	$	$	$
Balance at 1 July 2011	**53,851,446**	**2,966,597**	**2,064,756**	**(203,371)**	**(265,625)**	**(24,056,442)**	**34,357,361**
Total comprehensive income for the year							
Loss for the year	-	-	-	-	-	(20,783,843)	(20,783,843)
Other comprehensive income							
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of tax	-	-	-	-	265,625	-	265,625
Foreign currency translation difference for foreign operation	-	-	-	(6,066,755)	-	-	(6,066,755)
Total other comprehensive income for the period	-	-	-	(6,066,755)	265,625	-	(5,801,130)
Total comprehensive income for the year	**-**	**-**	**-**	**(6,066,755)**	**265,625**	**(20,783,843)**	**(26,584,973)**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	18,656,000	-	-	-	-	-	18,656,000
Share Issue costs	(64,199)	-	-	-	-	-	(64,199)
Issue of ordinary shares on exercise of options	267,500	-	-	-	-	-	267,500
Share-based payment transactions	-	-	459,813	-	-	-	459,813
Total transactions with owners	**18,859,301**	**-**	**459,813**	**-**	**-**	**-**	**19,319,114**
Balance at 30 June 2012	**72,710,747**	**2,966,597**	**2,524,569**	**(6,270,126)**	**-**	**(44,840,285)**	**27,091,502**

CENTAURUS METALS LIMITED

Consolidated Statement of Cash Flows
For the period ended 31 December 2012

	Notes	**6 months 31 December 2012 $**	12 months 30 June 2012 $
Cash flows from operating activities			
Cash paid to suppliers and employees		**(2,806,958)**	(4,479,554)
Exploration and evaluation expenditure		**(8,920,178)**	(13,143,583)
Proceeds from court settlement		**-**	965,811
Interest received		**428,334**	1,005,433
Net cash used in operating activities	12(b)	**(11,298,802)**	(15,651,893)
Cash flows from investing activities			
Payments for plant and equipment		**(153,211)**	(489,283)
Payment for mine development		**(33,874)**	-
Refunds/(payments) for security deposits		**-**	80,565
Payments for acquisition of exploration assets		**-**	(3,722,529)
Proceeds from sale of plant and equipment		**-**	39,626
Net cash used in investing activities		**(187,085)**	(4,091,621)
Cash flows from financing activities			
Proceeds from issue of equity securities		**26,875,916**	18,923,500
Capital raising costs		**(820,621)**	(64,199)
Net cash from financing activities		**26,055,295**	18,859,301
Net increase/(decrease) in cash and cash equivalents		**14,569,408**	(884,213)
Cash and cash equivalents at 1 July		**8,845,662**	10,351,397
Effect of exchange rate fluctuations on cash held		**(12,315)**	(621,522)
Cash and cash equivalents at the end of the period	12(a)	**23,402,755**	8,845,662

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

Notes to the Consolidated Financial Statements
For the period ended 31 December 2012

Notes to the Consolidated Financial Statements
For the period ended 31 December 2012

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 period ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is a for-profit entity primarily involved in exploration for and development of 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 26 March 2013.

(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. The functional currency of the Brazilian subsidiaries is Brazilian Real.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with the AASB's requirements necessitates 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 are 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 recoverability of ore reserves becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets.

2. Basis of Preparation (continued)

(d) Use of estimates and judgements (continued)

Exploration and Evaluation assets (continued)
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 profit or loss and other comprehensive income in accordance with accounting policy 3(g). The carrying amounts of exploration and evaluation assets are set out in note 16.

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 - determination of fair values
- Note 13 - other receivables and prepayments
- Note 16 - exploration and evaluation assets
- Note 24 - financial instruments

(e) 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 32.

(f) Change of financial year end

The financial year of the Company has been changed from 30 June to 31 December to align the Company's financial year end with that of its Brazilian subsidiaries. This will improve the efficiency of the Company's financial reporting allowing the Company to co-ordinate financial reporting and the audit and review process with its subsidiaries. Accordingly, the financial period of the Group reported in these financial statements covers the six month period from 1 July 2012 to 31 December 2012. Comparative figures for the financial statements cover the twelve month period from 1 July 2011 to 30 June 2012. The results for the period are therefore not directly comparable with the results for 30 June 2012.

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.

(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.

3. Significant Accounting Policies (continued)

(a) Basis of consolidation (continued)

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.

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.

Gains 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.

3. Significant Accounting Policies (continued)

(b) Foreign currency (continued)

(i) Foreign currency transactions (continued)

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.

(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 and presented in the foreign currency translation reserve (translation reserve, or FCTR) within equity. 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.

3. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

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.

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.

Notes to the Consolidated Financial Statements
For the period ended 31 December 2012

3. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

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.

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 of 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:

- Plant & equipment 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.

3. Significant Accounting Policies (continued)

(e) Exploration and evaluation expenditure

Exploration and evaluation costs are written off in the year they are incurred. 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.

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.

3. Significant Accounting Policies (continued)

(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.

(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.

3. Significant Accounting Policies (continued)

(g) Impairment (continued)

(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.

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 (continued)

(i) Employee benefits (continued)

(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 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 meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-market 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.

3. Significant Accounting Policies (continued)

(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.

3. Significant Accounting Policies (continued)

(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.

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 and equivalent indirect taxes

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) and equivalent indirect taxes, except where the amount of tax incurred is not recoverable from the taxation authority. In these circumstances, the tax 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 tax included. The net amount of tax recoverable from, or payable to, the taxation authority is included as a current asset or liability in the balance sheet.

3. Significant Accounting Policies (continued)

(o) Good and services tax and equivalent indirect taxes (continued)

Cash flows are included in the statement of cash flows on a gross basis. The tax components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the tax authority are classified as operating cash flows.

(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 for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(q) Segment reporting

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 Managing Director ('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 minimal, not material 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.

3. Significant Accounting Policies (continued)

(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 31 December 2012, but have not been applied in preparing this financial report.

- AASB 9 *Financial Instruments* applicable to annual reporting period beginning on or after 1 January 2015. 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 31 December 2015 financial statements. Retrospective application is generally required, although there are exceptions. The Group has not yet determined the potential effect of the standard.

- AASB 10 Consolidated Financial Statements applicable to annual reporting periods beginning on or after 1 January 2013. The new standard introduces a new definition of control of an entity, which widens the scope of the standard. The amendments become mandatory for the Group's 31 December 2013 financial statements. The Group has not yet determined the potential effect of the standard.

- AASB 12 Disclosure of interest in Other Entities applicable to annual reporting periods beginning on or after 1 January 2013. The new standard includes all of the disclosures that are required related to an entity's involvement with other entities including subsidiaries, joint arrangements and associates. The Group has not yet determined the potential effect of the standard.

- AASB 11 *Joint Arrangements* applicable to annual reporting period beginning on or after 1 January 2013. The new standard classifies a joint arrangement as either a joint operation or a joint venture, based on the contractual rights and obligations of that joint arrangement. It also requires a joint venture (previously called a jointly controlled entity) to be accounted for using the equity method. The Group has not yet determined the potential effect of the standard.

- AASB 13 *Fair Value Measurement* applicable to annual reporting periods beginning on or after 1 January 2013. The new standard provides guidance on how to determine fair value when fair value is required or permitted. The standard is not expected to have a significant impact on the financial statements.

- AAASB 119 *Employee benefits* applicable to annual reporting periods beginning on or after 1 January 2013. The new standard changes the definition of short term and other long term employee benefits to clarify the distinction between the two. The Group has not yet determined the effect of the standard.

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 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. The fair value of the employee performance rights is measured using the 5 day weighted average share price prior to grant date, where service period commences prior to grant date the fair value is provisionally calculated and subsequently revised upon grant date.

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.

5. Financial Risk Management (continued)

Risk Management framework (continued)

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.

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 other receivables and cash from customers and investment securities. Impairment in respect of court settlement proceeds as well as indirect tax credits has been recognised during the period refer to note 24.

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. An allowance for impairment has been recognised as at 31 December 2012.

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 31 December 2012, the Group has current trade and other payables of $2,321,754 (30 June 2012: $3,609,005). 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.

5. Financial Risk Management (continued)

Currency risk

The Group is exposed to currency risk on purchases that are denominated in currency other than the respective functional currencies of the Group entities, primarily the Australian dollar (AUD) and Brazilian Real (BRL). The currencies in which these transactions primarily are denominated are AUD and BRL.

The Group investment in its Brazilian subsidiary is denominated in AUD and 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.

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, Antipa Minerals Limited and Orinoco Gold Ltd.

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 period.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6. Operating Segments

The Group operates in the iron ore exploration industry. For management purposes the Group is organised into one main operating segment which involves the exploration of minerals. All of the Group's activities are interrelated and financial information is reported to the Managing Director (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon an analysis on the Group as one segment. The financial results and financial position from this segment are largely equivalent to the financial statements of the Group as a whole, with the exception of corporate administration expenses in Australia and Brazil $2,699,291 (30 June 2012: $4,680,665) and deferred tax liabilities of $3,084,095 (30 June 2012: 3,101,146) which are reviewed separately from the Group's operating segment.

	31 December 2012 Revenue	**31 December 2012 Non-current assets**	30 June 2012 Revenue	30 June 2012 Non-current assets
	$	**$**	$	$
Geographical Segment Information				
Brazil	**-**	**24,515,516**	-	23,858,746
Australia	**-**	**1,353,500**	-	859,304
Total	**-**	**25,869,016**	-	24,718,050

	6 Months 31 December 2012	12 Months 30 June 2012
	$	$
7. Other Income		
Net gain on disposal of mineral tenements	**478,024**	-
Proceeds on court settlement	**4,098**	41,619
Other	**-**	1,600
	482,122	43,219

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.

8. Personnel Expenses

	6 Months 31 December 2012	12 Months 30 June 2012
Salaries, fees and other benefits	**3,899,046**	6,151,795
Superannuation	**175,145**	256,585
Recognised in exploration expenditure expense	**(2,616,852)**	(3,984,066)
	1,457,339	2,424,314

	31 December 2012 $	30 June 2012 $

9. Depreciation

	31 December 2012 $	30 June 2012 $
Depreciation	**146,509**	268,255
Recognised in exploration expenditure expense	**(81,948)**	(125,326)
	64,561	142,929

10. Finance Income and Expense

	31 December 2012 $	30 June 2012 $
Finance income		
Interest income on bank deposits	**543,011**	1,093,355
	543,011	1,093,355
Finance expense		
Net foreign exchange loss	**(11,102)**	(96,530)
Change in fair value of derivatives	**(908)**	(231,560)
	(12,010)	(328,090)
Net finance income recognised in profit or loss	**531,001**	765,265

11. Income Tax

(a) Numerical reconciliation of income tax expense to prima facie tax payable

	31 December 2012 $	30 June 2012 $
Loss from continuing operations before income tax expense	**(9,125,800)**	(20,783,843)
Tax at the Australian tax rate of 30%	**(2,737,741)**	(6,235,153)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Overseas project generation and review costs	**191,522**	399,903
Share-based payments	**80,114**	137,944
Loss on sale of tenement	**-**	521,055
Sundry items	**(39,525)**	309,297
	(2,505,630)	(4,866,954)
Effect of tax rates in foreign jurisdictions	**(111,932)**	(256,701)
Deferred tax assets not recognised	**2,617,562**	5,123,655
Income tax benefit	**-**	-

.

	31 December 2012 $	30 June 2012 $

11. Income Tax (continued)

(b) Tax losses

	31 December 2012 $	30 June 2012 $
Tax losses	**37,910,079**	33,425,663
Capital losses	**2,473,264**	2,473,264
	40,383,343	35,898,927
Potential tax benefit (between 30-34%)	**12,537,601**	11,083,086

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

(c) Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 December 2012 $	30 June 2012 $	**31 December 2012 $**	30 June 2012 $	**31 December 2012 $**	30 June 2012 $
Receivables	**-**	-	**(147,188)**	(103,523)	**(147,188)**	(103,523)
Available-for-sale financial assets	**506,570**	528,347	**-**	-	**506,570**	528,347
Exploration	**7,449,040**	5,503,724	**(3,084,095)**	(3,101,146)	**4,364,945**	2,402,578
Accrued expenses/provisions	**240,800**	527,232	**-**	-	**240,800**	527,232
Transaction costs relating to issue of capital	**436,986**	254,269	**-**	-	**436,986**	254,269
Tax losses carried forward	**12,537,601**	11,083,086	**-**	-	**12,537,601**	11,083,086
Set off of tax	**(147,188)**	(103,523)	**147,188**	103,523	**-**	-
	21,023,809	17,793,135	**(3,084,095)**	(3,101,146)	**17,939,714**	14,691,989
Less DTA not recognised	**(21,023,809)**	(17,793,135)	**-**	-	**(21,023,809)**	(17,793,135)
Net tax assets/(liabilities)	**-**	-	**(3,084,095)**	(3,101,146)	**(3,084,095)**	(3,101,146)

(d) 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: (30 June 2012: $nil).

	31 December 2012 $	30 June 2012 $

12. (a) Cash and Cash Equivalents

Cash at bank and on hand	**40,224**	1,574,372
Deposits - short term	**23,362,531**	7,271,290
	23,402,755	8,845,662

Deposits

The deposits are bearing floating and fixed interest rates between 4.03% and 6.59% (30 June 2012: between 4.50% and 6.43%).

12. (b) Reconciliation of Cash Flows from Operating Activities

Loss for the period	**(9,125,800)**	(20,783,843)
Adjustments for:		
Depreciation	**146,509**	268,255
Provision for doubtful debts	**-**	162,658
Provision (Reversal) of impairment net	**(136,642)**	-
Unrealised foreign exchange loss	**11,102**	96,049
Non-cash employee benefits expense – share based payments	**267,045**	459,813
(Profit)/ Loss on sale of mineral tenements	**(478,024)**	1,736,849
Impairment losses		
Exploration and evaluation assets	**105,758**	52,157
Available-for-sale financial assets	**23,438**	1,299,409
Change in fair value derivative instruments	**908**	231,560
(Profit)/loss on sale of plant and equipment	**-**	18,954
Operating loss before changes in working capital and provisions	**(9,185,706)**	(16,458,139)
Change in other receivables	**(770,773)**	(398,868)
Change in trade creditors and provisions	**(1,342,323)**	1,205,114
Net cash used in operating activities	**(11,298,802)**	(15,651,893)

	31 December 2012 $	30 June 2012 $
13. Other Receivables and Prepayments		
Current		
Receivable from court settlement	**183,490**	176,576
Other Receivables	**759,199**	1,071,679
Provision for impairment	**(179,567)**	(747,963)
Security deposits	**43,787**	43,790
Prepayments	**106,196**	138,646
	913,105	682,728
Non - Current		
Prepayments	**446,984**	476,593
Other Receivables	**1,251,784**	-
Provision for impairment	**(362,331)**	-
	1,336,437	476,593

14. Other Investments, Including Derivatives

Available-for-sale financial assets (1)	**906,736**	534,202
Derivative instruments (2)	**213,943**	29,524
	1,120,679	563,726

(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), 6,250,000 listed ordinary shares in Antipa Minerals Limited (ASX: AZY) and 1,000,000 listed ordinary shares in Orinoco Gold Resources Ltd. The available-for sale financial assets have been revalued to the market price at 31 December 2012. Further movement in share prices after 31 December 2012 have 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 1,000,000 unlisted options in Orinoco Gold Resources Limited. The fair value of the listed options has been determined by reference to the market price at 31 December 2012. The fair value of the unlisted options is determined using a Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted.

CENTAURUS METALS LIMITED

Notes to the Consolidated Financial Statements
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15. Property, Plant and Equipment

	Software	Plant & Equipment	Motor Vehicles	Furniture & Fixtures	Leasehold Improvements	Land	Total
	$	$	$	$	$	$	$
Cost							
Balance at 1 July 2011	171,375	168,664	417,316	95,173	277,676	75,201	1,205,405
Additions	92,824	173,563	62,628	42,014	189,187	-	560,216
Disposals	-	(12,546)	(39,442)	(28,005)	(33,917)	-	(113,910)
Effect of movements in exchange rates	(18,225)	(28,042)	(91,817)	(20,915)	(28,630)	(16,076)	(203,705)
Balance at 30 June 2012	245,974	301,639	348,685	88,267	404,316	59,125	1,448,006
Balance at 1 July 2012	245,974	301,639	348,685	88,267	404,316	59,125	1,448,006
Additions	15,071	37,112	-	84,951	13,558	-	150,692
Disposals	-	-	-	-	-	-	-
Effect of movements in exchange rates	(659)	(778)	(1,842)	(1,579)	(1,122)	(312)	(6,292)
Balance at 31 December 2012	260,386	337,973	346,843	171,639	416,752	58,813	1,592,406

15. Property, Plant and Equipment (continued)

	Software	Plant & Equipment	Motor Vehicles	Furniture & Fixtures	Leasehold Improvements	Land	Total
	$	$	$	$	$	$	$
Depreciation							
Balance at 1 July 2011	47,132	74,630	96,517	16,337	92,050	-	326,666
Depreciation for the year	67,053	47,334	87,276	10,046	56,446	-	268,155
Disposals	-	(4,311)	(8,918)	(9,997)	(33,917)	-	(57,143)
Effect of movements in exchange rates	(4,628)	(7,924)	(32,357)	(3,160)	(5,310)	-	(53,379)
Balance at 30 June 2012	109,557	109,729	142,518	13,226	109,269	-	484,299
Balance at 1 July 2012	109,557	109,729	142,518	13,226	109,269	-	484,299
Depreciation for the year	41,593	30,522	35,158	7,323	31,914	-	146,510
Disposals	-	-	-	-	-	-	-
Effect of movements in exchange rates	(2,084)	(369)	(1,227)	(149)	(163)	-	(3,992)
Balance at 31 December 2012	149,066	139,882	176,449	20,400	141,020	-	626,817
Carrying amounts							
at 1 July 2011	124,243	94,034	320,799	78,836	185,626	75,201	878,739
At 30 June 2012	136,417	191,910	206,167	75,041	295,047	59,125	963,707
at 1 July 2012	136,417	191,910	206,167	75,041	295,047	59,125	963,707
At 31 December 2012	111,320	198,091	170,394	151,239	275,732	58,813	965,589

16. Exploration and Evaluation Assets

Cost	$
Balance at 1 July 2011	30,047,790
Additions	3,024,757
Impairment loss	(52,157)
Disposals[1]	(1,845,046)
Effect of movements in exchange rate	(5,951,338)
Balance at 30 June 2012	25,224,006
Balance at 1 July 2012	25,224,006
Additions	-
Reclassification to other receivables[2]	(39,633)
Write off due to relinquishment of tenements	(14,116)
Write off of costs previously provided for due to relinquishment of tenements	(873,819)
Effect of movements in exchange rate	(122,324)
Balance at 31 December 2012	24,174,114
Provision for Impairment	$
Balance at 1 July 2011	2,509,982
Balance at 30 June 2012	2,509,982
Balance at 1 July 2012	2,509,982
Write off due to relinquishment of tenements	(873,819)
Impairment of capitalised exploration expenditure	91,640
Balance at 31 December 2012	1,727,803
Carrying amounts	
Balance at 1 July 2011	27,537,808
Balance at 30 June 2012	22,714,024
Balance at 1 July 2012	22,714,024
Balance at 31 December 2012	22,446,311

(1) During the year the Company entered into an agreement to exchange tenements resulting in a loss on sale of $1,736,849.

(2) Relates to tax credits on previously capitalised exploration reclassified to other assets.

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.

	31 December 2012 $	30 June 2012 $
17. Trade and Other Payables		
Trade and other creditors	**1,677,233**	2,012,402
Accrued expenses	**644,521**	1,596,603
	2,321,754	3,609,005
18. Employee Benefits		
Liability for annual leave	**433,044**	444,787
19. Deferred Tax Liabilities		
Deferred tax liability attributable to exploration and evaluation assets	**3,084,095**	3,101,146

The deferred tax liability relates to Brazil exploration assets acquired through a business combination. Potential deferred tax assets of the same amount 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

	31 December 2012 Number of Shares	30 June 2012 Number of Shares
On issue at 1 July	**133,500,382**	848,998,637
Consolidation *	**-**	(742,873,255)
Issue of ordinary shares for share placement at $0.44 per share	**59,547,537**	-
Issue of ordinary shares for share placement at $0.704	**-**	26,500,000
Exercise of options	**2,700,000**	875,000
On issue at the end of the period – Fully paid	**195,747,919**	133,500,382

*On 22 September 2011, Shareholders approved the consolidation of the Company's capital on a 1-for-8 basis. The consolidation took effect from 5 October 2011.

20. Capital and Reserves (continued)

Issue of ordinary shares

The Company issued a total of 59,547,537 ordinary fully paid shares at $0.44 per share as part of a Share Placement completed in two tranches. Tranche 1 consisted of 19,140,282 ordinary fully paid shares which were issued on 17 July 2012 and ratified at a general meeting held on 31 August 2012. Tranche 2 consisted of 40,407,255 ordinary fully paid shares which were issued on 10 September 2012.

On 1 August 2012, 2,700,000 ordinary fully paid shares were issued as a result of the exercise of vested options. Options were exercised at an price of $0.25.

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.

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 and performance rights

Information relating to the Employee Share Option Plan and Performance Share Plan, including details of options and rights issued, exercised, lapsed during the financial year and 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 and performance rights 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.

Options

At 31 December 2012, in addition to the unissued shares under options and performance rights disclosed in note 28, the Company has the following options on issue.

2,000,000	exercisable at $0.80	expiring 14 February 2013
3,750,000	exercisable at $1.20	Expiring 31 August 2014

The weighted average share price at the date of exercise for share options exercised in the period was $0.35 (30 June 2012 nil)

21. Dividends

There were no dividends paid or declared during the period (30 June 2012: nil).

22. Earnings/(Loss) Per Share

Basic (loss) per share

The calculation of basic and diluted earnings per share at 31 December 2012 was based on the loss attributable to ordinary shareholders of $9,125,800 (30 June 2012: $20,783,843) and a weighted average number of ordinary shares outstanding of 177,698,424 (30 June 2012: 129,298,297), calculated as follows:

Loss attributable to ordinary shareholders

	31 December 2012 $	30 June 2012 $
Loss for the period	**(9,125,800)**	(20,783,843)
Loss attributable to the shareholders	**(9,125,800)**	(20,783,843)

Weighted average number of ordinary shares	**31 December 2012 Number**	30 June 2012 Number
Issued ordinary shares at 1 July	**133,500,382**	106,125,352
Effect of shares issued related to share placement	**41,967,607**	22,446,575
Effect of shares issued on exercise of options	**2,230,435**	726,370
Weighted average number of ordinary shares at the end of the period	**177,698,424**	129,298,297

Diluted earnings per share

Potential ordinary shares were not considered to be dilutive as the Group made a loss for the period ended 31 December 2012 and the exercise of potential ordinary shares would not increase that loss.

23. Related Parties

	31 December 2012 $	30 June 2012 $
Key management personnel compensation		
Short term employee benefits	**829,698**	2,150,212
Post-employment benefits	**43,432**	142,651
Share-based payments	**111,151**	279,407
	984,281	2,572,270

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as required by Corporations Regulation 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 Group since the end of the previous financial year and there were no material contract involving directors’ interest existing at year-end.

23. Related Parties (continued)

Options and rights over equity instruments

The movement during the reporting period in the number of options and rights 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 2012	Granted as compen-sation	Exercise	Other changes[2]	Held at 31 December 2012	Vested during the period	Vested and exercisable 31 December 2012
Directors							
Mr D M Murcia	312,500	-	-	-	312,500	-	250,000
Mr D P Gordon	1,450,000	-	-	-	1,450,000	-	500,000
Mr K G McKay (resigned 10 January 2013)	250,000	-	-	(125,000)	125,000	-	125,000
Mr P E Freund	2,000,000	600,000	-	-	2,600,000	-	2,000,000
Mr R G Hill	1,187,500	-	(1,000,000)	-	187,500	-	187,500
Mr M Hancock	-	-	-	-	-	-	-
Ms S Lyons	-	-	-	-	-	-	-
Executives							
Mr J W Westdorp	-	500,000	-	-	500,000	-	-
Mr G A James	218,750	250,000	-	-	468,750	-	125,000

			Post 1-for-8 Consolidation					
	Held at 1 July 2011	Consolidation 1-for-8	Granted as compen-sation	Exercise	Other changes[2]	Held at 30 June 2012	Vested during the year	Vested and exercisable at 30 June 2012
Directors								
Mr D M Murcia	2,500,000	(2,187,500)	-	-	-	312,500	125,000	250,000
Mr D P Gordon	7,600,000	(6,650,000)	700,000[3]	-	(200,000)	1,450,000	-	500,000
Mr K G McKay	2,000,000	(1,750,000)	-	-	-	250,000	-	250,000
Mr P E Freund	16,000,000	(14,000,000)	-	-	-	2,000,000	1,000,000	2,000,000
Mr G T Clifford [1]	1,500,000	(1,312,500)	-	-	(187,500)	-	-	-
Mr R G Hill	9,677,720	(8,468,005)	-	-	(22,215)	1,187,500	62,500	1,187,500
Executives								
Mr G A James	2,500,000	(2,187,500)	-	-	(93,750)	218,750	62,500	125,000

(1) Resigned on 12 August 2011.

(2) Other changes represent options that expired or were forfeited during the year.

(3) Performance rights were approved by Shareholders at a general meeting held on 31 August 2012. The service period commenced in March 2012.

23. Related Parties (continued)

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:

Movement in shares

	Held at 1 July 2012	Purchases	Received on the exercise of options	Sales	Held at 31 December 2012
Directors					
Mr D M Murcia	1,613,405	-	-	-	1,613,405
Mr D P Gordon	6,769,791	-	-	-	6,769,791
Mr K G McKay	377,375	-	-	-	377,375
Mr P E Freund	25,000	-	-	-	25,000
Mr R G Hill	1,069,430	-	1,000,000	(500,000)	1,569,430
Mr M Hancock	33,333	-	-	-	33,333
Ms S Lyons	-	-	-	-	-
Executives					
Mr G A James	82,582	-	-	-	82,582
Mr J W Westdorp	-	-	-	-	-

			Post 1-for-8 consolidation				
	Held at 1 July 2011	Consolidation 1-for-8	Purchases	Other [3]	Received on the exercise of options	Sales	Held at 30 June 2012
Directors							
Mr D M Murcia	12,907,235	(11,293,830)	-	-	-	-	1,613,405
Mr D P Gordon	52,558,328	(45,988,537)	200,000	-	-	-	6,769,791
Mr K G McKay	3,019,000	(2,641,625)	-	-	-	-	377,375
Mr P E Freund	200,000	(175,000)	-	-	-	-	25,000
Mr G T Clifford [1]	1,200,000	(1,050,000)	-	(150,000)	-	-	-
Mr R G Hill	8,555,440	(7,486,010)	-	-	-	-	1,069,430
Mr M Hancock	-	-	-	33,333	-	-	33,333
Executives							
Mr G A James	660,652	(578,070)	-	-	-	-	82,582

(1) Resigned on 12 August 2011.

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.

23. Related Parties (continued)

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	Transaction value		Balance outstanding as at	
		31 December 2012 $	30 June 2012 $	**31 December 2012 $**	30 June 2012 $
Consolidated					
Key management person					
Mr D M Murcia [(1)]	Legal fees	**35,836**	41,725	**6,303**	6,675
Total and current liabilities				**6,303**	6,675

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

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:

	31 December 2012 $	30 June 2012 $
Cash and cash equivalents	**23,402,755**	8,845,662
Other receivables	**1,696,362**	544,082
	25,099,117	9,389,744

The cash and cash equivalents are held with bank and financial institution counterparties, which are rated BBB to AA- based on rating agency Standard and Poor's rating.

24. Financial Instruments (continued)

Credit risk (continued)

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

	Carrying amount	
	31 December 2012	30 June 2012
	$	$
Australia	**257,356**	105,458
Brazil	**1,439,006**	438,624
	1,696,362	544,082

These balances are net of provision for impairment.

Provision for Impairment
The movement in the provision in respect of other receivables during the year was as follows.

	31 December 2012	30 June 2012
	$	$
Balance at 1 July	**747,963**	-
Reversal of provision for impairment	**(380,177)**	-
Provision for impairment	**243,535**	747,963
Provision used	**(65,725)**	-
Foreign currency exchange	**(3,698)**	-
	541,898	747,963

Amounts receivable as a result of the Court Settlement award relating to Liberdade are past due and a provision for impairment has been recognised of $179,567 (30 June 2012: $176,576). Amounts receivable for indirect tax credits which are not yet considered to be recoverable have been provided for amounting to $362,331 (30 June 2012: $571,387). None of the Company's other receivables are past due (30 June 2012: nil). The Group believes that no impairment allowance is necessary in respect of the other receivables not past due.

24. Financial Instruments (continued)

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
31 December 2012							
Trade and other payables	2,321,754	(2,321,754)	(2,321,754)	-	-	-	-
	2,321,754	(2,321,754)	(2,321,754)	-	-	-	-
30 June 2012							
Trade and other payables	3,609,005	(3,609,005)	(2,652,930)	(956,075)	-	-	-
	3,609,005	(3,609,005)	(2,652,930)	(956,075)	-	-	-

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

Currency risk

Exposure to currency risk

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

	31 December 2012 USD $	30 June 2012 USD $
AUD Equivalents		
Trade and other payables	**(964,000)**	(956,075)
Net exposure	**(964,000)**	(956,075)

Sensitivity analysis

A strengthening of the AUD, as indicated below, against the BRL and the USD at 31 December 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.

24. Financial Instruments (continued)

	Equity $	Profit or loss $
31 December 2012		
USD (10 percent strengthening)	-	96,400
30 June 2012		
USD (10 percent strengthening)	-	95,607

A weakening of the AUD against the above currencies at 31 December 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:

	31 December 2012 $	30 June 2012 $
Variable rate instruments		
Financial assets	**23,402,755**	8,845,662
	23,402,755	8,845,662

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 2012.

	Profit or loss		**Equity**	
	100bp Increase $	**100bp Decrease $**	**100bp Increase $**	**100bp Decrease $**
31 December 2012				
Variable rate instruments	234,027	(234,027)	-	-
Cash flow sensitivity (net)	234,027	(234,027)	-	-
30 June 2012				
Variable rate instruments	88,457	(88,457)	-	-
Cash flow sensitivity (net)	88,457	(88,457)	-	-

24. Financial Instruments (continued)

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:

	31 December 2012		30 June 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Cash and cash equivalents	**23,402,755**	**23,402,755**	8,845,662	8,845,662
Other receivables	**1,696,362**	**1,696,362**	544,082	544,082
Available-for-sale financial assets	**906,737**	**906,737**	534,201	534,201
Held for trading derivatives instruments	**213,842**	**213,942**	29,525	29,525
	26,219,696	**26,219,696**	9,953,470	9,953,470
Trade and other payables	**2,321,754**	**2,321,754**	3,609,005	3,609,005

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
	$	$	$	$
31 December 2012				
Available-for-sale financial assets	**906,737**	**-**	**-**	**906,737**
Derivative instruments (i)	**2,222**	**211,720**	**-**	**213,942**
	908,959	**211,720**	**-**	**1,120,679**
30 June 2012				
Available-for-sale financial assets	534,201	-	-	534,201
Derivative instruments (i)	4,444	25,081	-	29,525
	538,645	25,081	-	563,726

There have been no transfers of assets from Levels during the period ended 31 December 2012 (30 June 2012: no transfers in either direction).

(i) Decline in fair value of derivative instruments of $908 has been charged to finance expense (30 June 2012: $231,559).

25. Contingent Liabilities

Guarantees

Guarantees given in respect of bank security bonds amounting to $43,787 (30 June 2012: $43,790), secured by cash deposits lodged as security with the bank.

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

There are no other contingent liabilities that require disclosure.

26. Operating Leases

	31 December 2012 $	30 June 2012 $
Leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	**483,665**	284,567
Between one and five years	**444,356**	319,855
More than five years	**-**	-
	928,021	604,422

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

27. Capital Commitments

Exploration expenditure commitments

The group had the following capital commitments

	31 December 2012 $	30 June 2012 $
Contract for but not provided and payable:		
Less than one year	**619,950**	-
Between one and five years	**-**	-
More than five years	**-**	-
	619,950	-

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 ESOP. 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 Consultants outside of the ESOP.

There were no new options granted during the period to 31 December 2012.

The terms and conditions relating to the grant of options for the year ended 30 June 2012 are as follows:

Grant Date	Number of Options	Vesting Conditions	Option Term
Employee Options			
29/08/2011	6,250	Vested immediately	4 years
29/08/2011	15,625	See note 1	4 years
29/08/2011	15,625	See note 2	4 years
01/01/2012	150,000	See note 3	3 years
01/01/2012	150,000	See note 4	3 years
30/01/2012	100,000	Vested immediately	5 years
30/01/2012	150,000	See note 5	5 years
30/01/2012	150,000	See note 6	5 years
Sub total	737,500		
Consultant Options			
01/01/2012	200,000	Vested immediately	3 years
01/01/2012	200,000	Vest on 30/09/2012	3 years
01/01/2012	400,000	Vest on 30/06/2013	3 years
Subtotal	800,000		
Total	1,537,500		

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. Subsequent to period end this has been revised down to 150,000 tonnes per month over a consecutive 3 month period.

Note 3: Options vest on execution of a land access agreement with relevant government body in Bahia, for Centaurus to secure the necessary land and port allocations at Ilheus Port for a minimum of 2mtpa of Iron Ore.

Note 4 Options vest on the State of Bahia commencing the dredging of the Ilheus Port to 14 metres to accommodate Panamax Vessels.

Note 5: Options vest on achievement of iron ore production from the Company's iron ore projects at an average rate of 150,000 tonnes per month over a consecutive 3 month period.

Note 6: Options vest on achievement of first iron ore shipment from Brazil into the international iron ore export market

Notes to the Consolidated Financial Statements
For the period ended 31 December 2012

28. Share-Based Payments (continued)

Description of the share-based payment arrangements (continued)

Employee Share Option Plan (continued)

The number and weighted average exercise prices of share options issued under the employee share option plan and issued to consultants are as follows:

	Weighted average exercise price 31 December 2012	**Number of options 31 December 2012**	Weighted average exercise price 30 June 2012	Number of options 30 June 2012
Outstanding at 1 July	**$0.833**	**7,700,000**	$0.776	7,393,750
Forfeited during the period	**$0.720**	**(156,250)**	$0.689	(512,500)
Expired during the period	**$1.960**	**(187,500)**	$1.040	(593,750)
Exercised during the period	**-**	**-**	$0.640	(125,000)
Granted during the period	**-**	**-**	$1.125	1,537,500
Outstanding at balance date	**$0.807**	**7,356,250**	$0.833	7,700,000
Exercisable at balance date	**$0.736**	**5,500,000**	$0.757	5,487,500

The options outstanding at 31 December 2012 have an exercise price in the range of $0.40 to $1.80 (30 June 2012: $0.40 to $2.28) and the weighted average remaining contractual life is 1.95 years (30 June 2012: 2.42 years).

The weighted average share price at the date of exercise for share options exercised in the period 30 June 2012 $0.64. There were no ESOP options exercised during the current period.

28. Share-Based Payments (continued)

Description of the share-based payment arrangements (continued)

Employee Share Option Plan (continued)

Inputs for measurement of grant date fair values

There were no options granted during the six month period to 31 December 2012.

The weighted average fair value at grant date of options granted during the year end 30 June 2012 was $0.225. 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.

The model inputs for 30 June 2012 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								
29/08/2011	29/08/2015	$0.80	4.00 years	$0.73	88.25%	Nil	4.01%	$0.4491
29/08/2011	29/08/2015	$0.80	4.00 years	$0.73	88.25%	Nil	4.01%	$0.4491
29/08/2011	29/08/2015	$0.80	4.00 years	$0.73	88.25%	Nil	4.01%	$0.4491
01/01/2012	31/12/2014	$0.80	3.00 years	$0.50	85.81%	Nil	3.29%	$0.2283
01/01/2012	31/12/2014	$0.80	3.00 years	$0.50	85.81%	Nil	3.29%	$0.2283
30/01/2012	30/01/2017	$0.80	5.00 years	$0.51	85.77%	Nil	3.35%	$0.3128
30/01/2012	30/01/2017	$0.80	5.00 years	$0.51	85.77%	Nil	3.35%	$0.3128
30/01/2012	30/01/2017	$0.80	5.00 years	$0.51	85.77%	Nil	3.35%	$0.3128
Consultant Options								
01/01/2012	31/12/2014	$0.80	3.00 years	$0.50	85.81%	Nil	3.29%	$0.2283
01/01/2012	31/12/2014	$1.30	3.00 years	$0.50	85.81%	Nil	3.29%	$0.1730
01/01/2012	31/12/2014	$1.80	3.00 years	$0.50	85.81%	Nil	3.29%	$0.1385

28. Share-Based Payments (continued)

Description of the share-based payment arrangements (continued)

Performance Share Plan

A Performance Share Plan (PSP) was adopted by the Board of Directors on 23 July 2012 and was approved by shareholders on 31 August 2012. Under the PSP, the Board may from time to time in its absolute discretion grant performance rights to eligible persons including executives and employees, in the form and subject to terms and conditions as the Board determines. Performance rights are, in effect, options to acquire unissued shares in the Company, the exercise of which is subject to certain performance milestones. Performance rights are granted under the PSP for no consideration and are granted for a period not exceeding 5 years. The fair value at grant date is measured using the 5 day weighted average share price.

Details of performance rights issued as compensation to directors and key management personnel during the period ended 31 December 2012 are as follows:

Grant Date	Number of Rights	Vesting Conditions	Term
Key Management Personnel			
31/08/2012	400,000	See note 1	16 months
31/08/2012	150,000	See note 2	33 months
23/11/2012	300,000	See note 3	21 months
03/12/2012	100,000	See note 1	13 months
03/12/2012	200,000	See note 2	19 months
03/12/2012	200,000	See note 4	42 months
Sub total	1,350,000		
Employee			
31/08/2012	20,000	See note 1	16 months
31/08/2012	30,000	See note 2	33 months
03/09/2012	100,000	See note 1	16 months
03/09/2012	150,000	See note 2	33 months
10/09/2012	100,000	See note 1	16 months
10/09/2012	150,000	See note 2	33 months
11/09/2012	150,000	See note 1	16 months
11/09/2012	220,000	See note 2	33 months
12/09/2012	250,000	See note 1	16 months
12/09/2012	360,000	See note 2	33 months
11/10/2012	50,000	See note 1	15 months
11/10/2012	70,000	See note 2	32 months
Sub total	1,650,000		
Total	3,000,000		

Note 1: Rights vest on first sale of iron ore from the Jambreiro Iron Ore Project on or before 31 December 2013.
Note 2: On first sale of iron ore into the export market from the Company's current or future Brazilian Projects on or before 30 June 2015.
Note 3: On first sale of iron ore into the export market from the Company's current or future Brazilian Projects on or before 30 June 2014.
Note 4: On the Company's market capitalisation exceeding A$500 million by 30 June 2016.

28. Share-Based Payments (continued)

Description of the share-based payment arrangements (continued)

Details of performance rights issued as compensation to directors and key management personnel during the year ended 30 June 2012 were as follows:

Grant Date	Number of Rights	Vesting Conditions	Term
Employee Options			
31/08/2012	300,000	See note 1	16 months
31/08/2012	400,000	See note 2	34 months
Sub total	700,000		

Note 1: Rights vest on first sale of iron ore from the Jambreiro Iron Ore Project on or before 31 December 2013.

Note 2: On first sale of iron ore into the export market from the Company's current or future Brazilian Projects on or before 30 June 2015.

Inputs for measurement of grant date fair values

31 December 2012	Valuation date	Expiry date	Exercise price	Vesting days	Fair value
Key Management Personnel					
400,000	31/08/2012	31/08/2017	Nil	487	$0.2853
150,000	31/08/2012	31/08/2017	Nil	1,033	$0.2853
300,000	23/11/2012	31/08/2017	Nil	657	$0.3000
100,000	03/12/2012	03/12/2017	Nil	393	$0.2926
200,000	03/12/2012	03/12/2017	Nil	939	$0.2926
200,000	03/12/2012	03/12/2017	Nil	1,305	$0.2926
			Nil		
Other Employees					
50,000	31/08/2012	31/08/2017	Nil	Note 1	$0.2853
250,000	03/09/2012	31/08/2017	Nil	Note 1	$0.2861
250,000	10/09/2012	31/08/2017	Nil	Note 1	$0.2663
610,000	12/09/2012	31/08/2017	Nil	Note 1	$0.2625
370,000	11/09/2012	31/08/2017	Nil	Note 1	$0.2632
120,000	11/10/2012	31/08/2017	Nil	Note 1	$0.2651

Note 1 – vesting period ranges from 475 days to 1,021

30 June 2012	Valuation date	Expiry date	Exercise price	Vesting days	Fair value *
Key Management Personnel					
300,000	30/06/2012	31/08/2017	Nil	659	$0.4288
400,000	30/06/2012	31/08/2017	Nil	1,024	$0.4288

*The fair value of performance rights issued during the year ended 30 June 2012 was provisionally calculated at $0.4288 based on the 5 day volume weighted average share price at valuation date which was subsequently revised on 31 August 2012, the grant date, to $0.2853.

28. Share-Based Payments (continued)

Expenses arising from share based payment transactions

	31 December 2012 $	30 June 2012 $
Equity – settled share options and performance rights granted during:		
Period ended 30 June 2010	**3,087**	93,502
Period ended 30 June 2011	**44,572**	251,786
Period ended 30 June 2012	**29,085**	114,525
Period ended 31 December 2012	**190,301**	-
Total expense recognised as share based payment	**267,045**	459,813

29. Group Entities

	Country of incorporation	**Ownership interest**	
		31 December 2012	30 June 2012
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%
Mineração Passo das Pedras Ltda	Brazil	**100%**	100%
Centaurus Export Mineração Ltda	Brazil	**100%**	100%
Centaurus Manganês Mineração Ltda	Brazil	**100%**	100%

30. Subsequent Events

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.

Notes to the Consolidated Financial Statements
For the period ended 31 December 2012

31. Remuneration of Auditors

	31 December 2012 $	30 June 2012 $
Audit services		
Audit and review of the Company KPMG	**69,634**	92,318
Other services		
Auditor of the Company		
KPMG: Taxation services	**61,320**	40,930

32. Parent Entity Information

As at and throughout the period ending 31 December 2012 the parent company of the Group was Centaurus Metals Limited.

Result of the parent entity

	Company	
	31 December 2012 $	30 June 2012 $
Loss for the period	**(2,258,693)**	(5,460,090)
Other comprehensive income		
Net change in fair value of available-for-sale financial assets	**88,750**	-
Net change in fair value of available-for-sale financial assets transferred to profit and loss	**-**	265,625
Other comprehensive income for the period, net of income tax	**88,750**	265,625
Total comprehensive loss for the year	**(2,169,943)**	(5,194,465)

32. Parent Entity Information (continued)

Financial position of the parent entity at the year end	31 December 2012 $	30 June 2012 $
Current assets	**21,381,780**	6,667,108
Non-current assets (1)	**62,482,118**	52,881,296
Total assets	**83,863,898**	59,548,404
Current liabilities	**679,904**	516,807
Total liabilities	**679,904**	516,807
Net assets	**83,183,994**	59,031,597
Share capital	**98,766,042**	72,710,747
Reserves	**5,846,961**	5,532,550
Accumulated losses	**(21,429,009)**	(19,211,700)
Total equity	**83,183,994**	59,031,597

Parent entity contingencies

The parent entity had no contingent liabilities as at 31 December 2012 (30 June 2012: nil).

(1) Included within non-current assets are loans to subsidiaries for which the ultimate recoupment is dependent on s development and commercial exploitation or, alternatively, sale of the respective project areas.

Parent entity capital commitments

The parent entity had no capital commitments at 31 December 2012 (30 June 2012: nil)

Parent entity lease commitments

The parent entity has the following lease commitments:

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Company	
	31 December 2012 $	30 June 2012 $
Less than one year	**176,272**	113,560
Between one and five years	**131,359**	-
More than five years	**-**	-
	307,631	113,560

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 31 December 2012 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 31 December 2012.

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

26 March 2013

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, which comprises the consolidated statement of financial position as at 31 December 2012, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended on that date, notes 1 to 32 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 period end or from time to time during the financial period.

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.

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 31 December 2012 and of its performance for the six months 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 six months ended 31 December 2012. 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 six months ended 31 December 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

G-Trm

Graham Hogg
Partner

Perth

26 March 2013

Shareholder Information

The shareholder information set out below was applicable as at 22 March 2013.

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 (1) – 38,320,264 shares and 3,750,000 unlisted options
Liberty Metals & Mining Holdings, LLC – 25,000,000 shares
Lujeta Pty Ltd – 11,400,000 shares

(1) On 27 July 2011, the Company announced it had entered into a strategic alliance with Atlas Iron Limited ("Atlas") pursuant to which Atlas agreed to take a strategic 19.9% stake in the Company, and for Atlas to provide technical, development and product marketing support as the Company looks to develop its export and domestic iron ore businesses in Brazil. Centaurus and Atlas entered into a subscription agreement with respect to the strategic alliance. Pursuant to the strategic alliance, and subject to meeting various conditions including Atlas continuing to hold a 5% interest in the share capital in the Company, ASX Limited have granted Centaurus a waiver from the listing rules to permit Atlas to have a right to maintain its equity interest in the Company in the event that further equity issues are undertaken for future funding requirements or as a means of securing further assets (other than by a takeover bid or scheme of arrangement). Atlas will be given the opportunity to participate in these future equity issues of the Company on the same terms as those being offered to third parties.

B. Class of Shares and Voting Rights

(a) At 22 March 2013 there were 4,005 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 22 March 2013, there were 20 holders of options over 10,800,000 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.

(d) At 22 March 2013, there were 15 holders of performance rights over 3,700,000 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 performance rights have been exercised.

Shareholder Information

C. Distribution of Equity Securities

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

	Class of Equity Security		
	Ordinary Shares	Options	Performance Rights
1 - 1,000	618	-	-
1,001 - 5,000	1,434	-	-
5,001 - 10,000	652	-	-
10,001 - 100,000	1,127	8	2
100,001 and over	174	12	13
	4,005	20	15

(b) There were 1,203 holders of less than a marketable parcel of ordinary shares.

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	
Name	**Number Held**	**Percentage of Issued Shares**
Atlas Iron Limited	38,320,264	19.58
Liberty Metals & Mining Holdings, LLC	25,000,000	12.77
Lujeta Pty Ltd	11,400,000	5.82
Mr Darren Gordon	6,769,791	3.46
Bridgelane Capital Pty Ltd	5,576,375	2.85
JP Morgan Nominees Aust Limited	4,682,917	2.39
Lion Selection Group Limited	4,545,455	2.32
HSBC Custody Nominees (Aust) Limited	3,808,404	1.95
Citicorp Nominees Pty Ltd	3,677,106	1.88
National Nominees Limited	3,589,895	1.83
Vulcan Custodian Limited	2,641,319	1.35
Mr Richard Grant Manners Hill	1,569,430	0.80
Alcardo Investments Ltd	1,023,053	0.52
Lomacott Pty Ltd	1,000,000	0.51
Mr Kevin Press	1,000,000	0.51
Mr Stephen William Woodham	1,000,000	0.51
MPH Resources Pty Ltd	875,000	0.45
Mr Antonio Aceti	781,750	0.40
Tohei Pty Ltd	738,405	0.38
Mr Grant Anthony Pestell	731,485	0.37
Total Top 20 Shareholders	118,730,649	60.65
Other Shareholders	77,017,270	39.35
Total Number of Issued Shares	195,747,919	100.00

Shareholder Information

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	10%(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. Aston Metals (QLD) Limited is earning 80% of Summit's interest in the Project.

Brazilian Tenements

Tenement	Project Name	Location	Interest
832.316/2005	Itambé	Minas Gerais	100%
831.645/2006	Passabém	Minas Gerais	100%
830.588/2008	Passabém	Minas Gerais	100%
832.589/2008	Ponte de Pedra	Minas Gerais	100%
832.590/2008	Ponte de Pedra	Minas Gerais	100%
832.690/2009	Ponte de Pedra	Minas Gerais	100%
833.998/2008	G100	Minas Gerais	100%
833.999/2008	G100	Minas Gerais	100%
834.000/2008	G100	Minas Gerais	100%
834.001/2008	G100	Minas Gerais	100%
834.002/2008	G100	Minas Gerais	100%
834.003/2008	G100	Minas Gerais	100%
834.004/2008	G100	Minas Gerais	100%
832.792/2010	G100	Minas Gerais	100%
832.793/2010	G100	Minas Gerais	100%
832.794/2010	G100	Minas Gerais	100%
832.796/2010	G100	Minas Gerais	100%
834.106/2010	Jambreiro	Minas Gerais	100%
831.649/2004	Jambreiro	Minas Gerais	100%
831.629/2004	Candonga	Minas Gerais	100%
831.636/2004	Tenda	Minas Gerais	100%
831.637/2004	Tenda	Minas Gerais	100%
831.638/2004	Canavial	Minas Gerais	100%

Tenement Information

Tenement	Project Name	Location	Interest
831.639/2004	Canavial	Minas Gerais	100%
832.249/2006	Regional Guanhães	Minas Gerais	100%
832.255/2006	Regional Guanhães	Minas Gerais	100%
833.409/2007	Jambreiro	Minas Gerais	100%
833.410/2007	Regional Guanhães	Minas Gerais	100%
872.215/2011	Serra da Lontra	Bahia	100%
872.216/2011	Serra da Lontra	Bahia	100%
872.217/2011	Serra da Lontra	Bahia	100%
872.218/2011	Serra da Lontra	Bahia	100%
872.219/2011	Serra da Lontra	Bahia	100%
872.220/2011	Serra da Lontra	Bahia	100%
872.221/2011	Serra da Lontra	Bahia	100%
872.222/2011	Serra da Lontra	Bahia	100%
872.223/2011	Serra da Lontra	Bahia	100%
872.224/2011	Serra da Lontra	Bahia	100%
872.225/2011	Serra da Lontra	Bahia	100%
846.113/2009	Curral Velho	Paraíba	100%
846.114/2009	Curral Velho	Paraíba	100%
846.115/2009	Curral Velho	Paraíba	100%
846.232/2009	Curral Velho	Paraíba	100%
846.233/2009	Curral Velho	Paraíba	100%
846.234/2009	Curral Velho	Paraíba	100%