

27 May 2014

DRILLING COMMENCES AT CANDONGA AS PART OF DEVELOPMENT STRATEGY FOR SATELLITE DSO PROJECT

Key development and environmental approval applications lodged

Key Points

- **Trial Mining Licence Application for Candonga Project lodged with DNPM, to enable mining of 300ktpa to be undertaken.**
- **Environmental Licence Application lodged with SUPRAM, with approvals process expected to be completed over next six months.**
- **Diamond drill rigs mobilised and drill program now underway targeting high-grade mineralisation.**

International iron ore company Centaurus Metals Ltd (ASX Code: **CTM**) is pleased to advise that its strategy to accelerate development of the 100%-owned **Candonga DSO Project** in south-east Brazil is well underway with a new diamond drilling program commencing this week and key development and environmental approvals lodged.

The Company has lodged an application with the Department of Mines (DNPM) for a Trial Mining Licence at Candonga, marking the next key step in the planned development of a small-scale direct shipping ore (DSO) mining operation.

Candonga is an emerging satellite deposit located 33km south of Centaurus' flagship **Jambreiro Iron Ore Project** in south-east Brazil.

The application for a Trial Mining Licence (*Guia de Utilização – "GU"*) allows for mining of 300,000tpa of ore per licence. The licensing process is a simple one that is dealt with by the State DNPM office and does not require approval from the Ministry of Mines and Energy. The Company believes that the licence can be obtained within six months.

Concurrently, the Company has advanced the Environmental Licensing process for Candonga with the State Environment Authority (SUPRAM) by lodging the main Environmental Licence Application, known as the RCA/PCA.

The Environmental Licence process is relatively straightforward for the Candonga Project due to the planned operating parameters and because the Project is located on pastoral land requiring no native vegetation clearing. It is anticipated that the environmental approval process should also be able to be completed over the next six months.

Australian Office
Centaurus Metals Limited
Level 1, 16 Ord Street
WEST PERTH WA 6005

Brazilian Office
Centaurus Brasil Mineração Ltda
Rua Pernambuco, 1.077 - S - Funcionários
Belo Horizonte - MG - CEP: 30.130-150
BRAZIL

ASX: CTM
ACN 009 468 099
office@centaurus.com.au
Telephone: +61 8 9420 4000

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The fast-track development plan for Candonga has also been enhanced with the commencement of a 600m diamond drilling program focusing on the high-grade component of the mineralisation.

The decision to accelerate the development of Candonga follows the encouraging results received recently from classification testwork¹ on Candonga ore.

This work demonstrated that the high-grade in-situ component of the Resource delivers approximately 40% of the mineralisation as a DSO Lump product (+6.3mm) grading between 65% and 69% Fe using a dry screening process, with the balance being a coarse Sinter product.

The current Candonga JORC 2004 Resource estimate stands at 11.9 million tonnes (Mt) grading 43.0% Fe² including **0.9Mt of high-grade itabirite mineralisation grading 58.6% Fe** with low impurities.

The focus of upcoming diamond drilling will be to provide drill core for further sizing analysis of the high grade Candonga mineralisation and to more accurately define the zone of high-grade mineralisation in advance of the planned future development activities.

Centaurus Managing Director Mr Darren Gordon said the Candonga Project provided an opportunity to quickly bring a low-cost DSO project on stream with the ability to supply a high grade lump and coarse sinter product into the Brazilian domestic market to meet the high levels of demand, and the current undersupply, for these product types.

“By commencing with the DSO Project we can establish a near-term cash flow by mining the high-grade DSO material close to surface and selling it into the domestic market,” he said. “This will, in turn, allow the longer licensing process required for the larger Candonga itabirite project to be progressed concurrently with the generation of positive cash flows.

“We look forward to fast tracking the Candonga Project to a simple, small-scale production opportunity that will complement the development of Jambreiro. All going to plan, we could be mining at Candonga within 9-12 months,” Mr Gordon said.

-ENDS-

Released by:

Nicholas Read
Read Corporate
M: +61 419 929 046

On behalf of:

Darren Gordon
Managing Director
Centaurus Metals Limited
T: +618 9420 4000

¹ Refer to ASX announcement on 31 March 2014 for full details of the ore classification test work.

² Refer to ASX announcement on 8 August 2013 for full details of the Resource estimate.

Australian Office

Centaurus Metals Limited
Level 1, 16 Ord Street
WEST PERTH WA 6005

Brazilian Office

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