



## AUSTRALIAN STOCK EXCHANGE RELEASE

30<sup>th</sup> January 2008

General Manager  
The Company Announcements Office  
Australian Stock Exchange Limited  
Electronic Lodgment System

Dear Sir/Madam

### Second Quarter Activities Report

THREE MONTHS TO 31<sup>st</sup> DECEMBER 2007

The following activities have been conducted by or on behalf of the Company:

#### 1.0 EXPLORATION ACTIVITIES

Exploration activities for the quarter focused on the Wilgerup and Bungalow projects.

##### 1.1. EL 3317 Wilgerup

###### 1.1.1 Infill Resource and regional exploration Drilling

Underdale Drillers commenced drilling at Wilgerup on the 21<sup>st</sup> November, 2007. Sixteen (16) holes for a total of 1,360 metres were drilled for the quarter. The drilling covered infill drilling of the North Hematite Pod and exploration drilling of the South Pod.

Infill drilling during the quarter targeted areas previously classified as Inferred massive hematite in order to permit the estimation of at least Indicated Resources.

The North Hematite Pod remains open to the east and to the north at depth. The infill drilling is designed to close the drill spacing to a 40m by 20m pattern to support a JORC Indicated and Measured Resource to be used as a basis for the project's feasibility study.

A review of the South Pod was undertaken during the quarter with the subsequent drilling of 13 reverse circulation and air core holes for a total 1,020 metres. Assay results from the first 6 holes have confirmed the presence of hematite mineralisation. The mineralisation is contained within a broad low grade zone of up to 40m down hole thickness which comprises a mix of massive hematite, hematite clay and hematized banded iron formation. The South Hematite Pod results were encouraging and indicate that the South Pod presents a potential blending option with the higher grade North Hematite Pod and/or as a possible source of material for beneficiation.

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The South Pod results will now be reviewed for follow up drilling and beneficiation options.

A summary of the more significant down hole intercepts are tabulated below.

DrillHole ID	Depth From	Depth To	Interval (m)	Fe	SiO2	Al2O3	P
W6R194	46	64	18	43.67	10.94	8.68	0.103
W6R194	78	87	9	51.51	15.13	4.06	0.106
W6R197	65	72	7	43.77	17.39	6.01	0.160
W6R197	80	88	8	53.60	10.93	6.39	0.082
W6R197	94	104	10	55.26	10.46	3.08	0.121
W6R198	80	96	16	45.35	12.91	5.91	0.098
W6R199	34	64	20	46.70	12.46	9.08	0.142
W6R199	70	76	6	49.20	16.65	5.85	0.115
W6R200	18	50	32	48.83	14.44	9.42	0.106
W6R200	58	62	4	53.45	7.76	2.36	0.051
W6R202	52	58	6	49.43	5.52	2.02	0.126

### 1.1.2 EL 3317 Wilgerup Geotechnical and Hydrological Studies.

A geotechnical project scope was prepared for the Wilgerup North Hematite Pod feasibility study. Five (5) holes for a total of 800 metres of HQ3 diamond drilling have been designed to identify the main structural features for pit slope analysis. Geotechnical consultants Coffey Mining Pty Ltd were been appointed to conduct the study and John Nitschke Drilling Pty Ltd has been contracted to undertake the drilling. The diamond drilling is due to commence in early January 2008.

A hydrological project scope was prepared for the Wilgerup feasibility study and Sinclair Knight Mertz appointed to undertake the study. Detailed planning and appropriate licensing was conducted during the quarter with Underdale Drillers expected to commence the drilling of three (3) monitoring bores and one (1) production bore in mid-January 2008.

### 1.2 EL 3610 Bungalow/Minbrie Magnetite Deposit

Centrex Metals Limited signed a binding Joint Venture Heads of Agreement with Baotou Iron & Steel Co., Ltd (“Baotou”) on 22<sup>nd</sup> September 2007 covering the Bungalow / Minbrie magnetite deposit. The Joint Venture requires Baotou to make up to A\$40 million in staged payments to cover the costs of all activities required to complete exploration and resource drilling and a Bankable Feasibility Study covering development of the magnetite deposit. By contributing A\$40 million, Baotou will earn a 50% interest in the Joint Venture and have the right to take 50% of the expected 3 million tonnes of magnetite concentrate produced per year over a potential mine life exceeding 30 years.

The Heads of Agreement is subject to Baotou receiving all necessary Chinese government consents and approvals to enable it to invest into the Joint Venture.

Baotou has made significant progress towards receiving the consents and approvals. Centrex announced in early January that a key approval step required for Baotou to invest in the Bungalow Magnetite Joint Venture had been achieved with the government of Inner Mongolia issuing approval to invest in Stage 1 of the Joint Venture through the National Asset Committee.

Baotou has commenced the second stage of approvals which requires authorisation from the Chinese government, specifically from the National Administration of Foreign Exchange of the People’s Republic of China, for project permitting and funds then the Ministry of Commerce for approvals to set up an Australian subsidiary. All consents are expected to be received by late February 2008.

Centrex has commenced detailed planning in advance of receipt of funds. Key milestones achieved include:

- Appointment of Ben Hammond to the position of Senior Project Geologist for the Bungalow Joint Venture on the 3<sup>rd</sup> of December. Ben joins the company from his previous project management position at Illawarra Coal. Ben also has a number of years experience in BHP Billiton's Pilbara Iron Ore operations, having held both geology and project management roles right throughout the mine to port supply chain.
- Recruitment for Exploration Geologists to work on the JV also commenced in December, with a number of high calibre candidates approached. It is expected these positions will be finalised during January 2008.
- Detailed project schedules and cash flow models were completed for Stage 1 of the Bungalow Joint Venture.
- John Nitschke Drilling Pty Ltd was awarded the 19,500 metre drill contract. Drilling is planned to commence in late February 2008.
- Centrex presented to the Franklin Harbour Council on the 12<sup>th</sup> of December to update them on the project's progress, to aid in the formation of the Council's long-term development plans for the community. Relevant landowners to the JV project were updated in separate sessions.
- Centrex formed an agreement for the construction of core farm facilities in the Cowell light industrial area in December. These facilities are due for completion in early February 2008, in time for the commencement of drilling operations.
- Previous Bungalow drilling results showed an average intercept grade of 38.02% DTS @ 67.66% at a cut-off grade of 20% DTS. These results were derived using a suggested industry standard grind size of 75µm. Despite these positive initial results, to further enhance quality control of results for the upcoming drilling programs, Engenium Pty Ltd, a specialist in magnetite deposits, was appointed in December 2007 to develop standardised magnetite recovery testing procedures specific to the Bungalow/Minbrie Deposit.

## **2. DEVELOPMENT ACTIVITIES**

No development activities were conducted on the Company's tenements during the quarter.

Sinclair Knight Mertz was appointed by Centrex on the 7<sup>th</sup> September 2007 to undertake an Engineering Pre-feasibility Study of potential port sites. Included in the scope of the study was a comparison of the capital and operating costs and benefits associated with the exporting of hematite from port facilities available at either Port Lincoln or Proper Bay. In addition, Environmental and Permitting Studies required to take the Wilgerup mine development into operation will also be completed.

Work completed during the quarter included:

### **Wilgerup Mine site**

- MARP process commenced in December 2007.
- Baseline flora and fauna investigations. The area classified as "highly degraded" with no significant flora or fauna species identified.
- Dust and noise modelling.
- Planning and preparation to undertake mine dewatering and geotechnical assessment.
- Preliminary investigation on water supply.
- Continuation of the community consultation process.
- Road and rail siding study.

Sinclair Knight Mertz will commence the risk assessment phase of the Mine and Rehabilitation Plan (MARP) in January 2008. Geotechnical drilling and detailed groundwater assessments will commence in January 2008. Centrex expects to submit a draft MARP by late February 2008.

Sinclair Knight Mertz continued the Engineering Pre-feasibility of the various port options; Port Lincoln, Proper Bay and Whyalla. Work completed included:

#### Port Lincoln

- PFS engineering design completed (shed, train un-loader, conveyors and ship loader)
- G&WA identified opportunities to increase port train layout and reduce potential impact on vehicular traffic
- Noise/dust modelling
- Seismic profiling of Berth 9 sheet-piling

#### Proper Bay

- PFS engineering design completed (shed, wharf upgrade, vessel loader and train un-loader)
- Terrestrial and marine flora and fauna investigations
- Noise/dust modelling
- Wharf structure assessment
- Geotechnical investigation completed

#### Whyalla

- Non binding MoU with Onesteel
- PFS engineering design being finalised
- Area of interest is the disused southern wharf of the Inner Harbour which permits direct truck access and minimal interaction with Onesteel's operations
- Transport study completed
- Preliminary route assessment completed
- Whyalla Council supportive of new industry
- A detailed engineering and assessment of Whyalla footprint was forwarded to Onesteel for review. Centrex is awaiting feedback.

### **3. PRODUCTION ACTIVITIES**

No production was recorded for any of the Company's tenements during the quarter.

### **4. CAPITAL**

The Company had 217,480,899 shares and 56,065,858 2008 A Class Options on issue at 31 December 2007. During the quarter members exercised the following options:

- 20,000 on 2 November 2007;
- 20,000 on 10 December 2007;
- 2,750 on 12 December 2007;
- 112,500 on 17 December 2007;
- 2,500 on 19 December 2007;
- 187,500 on 20 December 2007;
- 256,250 on 21 December 2007;
- 2,500 on 24 December 2007;
- 156,625 on 27 December 2007;
- 36,250 on 28 December 2007; and
- 204,500 on 31 December 2007

## 5. FINANCIAL

### 5.1 Reconciliation of Expenditure

This is the second quarterly report for Centrex Metals Limited for the year ended 30 June 2008. In the previous quarterly report the estimated exploration and evaluation cash outflows for the current quarter amounted to \$700,000. The actual exploration and evaluation cash outflow amounted to \$972,000; the increase is primarily due to commencement of the feasibility study.

### 5.2 Cash at end of Quarter

Cash at 31 December 2007 was \$5,701,761.

Attached is the Appendix 5B Statement of Cashflows for the period from 1<sup>st</sup> October 2007 to 31<sup>st</sup> December 2007.

For further information, please contact Gerard Anderson at Centrex Metals Limited on (08) 8232 0400.



Gerard Anderson  
Managing Director  
Centrex Metals Limited

*The information in this report relating to Exploration Results is based on information compiled by Mr Gerard Anderson who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Anderson is a geologist and Managing Director of Centrex Metals Limited. Mr Anderson 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 Reserves". Mr Anderson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

CENTREX METALS LIMITED

ABN

97 096 298 752

Quarter ended ("current quarter")

31 DECEMBER 2007

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(972)	(2,042)
(b) development		
(c) production	-	-
(d) administration	(291)	(732)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	127	245
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid (refund)	80	80
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(1,056)</b>	<b>(2,449)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(3)	(3)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(3)</b>	<b>(3)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,059)</b>	<b>(2,452)</b>

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,059)	(2,452)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	200	246
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid		
1.19	Other (provide details if material) –IPO costs	-	-
	<b>Net financing cash flows</b>	200	246
	<b>Net increase (decrease) in cash held</b>	(859)	(2,206)
1.20	Cash at beginning of quarter/year to date	6,561	7,908
1.21	Exchange rate adjustments to item 1.20		
		5,702	5,702
1.22	<b>Cash at end of quarter</b>		

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	242
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Directors' fees and salaries paid and fees paid to director associated entities during the quarter.
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**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,649
4.2 Development	-
<b>Total</b>	<b>1,649</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	655	561
5.2 Deposits at call	5,047	6,000
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>5,702</b>	<b>6,561</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

### Issued and quoted securities at end of current quarter


*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	217,480,899	99,620,704		
7.4 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs  (c) End of restriction period	1,001,375 On exercise of options  Nil	751,375 On exercise of options  Nil		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	2008 Options 56,065,858	2008 Options 14,916,570	<i>Exercise price</i> \$0.20	<i>Expiry date</i> 31/12/2008
7.8 Issued during quarter				
7.9 Exercised during quarter	2008 Options 1,001,375	2008 Options 751,375	<i>Exercise price</i> \$0.20	<i>Expiry date</i> 31/12/2008
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  ..... Date: 30<sup>th</sup> January 2008  
(Director)

Print name: Mr Gerard Anderson

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.