

# QUARTERLY ACTIVITIES REPORT

## 3 Months Ending 31<sup>st</sup> December 2013

### Highlights

#### Corporate

- A\$ 50.7 million cash reserves as at 31<sup>st</sup> December 2013
- A\$ 5.9 million received from South Australian Government for stamp duty refund

#### Eyre Iron Magnetite Joint Venture, South Australia (Centrex 40%, WISCO 60%)

- Second Supplementary Deed signed with WISCO formalising agreements in MOU in September 2013
- WISCO agreement provides funding path towards BFS, if expanded PFS successful
- Expanded PFS focused on mine design underway
- Drilling commenced at new deposits within expanded Fusion magnetite project
- Joint Venture funds were A\$ 8.1 million as at 31<sup>st</sup> December 2013

#### Goulburn Base Metals Joint Venture, NSW (Centrex 65%, Shandong 35%)

- FIRB approval received for first stage of joint venture
- Shandong to spend A\$ 2M on exploration to earn 35%
- Further options for Shandong to earn up to 80% by funding through to production
- Chinese Government approvals now expected in March 2014 with funding expected in June 2014
- IP targets ready to drill once approval received

#### Port Spencer Joint Venture, South Australia (Centrex 50%, WISCO 50%)

- Conditional Federal Government approval received
- New technology transshipment option study completed with reduction in start-up capital cost to A\$ 142 million

#### Gundaroo Gold-Base Metals Project, NSW (Centrex 100%)

- Airborne magnetic and radiometric survey completed highlighting significant structural features
- Access and approvals for stream sediment geochemical sampling underway for program start in January 2014

#### Kimba Gap Iron Ore Project, South Australia (Centrex 100%)

- 18 month exploration period commenced over easternmost portion of deposit under Dual Tenancy Agreement with Arrium
- Marketing continuing with Centrex in discussion with several interested parties

#### Bungalow Magnetite Joint Venture, South Australia (Centrex 70%, Baotou 30%)

- PFS in draft and awaiting technical review from Baotou

#### Woolgarlo Gold Project, NSW (Centrex 100%)

- Granted metallic mineral rights to EL8215
- Woolgarlo is third project to be granted in NSW and forms part of new metals portfolio
- Airborne geophysical survey and soil sampling program planned for early 2014

## 1. CORPORATE

Following the execution of the Second Supplementary Deed during the quarter relating to the Eyre Iron Magnetite Joint Venture with Wuhan Iron & Steel (Group) Co. ("WISCO"), an application was made to the South Australian Government for a refund of stamp duty paid by the Company in 2010 on contingent resource incentive payments. Under the deed the contingent resource incentive payments were relinquished in return for a funding path through to a Bankable Feasibility Study ("BFS"). A refund of A\$ 5.9 million was received by the South Australian Government at the end of the quarter.

The Company continued to review acquisition opportunities among a number of ASX listed junior mining companies while due diligence advanced on several opportunities during the quarter.

## 2. JOINT VENTURES

### 2.1. Goulburn Base Metals Joint Venture, NSW (Centrex 65%, Shandong 35%)

In October 2013, the Australian Foreign Investment Review Board ("FIRB") approved the first stage of the Goulburn Base metals Joint Venture with Shandong 5<sup>th</sup> Geo-Mineral Prospecting Institute ("Shandong"). Centrex and Shandong executed the Joint Venture in April 2013 subject to both Australian and Chinese Government approvals. The decision by FIRB means Chinese Government approvals are the only remaining condition precedent.

The first stage of the Joint Venture comprises Shandong funding A\$ 2 million on exploration to earn a 35% interest. Beyond the first stage, Shandong have the potential to earn up to 80% by funding the project through to production, leaving Centrex with a 20% free carried interest to production.

Upon receipt of Chinese Government approvals and completion of the Joint Venture, the initial A\$ 2 million from Shandong will be used for a diamond drilling program testing recently announced induced polarisation ("IP") geophysical targets within the project. The IP targets lie on the edge of a large gravity anomaly and along strike from historically identified base metals mineralisation.

Shandong notified Centrex during the quarter that the investment application for the Joint Venture would only be assessed by the Chinese Government in January 2014 following the major economic policy summit that was held in November 2013 and the subsequent policy reform agenda. Final approval from the Chinese Government is now expected in March 2014 with funding expected by June 2014.

### 2.2. Eyre Iron Magnetite Joint Venture, South Australia (Centrex 40%, WISCO 50%)

Centrex signed the Second Supplementary Deed ("Deed") with WISCO in November 2013 to amend the partners' Eyre Iron Magnetite Joint Venture of which Centrex holds a 40% interest.

Under the Deed, Centrex and WISCO have agreed to commence an expanded Prefeasibility Study ("PFS") focused on exploring additional deposits within the flagship Fusion project to allow greater mining selectivity and reduce estimated mine production costs. The current process plant, logistics and infrastructure designs will remain relatively unchanged with the focus of the expanded PFS on mine design.

In addition, the Deed establishes an agreed funding path through to the end of a Bankable Feasibility Study ("BFS") that is isolated from Centrex's cash reserves. In return for this new funding path, Centrex has relinquished its entitlements to any resource incentive payments, and WISCO will also agree to remove the obligation that Centrex must dilute in proportion if 1 billion tonnes of Inferred Resources are not defined within the Joint Venture during the first 7 years.

Full details of the announcement can be found via the following link:

<http://www.asx.com.au/asxpdf/20131104/pdf/42km8r046wg156.pdf>

The expanded PFS commenced in December 2013 as drilling recommenced on the Fusion project. The drilling program is focusing on the Bald Hill deposit, an approximately 9km long magnetic trend adjacent to the existing Fusion mineral resources at Koppio, Brennand, Kapperna and Iron Mount. The Joint Venture previously drilled 8 holes at Bald Hill in late 2012, demonstrating the presence of magnetite banded iron formations similar to those forming the project's current resources.

A total of 12,000m of resource drilling is planned in the current program, full land access permitting. The program is expected to be completed by mid-2014.

Full details of the announcement can be found via the following link:

<http://www.asx.com.au/asxpdf/20131213/pdf/42lljqj8qvz5r.pdf>

The joint venture had A\$ 8.1 million of funds remaining at the end of the quarter.

### 2.3. Port Spencer Joint Venture, South Australia (Centrex 50%, WISCO 50%)

In December 2012, the South Australian government provided development approval for Stage 1 of the new multi-user deep water export facility on the east coast of the Eyre Peninsula in South Australia. Provisional approval was granted subject to Federal Government approvals and a number of road and pre-construction procedure approvals.

The Federal Government Department of Environment granted approval in November. The approval covers all onshore and offshore facilities required for shipping access and the export of grain and iron ore. This also includes Federal Government approval of a desalination plant to provide process water to Centrex's proposed magnetite iron ore mines in the region. The desalination plant still requires State Government approval prior to development. Water quality monitoring for the State Government desalination plant approval application is close to completion.

Full details of the Federal Government approval announcement can be found via the following link:

<http://www.asx.com.au/asxpdf/20131029/pdf/42kdr22vxdvqc2.pdf>

During the quarter, Centrex commissioned Parsons Brinckerhoff and Lend Lease to complete a PFS for a revised design of Port Spencer using new transshipment technology developed by CSL now in operation at Whyalla to the north of the project.

The CSL style transshippers are also self-mooring, without the need for tugs or tug berthing facilities, which greatly reduces operating costs compared to traditional transshipment options. The transshipment option design reduces the jetty length to 200m (from 515m), eliminates the need for a full wharf, and utilises a simplified shiploader. A +/- 25% capital estimate within the study resulted in a reduced start-up capital cost for the port of A\$ 142 million.

The transshipment option has flexibility to be scaled up via larger or multiple transshippers to handle all potential regional bulk export customers.

Full details of the PFS announcement can be found via the following link:

<http://www.asx.com.au/asxpdf/20131121/pdf/42l0mjcbqbnj17.pdf>

### 2.4. Bungalow Magnetite Joint Venture, South Australia (Centrex 70%, Baotou 30%)

The Bungalow PFS has been drafted and is under technical review by Centrex's joint venture partner Baotou Iron & Steel Group ("Baotou"). Following the review by Baotou, Centrex will commence negotiations on the path forward for the project including funding through to the end of a BFS.

Under the Bungalow Joint Venture, Baotou has the option to invest a further A\$ 16 million to bring their interest in the project to 50%.

### 3. BUSINESS DEVELOPMENT

#### 3.1. Gundaroo Gold-Base Metals Project, NSW (Centrex 100%)

During the quarter, a high-resolution magnetic and radiometric geophysical survey was completed over the southern half of the Gundaroo Gold-Base Metals Project ("Gundaroo") in NSW.

The survey showed a number of previously unidentified significant structural trends in close proximity to a known major felsic body intruding into a series of turbidite and black shale host units. The survey has also refined structural trends occurring below historical near-surface gold occurrences and workings within the project area. It is hoped that the identified structures will help focus further exploration to identify mineralisation conduits within the prospective Frogmore Fault Zone, part of the larger scale Lachlan Fold Belt.

Approvals and land access commenced for a follow up for stream sediment geochemical sampling program. The program will commence in January 2014. The purpose of the geochemical program and geophysical survey will be to provide drill ready targets for further exploration.

Full details of the survey announcement can be found via the following link:

<http://www.asx.com.au/asxpdf/20131101/pdf/42kkw0hr565bp1.pdf>

#### 3.2. Kimba Gap Iron Ore Project, South Australia (Centrex 100%)

In December 2013, Centrex commenced an 18 month exploration period under the Dual Tenancy Agreement with Arrium over the easternmost 600m of the Kimba Gap iron ore deposit. Centrex must carry out sufficient exploration within the 18 months in order to establish a Mineral Claim in its own right over the area.

Marketing of the Kimba Gap Iron Ore Project has continued and Centrex is in discussions with a number of interested parties.

#### 3.3. Wilgerup DSO Iron Ore Project, South Australia (Centrex 100%)

Three composite diamond core samples were dispatched to Eriez for initial beneficiation test work using rare earth permanent magnet separators. The aim of the test work is to investigate the potential to upgrade the iron content of the DSO ore further via simple dry magnetic separation on the output of the crushing circuit.

#### 3.4. Woolgarlo Gold Project, NSW (Centrex 100%)

Centrex has been granted the metallic mineral rights to EL8215 ("Woolgarlo"), a 281km<sup>2</sup> exploration licence located 10km West of Yass within the East Lachlan Fold Belt in NSW.

Woolgarlo is the third project to be granted in NSW and forms part of a new metals portfolio being compiled by Centrex to present near-term value recognition opportunities to balance its longer-term capital intensive iron ore portfolio in South Australia.

Full details of the Woolgarlo tenement approval announcement can be found via the following link:

<http://www.asx.com.au/asxpdf/20131220/pdf/42lrshqsjx3g1c.pdf>

## 4. TENEMENTS

### 4.1. Tenement Locations

The Company and its wholly owned subsidiaries hold the following tenements and mining lease;

#### *Northern Eyre Peninsula*

Gilles Downs EL 4571  
Bungalow/Minbrie EL 4884  
Kimba Gap EL 5170  
Ironstone Hut EL 5245  
Whyalla ('Ironstone Hill') EL 5335  
Stony Hill EL 4451  
Cockabidnie EL 4883

#### *New South Wales*

Goulburn (NSW) EL 7388  
Archer (NSW) EL 7503  
Gundaroo (NSW) EL 8133  
Woolgarlo (NSW) EL 8215  
Industrial Minerals (NSW) EL 8098

#### *Southern Eyre Peninsula*

Wanilla EL 4384  
Wilgerup EL 4467  
Greenpatch EL 4885  
Dutton Bay EL 4605  
Bald Hill EL 5065  
Carrow EL 4998  
***Mining Lease***  
Wilgerup ML 6344

Attached is the Appendix 5B Statement of Cash flows for the period from 1<sup>st</sup> October 2013 to 31<sup>st</sup> December 2013.

For further information, please contact;

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Chief Executive Officer / CFO & Company Secretary  
Centrex Metals Limited  
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Professional Public Relations  
(08) 7109 4300 / (08) 9388 0944

### ***Competent Person's Statement(s)***

*The information in this report relating to Exploration Results is based on information compiled by Mr Alastair Watts who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Watts is the General Manager Exploration of Centrex Metals Limited. Mr Watts has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity 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 Watts consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.*

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

CENTREX METALS LIMITED

ABN

97 096 298 752

Quarter ended ("current quarter")

31 DECEMBER 2013

### 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	15	27
1.2 Payments for (a) exploration & evaluation	(191)	(542)
(b) development	-	-
(c) production	-	-
(d) administration	(887)	(1,693)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	460	818
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes (paid) / received	253	248
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(350)</b>	<b>(1,142)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(1)	(2)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	(85)	(254)
1.11 Loans repaid by other entities	111	268
1.12 Other – Stamp duty refund (Announced 31 Dec)	5,940	5,940
<b>Net investing cash flows</b>	<b>5,965</b>	<b>5,952</b>
1.13 Total operating and investing cash flows (carried forward)	5,615	4,810

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1.13	Total operating and investing cash flows (brought forward)	5,615	4,810
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
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)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	5,615	4,810
1.20	Cash at beginning of quarter/year to date	45,115	45,920
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	50,730	50,730

**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	111
1.24	Aggregate amount of loans to the parties included in item 1.10	111

1.25 Explanation necessary for an understanding of the transactions

Transactions included in the value disclosed at item 1.23 include (\$A'000):	
Director's fees (including superannuation).	\$64
Asiasphere Pty Ltd (consultant director)	\$18
Wugang Australian Resources Investment P/L (consultant director)	\$15
Lodge Limited (consultant director)	\$15

**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

(\$A'000):
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### 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	219
4.2 Development	-
4.3 Production	-
4.4 Administration	1,102
<b>Total</b>	<b>1,321</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	6,246	198
5.2 Deposits at call	2,042	1,009
5.3 Bank overdraft		
5.4 Other (term deposits with maturity >90days)	42,442	43,908
<b>Total: cash at end of quarter (item 1.22)</b>	<b>50,730</b>	<b>45,115</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	EL 4588	Lock	100%	0%
6.2 Interests in mining tenements acquired or increased	EL 8215	Woolgarlo	0%	100%

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**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>	314,064,304	314,064,304		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
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				

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7.7	<b>Options</b> <i>(description and conversion factor)</i>	<p>❶ 2014 Employ Options Expiring 30/06/14</p> <p>❷ 2014 Employ Performance Rights vesting 30/06/14 (subject to performance hurdles)</p> <p>❸ 2014 Employ Retention Rights vesting 30/06/14 (subject to retention hurdles)</p> <p>❹ 2015 Employ Performance Rights vesting 01/07/15 (subject to performance hurdles)</p> <p>❺ 2015 Employ Retention Rights vesting 01/07/15 (subject to retention hurdles)</p> <p style="text-align: center;"><u>Period end balance:</u></p> <p>❶ 750,000</p> <p>❷ 1,220,000</p> <p>❸ 720,000</p> <p>❹ 1,592,948</p> <p>❺ 938,001</p>		\$0.42		
7.8	Issued during quarter	<p>❶ -</p> <p>❷ -</p> <p>❸ -</p> <p>❹ -</p> <p>❺ -</p>	<p>❶ -</p> <p>❷ -</p> <p>❸ -</p> <p>❹ -</p> <p>❺ -</p>			
7.9	Exercised during quarter	<p>❶ -</p> <p>❷ -</p> <p>❸ -</p> <p>❹ -</p> <p>❺ -</p>	<p>❶ -</p> <p>❷ -</p> <p>❸ -</p> <p>❹ -</p> <p>❺ -</p>			
7.10	Expired during quarter	<p>❶ -</p> <p>❷ -</p> <p>❸ -</p> <p>❹ -</p> <p>❺ -</p>	<p>❶ -</p> <p>❷ -</p> <p>❸ -</p> <p>❹ -</p> <p>❺ -</p>			
7.11	<b>Debentures</b> <i>(totals only)</i>					
7.12	<b>Unsecured notes</b> <i>(totals only)</i>					

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## 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 5).
- 2 This statement does ~~does not~~\* (delete one) give a true and fair view of the matters disclosed.



Sign here:     ...                                     ....             Date: 24 January 2014  
                  (Company Secretary)

Print name:    Mr Gavin Bosch

## 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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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.