

# QUARTERLY ACTIVITIES REPORT

## 3 Months Ending 31<sup>st</sup> March 2014

### Highlights

#### Corporate

- Special dividend of A\$ 15.7 million (\$0.05/share) paid during the quarter
- A\$ 34.5 million cash reserves after dividend as at 31<sup>st</sup> March 2014

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

- Stream sediment geochemical sampling completed with 9 anomalous gold targets identified
- Shallow drilling program planned for 2014 to evaluate targets

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

- Airborne geophysical survey commenced over northern portion of the tenement
- Geophysical interpretation of potential epithermal gold system to follow

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

- Drilling in progress at new deposits within flagship Fusion project
- Joint Venture funds were A\$ 7.0 million as at 31<sup>st</sup> March 2014

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

- Resource definition drilling commenced with 1,442m drilled to date
- Marketing for joint venture partner to continue once resource defined after mid-2014

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

- Discussions commenced with State and Federal Governments to amend approvals to incorporate new transshipment technologies and magnetite related infrastructure

#### Goulburn Zinc-Lead Joint Venture, NSW (Centrex 65%, Shandong 35%)

- Shandong to spend A\$ 2.0 million on exploration to earn 35%
- Further options for Shandong to earn up to 80% by funding through to production
- Chinese Government approvals for deal still pending with initial funds expected mid-2014
- High-priority IP targets ready to drill once funds received

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

- PFS in draft and awaiting technical review from Baotou

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

- Further test work underway to enhance product quality

## 1. CORPORATE

The Company announced its second fully franked dividend in 12 months during the quarter. The special dividend of five cents a share, amounting to A\$ 15.7 million, was declared after completing a capital management review. This takes total dividends paid by Centrex over the past 12 months to A\$ 31.4 million.

Business development opportunities continue to be presented to the Company with due diligence progressing on a number of potential acquisitions.

## 2. JOINT VENTURES

### 2.1. Goulburn Zinc-Lead Joint Venture, NSW (Centrex 65%, Shandong 35%)

In October 2013, the Australian Foreign Investment Review Board ("FIRB") approved the first stage of the Goulburn Zinc-Lead 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 meant Chinese Government approvals were 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 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 in November 2013 that approvals would be delayed due to flow on effects of the changes in Chinese leadership and resulting economic policies being put in place.

A delegation from Centrex met with both Shandong Government representatives and Shandong in China during January to gain an update on approvals. The feedback was that the State-owned Assets Supervision and Administration Commission ("SASAC") was now reviewing the proposal and that funds could be expected in mid-2014.

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

Drilling recommenced on the flagship Fusion project in December 2013 at new deposits outside the existing Mineral Resources. The drilling program is focusing mainly on the Bald Hill deposit, an approximately 9km long magnetic trend adjacent to the existing 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.

Drilling commenced at Bald Hill during the quarter with access being granted to some areas. Access is yet to be granted to the remaining areas with negotiations continuing with landholders.

The joint venture had A\$ 7.0 million of funds remaining at the end of the quarter.

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

Discussions were commenced with both the Federal and State Government in regards to updating current conditional port approvals to incorporate new transshipment technologies.

Water quality monitoring continued during the quarter with close to 12 months of data now having been collected. This data will add to previous marine studies completed by Centrex and enable design of desalination plant intakes, outlets and plume dispersion modeling to be undertaken. The studies will feed into State Government approvals for a small desalination plant and other magnetite iron ore concentrate related infrastructure to be based at the port.

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

The Bungalow Prefeasibility Study (“PFS”) has been drafted and is under technical review by Centrex’s joint venture partner Baotou Iron & Steel Group (“Baotou”). 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%.

A delegation from Baotou arrived in Adelaide in late March to commence further reviews of the PFS and negotiations for the next stage of joint venture development.

## 3. BUSINESS DEVELOPMENT

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

The Gundaroo project lies within the prospective Lachlan Fold Belt, focusing on intrusion-related gold mineralisation. A major stream sediment sampling program was undertaken in the southern half of the project following on from earlier structural targets identified from a recent air-borne magnetic survey. The stream sediment program identified 9 anomalous gold targets which were subsequently followed up with geological mapping.

A shallow drilling program to penetrate beneath the thin cover over several of the targets is planned for the second half of 2014.

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

The Woolgarlo project is located in NSW approximately 50km NW of Canberra. The project is within the East Lachlan Fold Belt and is targeting epithermal gold mineralisation.

An air-borne magnetic and radiometric survey was completed in late March over the northern half of the tenement with results pending.

### 3.3. Kimba Gap Magnetite Project, South Australia (Centrex 100%)

Centrex commenced resource definition drilling program over Kimba Gap late in the quarter. A total of 6 holes for 1,442m were drilled in the first month with completion of the drilling program expected in mid-2014, followed by a Mineral Resource estimate.

Marketing of Kimba Gap for a joint venture partner will continue once the Mineral Resource estimate is completed, with Centrex still in discussions with a number of interested parties.

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

The Wilgerup DSO iron ore project has all approvals in place to mine however is waiting for the development of Port Spencer for export.

In the meantime preliminary test work has commenced to identify potential ways to enhance the project's product quality and hence pricing premium.

Three composite diamond core samples were sent to Eriez for initial beneficiation test work using rare earth permanent magnet dry drum separators as well as more common wet high intensity magnetic separators. The aim of the test work is to investigate the potential to upgrade the iron content of the DSO ore further via simple magnetic separation. Additional test work is also planned next quarter using other beneficiation techniques.

## 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> January 2014 to 31<sup>st</sup> March 2014.

For further information, please contact;

Ben Hammond  
Chief Executive Officer  
Centrex Metals Limited  
(08) 8100 2200

Gavin Bosch  
CFO & Company Secretary  
Centrex Metals Limited  
(08) 8100 2200

### **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 MARCH 2014

#### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	8	35
1.2 Payments for (a) exploration & evaluation	(324)	(865)
(b) development	-	-
(c) production	-	-
(d) administration	(665)	(2,369)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	476	1,294
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes (paid) / received	-	258
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(505)</b>	<b>(1,647)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(27)	(29)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	(78)	(332)
1.11 Loans repaid by other entities	65	333
1.12 Other – Stamp duty refund (Announced 31 Dec)	-	5,940
<b>Net investing cash flows</b>	<b>(40)</b>	<b>5,912</b>
1.13 Total operating and investing cash flows (carried forward)	(545)	4,265

+ See chapter 19 for defined terms.

For personal use only

1.13	Total operating and investing cash flows (brought forward)	(545)	4,265
	<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	(15,703)	(15,703)
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	(15,703)	(15,703)
	<b>Net increase (decrease) in cash held</b>	(16,248)	(11,438)
1.20	Cash at beginning of quarter/year to date	50,730	45,920
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	34,482	34,482

**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	78
1.24	Aggregate amount of loans to the parties included in item 1.10	78

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

--	--

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):
--	------------

+ See chapter 19 for defined terms.

For personal use only

**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	1,385
4.2 Development	-
4.3 Production	-
4.4 Administration	702
<b>Total</b>	<b>2,087</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	591	6,246
5.2 Deposits at call	6,275	2,042
5.3 Bank overdraft		
5.4 Other (term deposits with maturity >90days)	27,616	42,442
<b>Total: cash at end of quarter (item 1.22)</b>	<b>34,482</b>	<b>50,730</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.

For personal use only

**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				

+ See chapter 19 for defined terms.

For personal use only

7.7	<b>Options</b> <i>(description and conversion factor)</i>	<p>① 2014 Employ Options Expiring 30/06/14</p> <p>② 2014 Employ Performance Rights vesting 30/06/14 (subject to performance hurdles)</p> <p>③ 2014 Employ Retention Rights vesting 30/06/14 (subject to retention hurdles)</p> <p>④ 2015 Employ Performance Rights vesting 01/07/15 (subject to performance hurdles)</p> <p>⑤ 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>① 750,000</p> <p>② 1,220,000</p> <p>③ 720,000</p> <p>④ 1,592,948</p> <p>⑤ 938,001</p>		\$0.42	
7.8	Issued during quarter	<p>① -</p> <p>② -</p> <p>③ -</p> <p>④ -</p> <p>⑤ -</p>	<p>① -</p> <p>② -</p> <p>③ -</p> <p>④ -</p> <p>⑤ -</p>		
7.9	Exercised during quarter	<p>① -</p> <p>② -</p> <p>③ -</p> <p>④ -</p> <p>⑤ -</p>	<p>① -</p> <p>② -</p> <p>③ -</p> <p>④ -</p> <p>⑤ -</p>		
7.10	Expired during quarter	<p>① -</p> <p>② -</p> <p>③ -</p> <p>④ -</p> <p>⑤ -</p>	<p>① -</p> <p>② -</p> <p>③ -</p> <p>④ -</p> <p>⑤ -</p>		
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.

For personal use only

## 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: 29 April 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.

== == == == ==

---

+ See chapter 19 for defined terms.