

19 February 2019

Elizabeth Harris
Principal Adviser
ASX Listings Compliance (Perth)
Level 40, Central Park
152-158 St George's Terrace
PERTH WA 6000

Via email: ListingsCompliancePerth@asx.com.au

Dear Elizabeth,

RESPONSE TO APPENDIX 5B QUERY

The Directors of Centaurus Metals Limited (ASX: CTM) ("**Centaurus**" or "**Company**") respond to your December Quarter Appendix 5B query dated 14 February 2019 as follows:

1. Does CTM expect that it will continue to have negative operating cash flows for the time being and, if not, why not?


Due to its nature as an exploration company, Centaurus has reported negative operating cash flows for the last 5 years and expects to continue doing so whilst it remains an active exploration company which is required to report cash flows on a quarterly basis in the form of an Appendix 5B. In line with applicable accounting standards, unless the Company acquires or develops an operating asset, any cash inflows will continue to be reported in the "investing" or "financing" section of the Appendix 5B report.

As noted in the footnote to Item 9 in the December Quarter Appendix 5B, some of the cash outflows expected to occur in the next quarter will be recouped from the Company's joint venture earn-in partner, Simulus Group which, as explained in detail in the Company's 27 November 2018 announcement, is currently earning into the Itapitanga nickel project and free carrying Centaurus to a decision to mine. Under the terms of the binding JV term sheet executed by the parties, Centaurus will manage any Brazilian field activities required by Simulus, with Simulus to meet the third-party project costs incurred by Centaurus' Brazilian subsidiary that holds the project tenure as well as reimbursing Centaurus for Centaurus staff working on the Project.

Australian Office
Centaurus Metals Limited
Level 3, 10 Outram St
WEST PERTH WA 6005

Brazilian Office
Centaurus Brasil Mineração Ltda
Avenida Barão Homem de Melo, 4391
Salas 606 e 607 - Estoril
Belo Horizonte - MG - CEP: 30.494.275
BRAZIL

ASX: CTM
ACN 009 468 099
office@centaurus.com.au
Telephone: +61 8 6424 8420



The Company's operating cash outflow for the March Quarter will accordingly be significantly less in practice than the \$950,000 reported in the Company's Appendix 5B, as the reported figure is required to be prepared in line with applicable accounting standards and as such captures outflows on a gross basis – eg before any reimbursement of costs is made by the JV partner. It is anticipated that more than 50% of the reported cash outflow figure of \$950K may ultimately be recouped by Centaurus in this regard.

2. Has CTM taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Consistent with prudent operating and financial practice for an exploration entity in its position, the Company will continue to review its funding requirements and raise capital as needed to fund its exploration and working capital requirements. With \$1.4 million in cash at the end of December 2018 and with most field activity for the March quarter being related to the Itapitanga Project (which, as explained above and as previously announced to the market, is being funded by the Company's JV partner, Simulus), the Company is under no pressing need to raise capital.


As an exploration company, Centaurus is always considering the optimal means of funding its ongoing activities, planned future activities and the overall development of its assets. In that regard, funding options include any combination of joint venture, divestment or equity raise in connection with the Company's prospective suite of mineral projects in Brazil, which includes the Itapitanga Nickel Project, the Salobo West Copper Gold Project and the Jambreiro Iron Ore Project.

The announcement during the December Quarter of the Itapitanga earn-in and joint venture transaction with Simulus (a leading battery minerals process group and hence a strategic as well as financial partner for the Company) is consistent with the above. In parallel, Centaurus is currently planning for further exploration at its Salobo West copper project (only 15km along strike from Vale's world class Salobo mine) pending receipt of a drilling and clearing licence from the relevant environmental agency in Brazil.

Further, the Company is currently undertaking desktop work to review the Feasibility Study previously undertaken (in 2013) in relation to its Jambreiro Iron Ore Project, given that the economics underpinning that project are expected to have improved significantly in the interim period given the global premium being paid for high grade (+65% Fe), low impurity ore and the overall rise in the BRL denominated iron ore price in the domestic market.

The Company's portfolio of assets are not subject to any mandatory minimum expenditure requirements and it can accordingly control the level of exploration expenditure it incurs based on the funds that are available to the Company at any given time.

The Company has a track record of successfully raising equity capital as needed to fund the development of its suite of exploration projects and expects this to continue in the future whilst the demonstrated potential of those projects remains.



3. Does CTM expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

The Company expects to be able to continue its operations and to meet its business objectives on the basis of its current cash reserves, the fact that its joint venture partner Simulus will fund the large majority of the direct field exploration costs in Brazil for the March and June Quarters, and that the majority of exploration work on its other projects is discretionary and can be sped up or slowed down as needed.

4. Please confirm that CTM is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.

The Company confirms that it is in compliance with Listing Rule 3.1 and there is no information about its financial condition that has not already been released to the market.

5. Please confirm that CTM's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of CTM with delegated authority from the board to respond to ASX on disclosure matters.

The Company confirms that the responses to the above questions have been authorised and approved in accordance with its published continuous disclosure policy.

Yours sincerely

CENTAURUS METALS LIMITED



DARREN GORDON
Managing Director



14 February 2019

Mr Paul Bridson
Company Secretary
Centaurus Metals Limited
Level 3, 10 Outram Street
WEST PERTH WA 6005

By email:

Dear Mr Bridson

Centaurus Metals Limited ('CTM'): Appendix 5B Query

ASX refers to CTM's Appendix 5B quarterly report for the period ended 31 December 2018 lodged with ASX Market Announcements Platform on 31 January 2019 (the 'Appendix 5B').

ASX notes that CTM has reported:

- negative net operating cash flows for the quarter of \$963,000;
- cash at the end of the quarter of \$1,400,000; and
- estimated cash outflows for the next quarter of \$950,000.

It is possible to conclude, based on the information in the Appendix 5B that if CTM were to continue to expend cash at the rate indicated by the Appendix 5B, CTM may not have sufficient cash to continue funding its operations.

In view of that, ASX asks CTM to respond separately to each of the following questions and requests for information:

1. Does CTM expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has CTM taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does CTM expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that CTM is complying with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that rule that has not already been released to the market.
5. Please confirm that CTM's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of CTM with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **4.00 PM AWST Tuesday, 19 February 2019**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in CTM's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX

under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, CTM's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and Listing Rule 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to CTM's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that CTM's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in CTM's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Shannon Nicholson
Principal Adviser, Listings Compliance (Perth)