CENTREX METALS LIMITED

ASX Announcement October 2014

WILGERUP HEMATITE IRON ORE PROJECT

General Manager 23rd October 2014

The Company Announcements Office
Australian Securities Exchange
Electronic Lodgement System

Dear Sir/Madam

DESLIMING & REVERSE FLOTATION ACHIEVES TARGET PHOSPHOROUS GRADE AT WILGERUP

Highlights

- Desliming and reverse flotation lowers Wilgerup iron ore master composite phosphorous grade to target level of 0.1% P
- 78-80% phosphorous reduction shown for varying P80 grinds up to 51µm
- Iron upgrade of 5% in product, >30% reduction in combined silica and alumina
- Comminution test work results show potential for low cost grinding
- Metso Minerals to develop process flow sheet and process plant design
- Studies ongoing including review of early export options

Summary

Centrex Metals Limited ("Centrex") has completed further beneficiation test work for its Wilgerup hematite iron ore project located on the Central Eyre Peninsula in South Australia. The aim of the ongoing work is to enhance the product quality of the deposit in order to increase the project's potential profit margins. The Wilgerup project has an Indicated Resource of 13.3Mt at 57.7% Fe.

For details of the resource see announcement from 23rd October 2009:

http://www.asx.com.au/asxpdf/20091023/pdf/31lk86y343jpv1.pdf

This Mineral Resource information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

The Wilgerup deposit contains high levels of phosphorous with the average resource grade at 0.51% P, which would attract a significant contaminant penalty from steel producers. In order to reduce these penalties and increase the quality of the product overall, Centrex commenced investigation of cost effective techniques to remove the phosphorous and increase the product iron content.

In July 2014 Centrex reported preliminary reverse flotation results from 5 composite DSO samples. While two of the composites showed more than an 89% reduction in phosphorous, the remaining 3 composites showed reduction levels between 13% and 49% only. Following these latter results Centrex submitted the 3 composites for quantitative evaluation of minerals by scanning electron microscopy ("QEMSCAN") to understand whether liberation or separation was the cause of the variability in phosphorous reduction levels.

The QEMSCAN analysis of the samples showed that the majority of phosphate-bearing minerals were liberated in the composites. What was noted was that a significant amount of super fine apatite (the main phosphate-bearing mineral) was present that would not be amenable to flotation. Within the superfine fraction was also a significant amount of clay and carbonate contaminants, and only a small amount of iron. Given this it was proposed that desliming of the material prior to flotation would both remove a significant amount of phosphorous with minimal iron losses, and additionally remove superfine contaminant particles which increase collector consumption during flotation (thus increasing the efficiency of the flotation). Desliming would also improve product filtration efficiency.

A master composite was compiled from the ore types previously tested. After homogenization of the sample the resulting head grade analysis showed phosphorous levels close to the ore body average. Three 1kg subsamples were taken and ground to varying grind sizes. Desliming and reverse flotation was then undertaken on each subsample to determine the optimal grind for the process flow. The results for the tests are shown below:

Table: Master composite deslimed reverse flotation results.

Grind Size (P80)	Flotation Time (mins)	Head Grade (%)				Product Grade (%)				Mass	Fe	P	Fe
		Fe	P	SiO_2	Al_2O_3	Fe	P	SiO_2	Al_2O_3	Recovery (%)	Recovery (%)	Reduction (%)	Upgrade (%)
32µm	16	62.8	0.45	2.7	1.4	65.9	0.09	2.1	0.6	73.6	77.4	80.5	5.2
42µm	16	62.6	0.46	2.8	1.4	65.9	0.10	2.0	0.6	78.1	81.7	78.0	4.6
51µm	20	62.5	0.47	2.9	1.4	65.3	0.10	2.2	0.7	77.2	80.9	77.5	4.8

*Deslimed -5µm fraction taken into account in mass recovery results (mass recovery of head sample).

Results of the test work were very encouraging with the target 0.1% P level achieved at all grind sizes. Metso Minerals have now been appointed to conceptually develop a process flow sheet and resulting process plant design for Wilgerup.

In addition to the flotation results a >100kg bulk sample of HQ3 diamond core was submitted for comminution test work to feed into the process design. As expected the results showed the ore to be very weak given its heavily oxidised and porous nature, a positive in regards to reduced energy required to crush and grind the product. The weak nature of the ore meant that crushing indexes could not be measured given a lack of competent core to perform the tests required. Grinding index results are shown below:

Table: Bulk sample grinding index test work results.

	Bond Rod Work Index (BRWI)	Bond Ball Work Index (BBWI)
Feed P80	7.69 mm	1.92mm
Passing P80	728 µm	27µm (P100 45µm)
Index	9.1 kwh/t	9.2 kwh/t

Studies for the project under the new beneficiation scenario are continuing along with analysis of early export options.

Figure: Example of iron ore drill core from the bulk sample sent for comminution test work.

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Competent Persons Statement

The information in this report relating to Exploration Results is based on information compiled by Mr Ben Hammond who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Hammond is the Chief Executive Officer of Centrex Metals Limited. Mr Hammond has sufficient experience, which is relevant to the style of mineralization and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Hammond consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The checklist for reporting of exploration results is included in the table below:

Criteria	Explanation
Sampling Technique	The master composite was compiled from RC chips sourced from 6 drill holes from depths of 40m to 126m down hole to provide a range of ore types with an average phosphorous grade close to the ore body average based on historic assay results and lithology logging. The samples were crushed to -3mm and homogenised. 1kg subsamples were then taken for grinding and flotation test work. The comminution bulk sample was sourced from a single HQ3 diamond drill hole. 14m of whole core sample was taken at intermittent intervals down hole from a depth range of 26m to 90m. All samples were crushed to -3mm and homogenised with subsamples taken for test work as required.
Drilling Technique	The master composite was compiled from 6 RC holes. The RC chip samples were from historical representative sub-samples that had been retained in plastic jars for future reference, and test work such as this flotation exercise. The comminution bulk sample was sourced from a single HQ3 diamond drill hole.
Drill Sample Recovery	The master composite and comminution bulk samples tested were taken from a range of drill samples and are intended to only provide an indicative representation of the ore body.
Logging	Samples were logged visually for lithology and ore type.
Sub-sample techniques and sample preparation	The master composite and bulk comminution samples were sent to Bureau Veritas Minerals Pty Ltd in Perth for sample preparation and sub-sampling. For the master composite samples were crushed to -3mm and homogenised. 1kg sub-samples taken for reverse flotation test work. Desliming prior to flotation was completed using a laboratory 1" cyclone. The 14m of diamond core for the bulk comminution sample was crushed to -3mm and homogenised with subsamples taken for test work as required.
Quality of assay data and laboratory tests	No duplicates or repeats were undertaken given the required sample mass required for each reverse flotation and comminution test.
Verification of sampling and assaying	Individual samples used to form the master composite and bulk comminution sample were selected from historic assays results and lithology logging. The master composite and bulk comminution samples were then assayed to determine their respective head grades.
Location of data points	The master composite and comminution bulk samples tested were taken from a range of drill samples and are intended to only provide an indicative representation of the ore body.
Data spacing and distribution	The master composite and comminution bulk samples tested were taken from a range of drill samples and are intended to only provide an indicative representation of the ore body.
Orientation of data in relation to geological structure	The relationship of beneficiation results to geological structures was not undertaken at this stage.

Criteria	Explanation
Sample Security	RC chip samples were sent from site in sealed plastic jars to the laboratory via road freight. Diamond core was wrapped in plastic and put in buckets with padding and sent to the laboratory via road freight.
Audits or reviews	Results were reviewed only by Bureau Veritas Minerals Pty Ltd and Centrex Metals Limited. Metso Minerals is now completing further reviews of the results.
Mineral tenement and land tenure status	The Wilgerup deposit is located within Mining Lease 6344 held by Centrex and contained within land owned by Centrex
Exploration done by other parties	No exploration was completed by other parties.
Geology	The Wilgerup deposit represents a banded iron formation protolith that has undergone several stages of iron enrichment. The iron ore mineralogy consists of martite, microplaty hematite and goethite with varying proportions of accessory minerals that include apatite and chlorite/clay. Mineralisation extends approximately 1km along strike and 200m across strike and is controlled by stratigraphic and structural boundaries. The stratigraphic controls are the primary lithologies of the Palaeoproterozoic Hutchison Group.
Drill Hole Information	The master composite was compiled from historic drill holes W6R105, W6R110, W6R112, W6R119, W6R171, and W6R196. The bulk comminution sample was compiled from historic hole WD9. The master composite and comminution bulk samples tested were taken from a range of drill samples and are intended to only provide an indicative representation of the ore body.
Data aggregation methods	Progressive flotation time results were compiled by weighted average method.
Relationship between mineralisation widths and intercept lengths	Drilling results are not being reported here. The results related to preliminary beneficiation test work only.
Diagrams	The master composite and comminution bulk samples tested were taken from a range of drill samples and are intended to only provide an indicative representation of the ore body.
Balanced reporting	Crushing and strength indexes could not be reported as Bureau Veritas Minerals Pty Ltd notified Centrex that the whole core submitted for test work was not competent enough to gain accurate results.
Other substantive exploration results	No other substantive exploration results are reported.
Further work	Metso Minerals are undertaking process design. Further studies of mining and logistics are ongoing.