
QUARTERLY ACTIVITIES REPORT

Period Ending 31st December 2015

HIGHLIGHTS

Corporate

- A\$ 26.1 million cash reserves as at 31st December 2015 with no debt
- Centrex focused on development of the Oxley Potash Project in Western Australia and base metals exploration in NSW
- Continuing rationalisation of iron ore portfolio in South Australia including the sale of rural land holdings on Eyre Peninsula expected to net A\$ 2.1 million in proceeds in the third financial quarter

Oxley Potash Project, WA

- Maiden 57 RC drill hole resource definition program completed over 3km section of overall 32km long ultrapotassic lava flow
- Interim results from first 26 holes showed combined down drill hole thicknesses up to 55m using a 6% K₂O cut-off, and weighted average grades up to 11% K₂O
- Full results expected in early January followed by resource estimation and conceptual mine design to support initial start-up potassium nitrate operation Scoping Study
- Bench scale roast testwork optimisation complete along with differential scanning calorimetry tests to provide furnace energy inputs
- Final bench scale leach and crystallisation testwork underway to feed into Scoping Study

Goulburn Polymetallic Project, NSW

- Independent geology review completed to define further potential for massive sulphide mineralisation
- Review along with petrology of mineralisation intersected in recent drilling reclassified deposit as transitional between low sulphidation epithermal to submarine VHMS
- Reclassification gives further priority to newly defined gravity “lobes” sited adjacent to previously intersected magnetic related massive sulphides
- Potential for gravity targets to represent low iron proximal massive sulphides
- Review recommended combination of drilling and down-hole EM to test targets

Iron Ore Portfolio, South Australia

- Retention Lease application prepared for Kimba Gap Magnetite Project
 - Eyre Iron Magnetite Joint Venture holds A\$ 3.0 million in cash to maintain project
 - 12 month transitional agreement signed for Bungalow Magnetite Joint Venture for either Baotou to purchase Centrex's interest for A\$ 250,000 or both parties to exit the project
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REPORT

1. CORPORATE

The Company continues to maintain a healthy balance sheet with A\$ 26.1 million (including A\$ 1.19 million contained in the Eyre Iron Magnetite Joint Venture) in cash reserves as at 31st December 2015 with no debt outside of current trade payables.

As announced in June 2015 the Company is focusing its activities on development of the Oxley Potash Project ("Oxley") in Western Australia along with base metals exploration in NSW. Accordingly the Company has sought to recoup value from its iron ore portfolio. As part of the review of assets within this portfolio it has identified land holdings that were purchased to assist in the development of the iron ore projects that are now surplus to its needs. The Company has signed two land sale contracts with a third being negotiated, all for rural properties on the Eyre Peninsula with expected total net proceeds of A\$ 2.1 million that will add directly to the Company's cash balance. All properties are expected to settle in the third financial quarter.

The Company is continuing its attempts to maximise value from the remaining iron ore assets it controls.

2. OXLEY POTASH PROJECT, WA (CENTREX 100%)

A maiden resource definition drilling program was completed in late December at the Oxley Potash Project ("Oxley") located just 125km from the Port of Geraldton in Western Australia. A total of 57 reverse circulation ("RC") drill holes (3,990m) were completed during the quarter across an approximately 3km section of the overall 32km strike length of outcropping ultrapotassic lava flow (microsyenite) that forms the basis of the project.

The 3km section drilled is composed of two areas focused around previous historic drill holes to understand the variability of the ore body, and provide sufficient Mineral Resources to underpin a start-up potassium nitrate fertiliser operation (assumed FOB price range in 2015 of between \$US 700 to \$US 1,100 per tonne). Previous rock chip sampling by Centrex has shown consistently high potassium grades along the length of the 32km long strike deposit, meaning a high potential for further resource extensions in the future.

Interim results received in December from the initial 26 holes of the program showed combined down drill hole thicknesses up to 55m using a 6% K₂O cut-off, and weighted average grades up to 11% K₂O. Full program results were received in early January with resource estimation and conceptual mine designs to be completed in the next quarter.

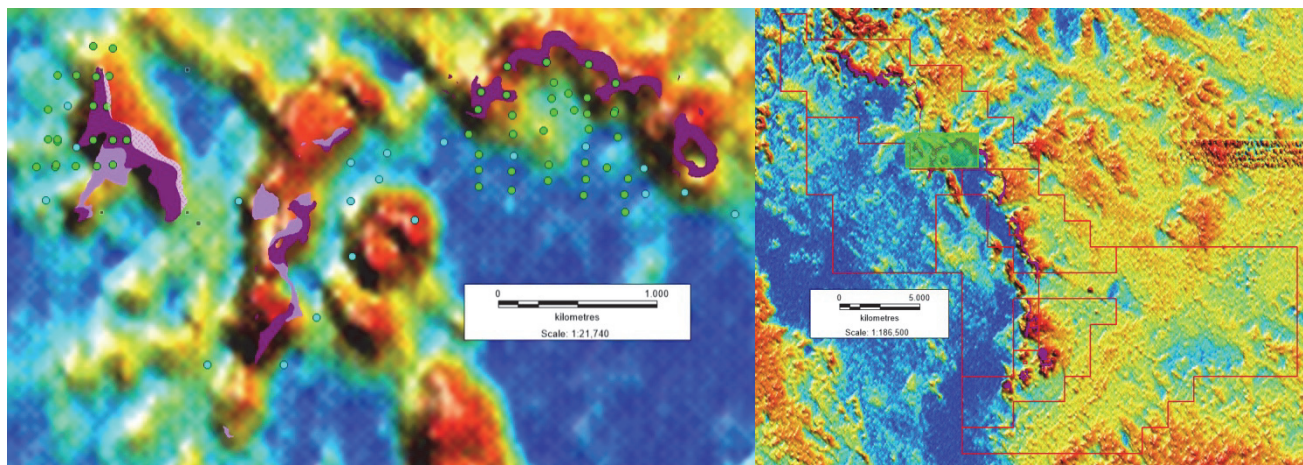


Figure: Resource program drill holes (green) plus historic drill holes (blue) along with ultrapotassic lava outcrop (purple) shown over air-borne radiometric potassium image.

Centrex is developing a process route to produce potassium fertiliser from potash feldspar (KAlSi_3O_8), which comprises the bulk of the Oxley ultrapotassic lava flow. Bench scale roast and leach testwork has already shown very high success with up to 91% leach extraction of potassium using a salt flux. Optimisation of bench scale roast testwork was completed during December and backend leach and crystallisation testwork has commenced, which is expected to be completed in January. Differential scanning calorimetry (“DSC”) tests were undertaken on the ore and salt flux both combined and separately to provide key energy inputs for the project furnace design. All process testwork results will feed into a Scoping Study plant design to be completed in the first half of 2016.

The Scoping Study will consider a high-value potassium nitrate fertiliser start-up operation, with further expansion options including potassium sulphate production. Centrex has previously announced a conceptual study showing a competitive operating cost range of between \$US 148 and \$US 331 per tonne to produce 100% nitric acid equivalent at the Oxley site depending on the decision to make or buy ammonia. One tonne of potassium nitrate (KNO_3) contains approximately 0.62 tonne of 100% nitric acid (HNO_3) equivalent.

The project is ideally located close to all required infrastructure. The multi-user bulk minerals port of Geraldton is located 125km to the northeast, and can be accessed via either existing roads or multiple rail lines. Major gas infrastructure linked to both the North West Shelf and Perth Basin is located directly west of the project for nitrate production, ore roasting and power generation.

3. GOULBURN POLYMETALLIC PROJECT, NSW (CENTREX 100%)

Following the completion of a ground based gravity survey at the Goulburn Polymetallic Project (“Goulburn”) that identified two gravity “lobes” adjacent to magnetic associated massive sulphides intersected in drilling at Collector and Collector North, Centrex engaged independent consulting geologists from Agaiva Holding Pty Ltd to review the further potential of the project.

The review that included analysis of recent petrology on mineralisation and alteration from drilling in 2015 concluded the deposit to be transitional between low sulphidation epithermal to submarine volcanogenic hosted massive sulphide

(“VHMS”). The classification was a revision of the previous skarn interpretation and concluded the Collector, Collector North and Glen sulphide mineralisation to be part of a large hydrothermal system. Given the revised classification further priority was placed on testing the non-magnetic gravity targets adjacent to the previous drilling which targeted and intersected magnetic related massive sulphide mineralisation. These gravity targets potentially represent low iron proximal massive sulphide mineralisation. The independent review recommended a combination of drilling and down-hole electromagnetic (“EM”) surveys to tests the targets.

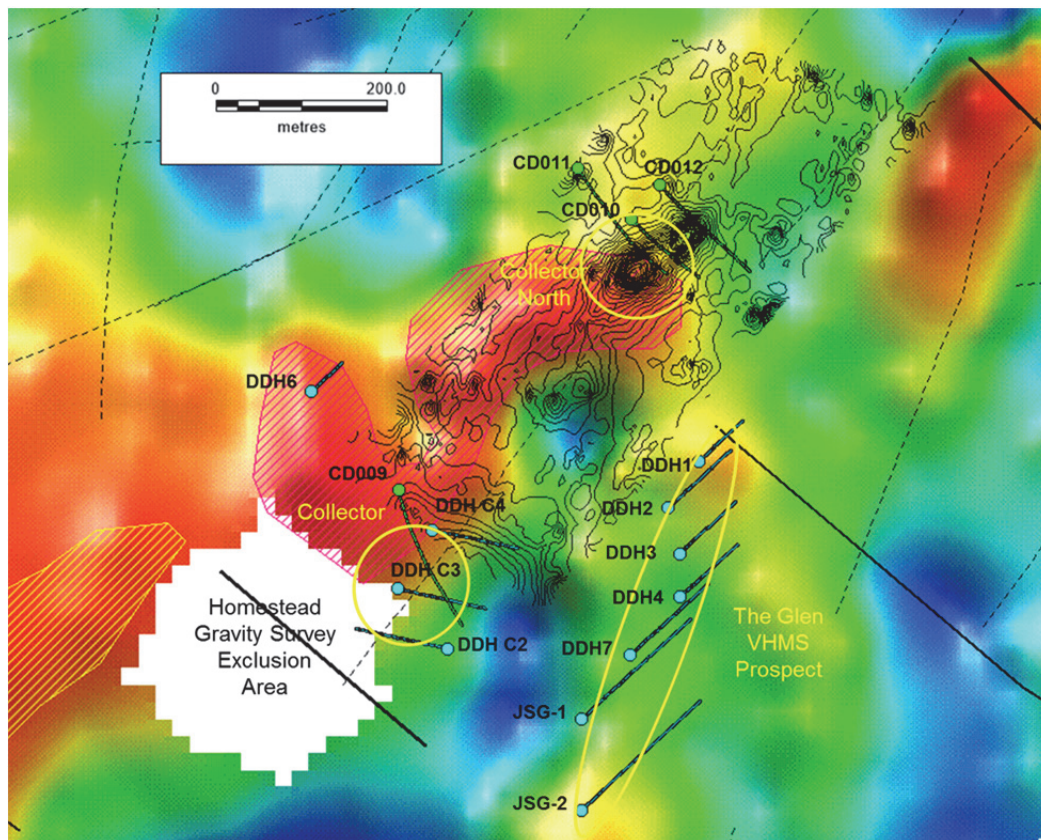


Figure: Plan view of Collector area showing the Upward Continued 200 metre filter subtracted from the Residual Bouguer Gravity, and high-resolution ground based magnetic survey contours.

5. SOUTH AUSTRALIA IRON ORE PORTFOLIO

5.1. Kimba Gap Magnetite Project (Centrex 100%)

A Retention Lease application was prepared during the quarter for the Kimba Gap Magnetite Project ("Kimba Gap"). Centrex continued liaising with the South Australian Government in regards to the application which it intends to formally submit next quarter.

5.2. Eyre Iron Joint Venture (Centrex 40%, Wuhan Iron & Steel 60%)

No exploration activities were undertaken during the quarter. Eyre Iron held cash of A\$ 3.0 million as at 31st December 2015.

5.3. Bungalow Joint Magnetite Venture (Centrex 70%, Baotou Iron & Steel 30%)

The Bungalow Magnetite Joint Venture ("Bungalow") was placed on care and maintenance earlier this year by the Joint Venture partners due to depressed iron ore market conditions. While Centrex sees potential long-term value in the iron ore market, it recognises that an iron ore price turnaround could be many years away and therefore will instead focus its balance sheet on nearer-term revenue potential from its potash project. As part of this focus on potash, Centrex and Baotou signed a transitional agreement allowing Centrex to exit from Bungalow.

Under the new agreement reached with Baotou, at the end of the transitional arrangement (being October 2016) Baotou will have an option to purchase Centrex's remaining interest in Bungalow for a sum of A\$ 250,000. Alternatively Baotou may choose to exit the project along with Centrex. During the transitional arrangement period the partners will work to minimise the holding costs while the iron ore market remains depressed.

5.4. Port Spencer (Centrex 100%)

WARI advised that the pending confirmatory audit had been completed on 10th November 2015 which was the catalyst for WARI to pay the outstanding capital contribution as part of the Port Spencer Joint Venture agreement. WARI missed the contractual deadline, being the 10th December 2015, to remit the funds to the Joint Venture bank account.

Centrex and WARI have held without prejudice meetings in an attempt to resolve the matter however a resolution has yet to be reached. WARI has asked that the deadline to remit the funds to be extended into the future. Centrex has not agreed to this request and notes that WARI is in breach of the Port Spencer Joint Venture agreement. Centrex further notes that it is taking legal advice on how to remedy the situation.

5.5. Wilgerup Hematite Project (Centrex 100%)

No activities were undertaken during the quarter.

6. TENEMENTS

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

Western Australia

Oxley A (WA) E70/3777
Oxley B (WA) E70/4004
Oxley C (WA) E70/4318
Oxley D (WA) E70/4319
Oxley E (WA) E70/4320
Oxley F (WA) E70/4378
Oxley G (WA) E70/4729

Northern Eyre Peninsula

Bungalow/Minbrie EL 4884
Kimba Gap EL 5170
Stony Hill EL 4451

Mineral Claim

Kimba Gap MC 4378

New South Wales

Goulburn (NSW) EL 7388
Archer (NSW) EL 7503
Woolgarlo (NSW) EL 8215

Southern Eyre Peninsula

Wanilla EL 5559
Wilgerup EL 5641
Greenpatch EL 4885
Dutton Bay EL 4605
Mount Hill EL 5065
Carrow EL 4998

Mining Lease

Wilgerup ML 6344

Attached is the Appendix 5B Statement of Cash flows for the period from 1st October 2015 to 31st December 2015.

For further information please contact:

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Centrex Metals Limited
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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 2015

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(819)	(1,462)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(559)	(1,119)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	148	465
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes (paid) / received	-	-
1.7	Other (provide detail)	-	-
Net Operating Cash Flows		(1,230)	(2,116)
Cash flows related to investing activities			
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	11	11
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide detail if material)	-	-
Net investing cash flows		(10)	9
1.13	Total operating and investing cash flows (carried forward)	(1,220)	(2,107)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,220)	(2,107)
	Cash flows related to financing activities		
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)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(1,220)	(2,107)
1.20	Cash at beginning of quarter/year to date	27,287	28,174
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of period	26,067	26,067

Payments to directors of the entity and associates of the directors, 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
1.24	Aggregate amount of loans to the parties included in item 1.10

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).	\$17
Asiasphere Pty Ltd (consultant director)	\$16
Patna Properties P/L (consultant director)	\$25
Energy Exploration Limited (consultant director)	\$13

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

+ 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	570
4.2 Development	-
4.3 Production	-
4.4 Administration	509
Total	1,079

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	10,222	6,420
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.41 Other (term deposits with maturity >90days)	14,653	19,588
5.42 Other (restricted cash – held by the joint venture management company)	1,192	1,279
Total: cash at end of quarter (item 1.22)	26,067	27,287

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	Preference +securities <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	314,784,304	314,784,304		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	1 2016 Employ Performance Rights vesting 01/07/16 (subject to retention hurdles) <u>Period end balance:</u> 1 1,000,000			
7.8	Issued during quarter	1 -	1 -		
7.9	Exercised during quarter	1 -	1 -		

+ See chapter 19 for defined terms.

7.10	Expired during quarter	① -	① -		
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals 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: 22 January 2016
(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.