CENTREX METALS LIMITED

ASX Announcement July 2014

WILGERUP HEMATITE IRON ORE PROJECT

General Manager 24th July 2014

The Company Announcements Office
Australian Securities Exchange
Electronic Lodgement System

Dear Sir/Madam

PRELIMINARY BENEFICIATION RESULTS RECEIVED FOR WILGERUP HEMATITE IRON ORE

Highlights

- Initial investigation undertaken into beneficiation of Wilgerup ore to reduce phosphorous and increase iron levels to improve potential profit margins
- Successful results shown from reverse flotation on DSO composites with up to 93% phosphorous reduction and up to 6% iron increase
- Further trials in progress to optimise reverse flotation conditions across all ore types
- High mass recovery means potential to undertake grinding and reverse flotation off-shore at reduced power, water, labour and capital costs
- Previous crushing work at Wilgerup shows high amount of ultra-fines due to the weak and friable nature of ore meaning likely relative lower grinding costs
- Comminution test work underway to design crushing and grinding circuit
- Encouraging results from reverse flotation of low-grade iron material within current mine design

Summary

Centrex Metals Limited ("Centrex") has completed preliminary beneficiation test work for its Wilgerup hematite iron ore project located on the Central Eyre Peninsula in South Australia. The aim of the work is to enhance the product quality of the deposit in order to increase the project's potential profit margins. The Wilgerup project has a DSO Mineral 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 has commenced investigation of cost effective techniques to remove the phosphorous and increase the product iron content. From this investigation reverse flotation has shown promise with the first preliminary results from five composite samples analysed resulting in up to 93% reduction in phosphorous at an average across all ore types of 55%, and up to a 6% increase in iron at an average of 4%.

Table: DSO composite reverse flotation results.

Composite	Head Grade (%)				Product Grade (%)				Mass Recovery (%)	Fe Recovery (%)	P Reduction (%)	Fe Upgrade (%)
	Fe	P	SiO_2	Al_2O_3	Fe	P	SiO_2	Al_2O_3				
A	60.0	0.82	2.4	1.4	63.7	0.09	2.1	1.2	83.8	89.0	89.0	6.3
B	61.1	0.47	2.7	2.1	62.4	0.41	2.2	1.6	92.1	94.0	12.9	2.0
C	57.9	1.53	2.4	1.6	61.0	0.78	2.3	1.5	77.5	81.7	48.6	5.4
D	63.4	0.70	2.3	0.7	66.8	0.05	2.3	0.6	74.8	78.8	93.4	5.3
E	61.3	0.19	2.1	1.4	62.7	0.13	1.8	1.0	82.2	84.0	30.9	2.2
Average									82.1	85.5	55.0	4.2

The reverse flotation was undertaken using 1kg composites at a P80 45µm grind using a patented phosphorous collector. The resulting product size would lend itself readily to a pellet feed product. Variability was seen among the various ore types. Those showing lower phosphorous reduction levels are thought to be able to be improved further by increasing the amount of collector used. Further trials and petrology work to find the optimal flotation conditions overall are ongoing.

Previous crushing and sizing work at Wilgerup shows the ore body to be relatively weak and friable, an advantage in terms of energy required to grind the ore. Work on a composite crushed to P100 4mm showed 30% ultra-fines (<150µm) generated, again demonstrating the friable nature of the ore. Comminution test work on a >100kg bulk core composite is currently underway to provide parameters required to design a crushing and grinding circuit.

Table: P100 4mm crushed DSO composite sizing results.

Aperture (mm)	Cumulative % Passing
4.000	100.0
2.000	79.2
1.000	55.3
0.500	42.2
0.250	34.2
0.150	30.0
0.063	23.8

The preliminary reverse flotation results show high mass and high iron recovery results. Given this Centrex believes an opportunity may exist to simply crush the ore in Australia to a level required for transport, and complete the more costly grinding and beneficiation component off-shore near the final customer. With a high mass recovery the cost of freighting the small amount of tailings within the ore is thought to be more than offset by lower power, water, labour and capital costs associated with a beneficiation plant located off-shore. Another opportunity may be to match the product with an existing iron ore flotation plant off-shore.

Along with the DSO ore, results from reverse flotation of two samples of low-grade hematite iron formation (<50% Fe) were also received. An opportunity exists to investigate the beneficiation of low grade <50% Fe material that falls within the current Wilgerup mine design and so would have little associated mining cost. Results from the two samples varied. The lowest iron grade sample showed the best results with a 94% reduction in phosphorous and a 36% increase in iron. Further petrology work is being undertaken to understand the mineralogy of the material and determine potential ways to improve the results.

Table: Low-grade material composite reverse flotation results.

Composite	Head Grade (%)				Product Grade (%)				Mass Recovery (%)	Fe Recovery (%)	P Reduction (%)	Fe Upgrade (%)
	Fe	P	SiO_2	Al_2O_3	Fe	P	SiO_2	Al_2O_3				
F	41.1	0.5	10.8	4.7	56.0	0.0	8.9	2.8	42.0	57.2	93.8	36.3
G	48.8	0.7	11.0	3.7	51.2	0.5	10.0	3.2	85.4	89.6	28.7	4.9

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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	Composite samples were compiled from 8 RC chip and 1 HQ diamond drill hole from across the deposit. Composites were compiled to provide a range of iron and phosphorous grades as well as gangue types (carbonate, clay, silica) based on historic assay results and lithology logging.
Drilling Technique	Composite samples were derived from 8 RC holes and 1 HQ diamond hole. The composite samples were from historical (2007-2008) sub-samples of representative RC chip samples that had been retained in plastic jars for future reference, and test work such as this flotation exercise. HQ diamond core had previously been fillet sampled with remaining core used.
Drill Sample Recovery	Composite samples tested were taken from a range of drill samples and are intended to only provide a first pass indicative representation of the ore types.
Logging	Samples were logged visually for lithology and ore type.
Sub-sample techniques and sample preparation	Composite samples were sent to Bureau Veritas Minerals Pty Ltd in Perth for sample preparation and sub-sampling. Samples were crushed then ground to 45µm and a 1kg sub-sample taken for reverse flotation testing.
Quality of assay data and laboratory tests	No duplicates or repeats were undertaken given the required sample mass required for each reverse flotation test.
Verification of sampling and assaying	Individual sub-samples used to form the composite samples were selected from historic assays results and lithology logging. These composite samples were then assayed to determine the composite head grade.
Location of data points	Composite samples tested were taken from a range of drill samples and are intended to only provide a first pass indicative representation of the ore types.
Data spacing and distribution	Composite samples tested were taken from a range of drill samples and are intended to only provide a first pass indicative representation of the ore types.
Orientation of data in relation to geological structure	The relationship of beneficiation results to geological structures was not undertaken at this stage.
Sample Security	Samples were sent from site in sealed plastic jars to the laboratory via road freight.
Audits or reviews	Results were reviewed only by Bureau Veritas Minerals Pty Ltd and Centrex Metals Limited. Petrology on composite products is currently underway to better understand variability of 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.

Criteria	Explanation
Drill Hole Information	Composites were compiled from historic drill holes W6R105, W6R110, W6R111, W6R112, W6R119, W6R120, W6R171, W6R196 and WD9. Composite samples tested were taken from a range of drill samples and are intended to only provide a first pass indicative representation of the ore types.
Data aggregation methods	No data aggregation was undertaken in reporting results.
Relationship between mineralisation widths and intercept lengths	Drilling results are not being reported here. The results related to preliminary beneficiation test work only.
Diagrams	Composite samples tested were taken from a range of drill samples and are intended to only provide a first pass indicative representation of the ore types.
Balanced reporting	A further composite of low-grade hematite carbonate was unable to have a stable froth formed resulting in no reverse flotation results to report. Further petrology work will be undertaken to understand the mineralogy to adjust the flotation conditions. The results of this low-grade material do not affect the results of the other main high grade DSO ore types reported.
Other substantive exploration results	No other substantive exploration results are reported.
Further work	Comminution test work to provide parameters to design a crushing and grinding circuit is currently in progress. Further refinement of the reverse flotation conditions will be undertaken on the basis of petrology work currently in progress.