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Centaurus Metals Limited (ASX: CTM)

May 2018

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Note: This report is based on information provided by the company as at May 15, 2018

Investment Profile

Share Price as at 15 May 2018	\$0.016
12 month L/H	A\$0.003 / 0.018
Issued Capital:	
Ordinary Shares	2,299m
Listed Options	623.3m
Unlisted Options	266.0m
Performance Rights	90.0m
Fully Diluted	3,279m
In Money Options	887.2m
Market Capitalisation - UD	A\$36.79m
Market Capitalisation - Diluted for In-Money Options	A\$50.98m
Current Cash	~A\$4.50m
Cash on Option Conversion	A\$9.68m

Board and Management

Mr Didier Murcia: Non-Executive Chairman

Mr Darren Gordon: Managing Director

Mr Bruno Scarpelli: Executive Director

Mr Mark Hancock: Non-Executive Director

Mr Steve Parsons: Non-Executive Director

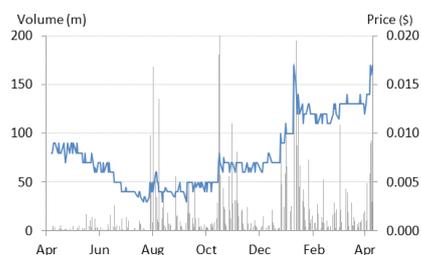
Mr Roger Fitzhardinge: Exploration Manager

Mr Paul Bridson: Company Secretary

Major Shareholders

Mr Bradley George Bolin	4.40%
Terrativa Mineraiis	3.33%
Mr Darren Gordon	2.77%
Board and Management	5.60%
Top 20	28.64%

Share Price Performance



Senior Analyst – Mark Gordon

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COPPER AND COBALT CARNIVAL

Centaurus Metals (ASX: CTM, “Centaurus” or “the Company”) is focussing activities on a suite of highly prospective exploration properties in the Carajás region of north-eastern Brazil, a major global mining region, predominantly for iron oxide copper gold (“IOCG”) and iron ore deposits, with the region being a pre-eminent host for both styles.

Centaurus’ properties include the IOCG prospective Salobo West Project, just 12km along strike from Vale’s giant 1.2Bt Salobo Copper-Gold Mine (itself an IOCG deposit) and Itapitanga, a Ni-Co laterite prospect adjacent to Anglo American’s 307Mt Jacaré laterite project. A more advanced project is Pebas, considered prospective for high grade structurally controlled IOCG mineralisation, akin to Avanco Resources’ (ASX: AVB, “Avanco”) Antas Norte operation (and discovery), 30km from Pebas. Avanco is currently the subject of a ~A\$420 million takeover offer from mid-tier copper miner OZ Minerals (ASX: OZL), with this being at a 120% premium to Avanco’s price immediately prior to the bid. This also is OZ Minerals’ first foray into Brazil, and in our view provides a vote of confidence in the country.

Also at Salobo West is recognised surficial canga iron mineralisation - this is a feature that is found above all of the major Carajás iron ore deposits, including at Vale’s +4Bt S11D operation. Whilst on iron ore, the Company has two projects in the Quadrilátero Ferrífero of Minas Gerais State, another major global iron ore producer. These projects include the shovel-ready Jambreiro, which is fully permitted for the wet processing of up to 3mtpa of material, and which work to date shows will produce a highly desirable product.

Results of historical and current work and the geological settings of the Carajás properties confirm their prospectivity; the Company, with ~A\$4.5 million cash in the bank, is now embarking on a comprehensive drilling programme over key targets that should provide steady news flow over coming months.

KEY POINTS

Highly prospective properties: The results of work to date over the Carajás properties highlights the prospectivity of these and the potential for a significant discovery, with geochemical, geological and geophysical signatures similar to those of the known nearby world class deposits.

Option value at Minas Gerais: Although not the main focus of activities, Jambreiro provides excellent upside option value, with the Company now actively investigating ways to realise value from the project.

Infrastructure rich, recognised mining destinations: Both regions where the Company is operating are world class mining destinations, with access to infrastructure and services. Although not many Australian companies are active in Brazil, it is a destination for global majors, and the entry of OZ Minerals into the country should pique the interest of more potential Australian operators and investors.

Strong metals fundamentals: There has been growing interest in copper over the past 18 months with an improving global economy, however with a relative paucity of quality exploration projects to invest in. Also, we are seeing a resurgence in nickel, as well as ongoing strong interest in other battery metals, including cobalt.

Experienced and committed personnel: The Company’s personnel have extensive experience in the resources industry, and importantly, with extensive experience domiciled in Brazil; in addition key management personnel hold shares in the Company thus aligning their interests with the other shareholders.

Strategic alliance with Terrativa: Centaurus has a strategic alliance with Terrativa Mineraiis SA (“Terrativa”), a well regarded Brazilian private exploration group - this has brought key projects into the Company, as well as supplying addition local contacts and knowledge to that already held by Centaurus personnel, and logistical support.

Fully funded over 2018 and steady news flow: The Company has a full funded active exploration, appraisal and development programme over the rest of 2018 - this will result in steady news flow.

SWOT ANALYSIS

Strengths

- ◆ **High quality projects in world class regions:** With copper/gold and nickel/cobalt projects in the Carajás region of Para State, and iron ore in the Quadrilátero Ferrífero ("Iron Quadrangle") of Minas Gerais State, the Company holds projects in world class metallogenic provinces with a proven history of production; in addition the results of work to date at all locations, ranging from early stage work at Salobo West and Itapitanga to delineated, shovel ready iron ore mineralisation at Jambreiro, confirms the potential.
- ◆ **Strategic alliance with Terrativa:** The strategic alliance with Terrativa, a highly regarded private Brazilian exploration group with a large portfolio of tenements has brought highly prospective projects to the Company, including the key Salobo West project.
- ◆ **Experienced people with skin in the game:** Company personnel have significant experience in the resources game as well as shareholdings in Centaurus; this experience includes significant time domiciled in Brazil, a valuable consideration when operating in such jurisdictions.

Weaknesses

- ◆ **Operating in a forest area:** Having Salobo West located in a national forest area brings more complex and lengthy permitting into play, and also requires access tracks to be built. This also restricts drilling to the dry season, however the seasonality of drilling activities is commonplace globally.
- ◆ **Located near a city:** The location of Pebas, adjacent to the outskirts of the regional centre Parauapebas may cause permitting issues should there ever be any decision to develop an operation at the project.
- ◆ **Brazil:** Brazil can be culturally and commercially challenging to work in, however the experience of the Centaurus personnel and the alliance with Terrativa largely offsets this.

Opportunities

- ◆ **Discovery:** This is the key opportunity at Salobo West and Pebas, with the results of historic exploration and the geological setting highlighting the potential for major copper-gold discoveries.
- ◆ **Initial Resource delineation:** This is the main opportunity at Itapitanga - the results of first pass, wide spaced auger drilling to date support the Ni-Co laterite exploration model, similar to that at the adjoining Jacaré Ni-Co property of Anglo American, with the current RC drilling planned to confirm the size and tenor of the mineralisation.
- ◆ **Value realisation:** The shovel ready iron ore project, Jambreiro, presents an opportunity for near term production by Centaurus, else monetisation through divestment or other options. This has a precedent in the 2015 sale of the Candongo DSO Project that was sold to a private Brazilian mining group, Ecosinter by the Company,
- ◆ **Carajás iron ore:** The presence of canga iron at Salobo West also highlights the iron ore potential of the Project - the Carajás is one of the world's major iron ore mining regions, and includes the largest single operating mine globally.

Threats

- ◆ **Permitting:** As mentioned under the weaknesses above, the location of both Salobo West and Pebas could cause future issues in permitting of any development (should the Company decide to develop any discoveries that they may find); also, in the case of Salobo, this location has resulted in expected longer permitting times for the drilling programmes.
- ◆ **Lack of exploration success:** This is self-explanatory, and will, should the share price fall significantly on less than optimal results, affect the potential option conversions. This, given the initial Resource opportunity at Itapitanga as mentioned above, also relates to any such Resource not being meaningful. Our view is that any future Resource should be of a sufficient size to potentially support a standalone operation to gain full market recognition.
- ◆ **Prices and markets in general:** These are constant threats to junior resource companies, and will affect the ability to raise capital. Centaurus is largely insulated from this at the moment with ~A\$4.5 million in the bank and the potential for close to A\$10 million from the conversion of in-money options, however a turn in market sentiment could cause the share price to fall to a level that places the conversion of options in jeopardy.

OVERVIEW

STRATEGY AND PROJECT OVERVIEW

- ◆ Centaurus' activities are concentrated on a high quality portfolio of Cu-Au-Co and Ni-Co projects in the world class Carajás region of Pará State (Figure 1), and iron ore projects in the Quadrilátero Ferrífero of Minas Gerais State (Figure 2) in Brazil.
- ◆ The Carajás Cu-Au-Co projects include Salobo West, a primarily IOCG prospective property 12km along strike on elements of the Cintenza Shear Zone ("CSZ," a major regional control on mineralisation) from Vale's world class Salobo Mine (and their largest copper producer), arguably the world's second largest IOCG deposit after BHP Billiton's Olympic Dam mine in South Australia - the latest Reserves for Salobo are 1.2Bt at 0.61% Cu and 0.32g/t Au.
- ◆ This 150km x 100km region of the Carajás is a recognised IOCG district, with Salobo being just one of a number known IOCG deposits (Figure 3); it is also a major high grade iron ore district containing some of the world's largest iron ore operations.
- ◆ The Itapitanga laterite Ni-Co mineralisation is developed above the same ultramafic intrusive complex that hosts Anglo American's Jacaré Ni-Co Project, which has total resources of 307Mt @ 1.3% Ni and 0.13% Co, including a high grade cobalt resource of 185Mt at 1.2% Ni and 0.18% Co.
- ◆ The Carajás copper-gold properties have been acquired through a strategic alliance with Terrativa, outlined below, with Salobo West and Pebas acquired as part of the Para Exploration Package ("PEP") in December 2016.

Figure 1: Carajás project location map

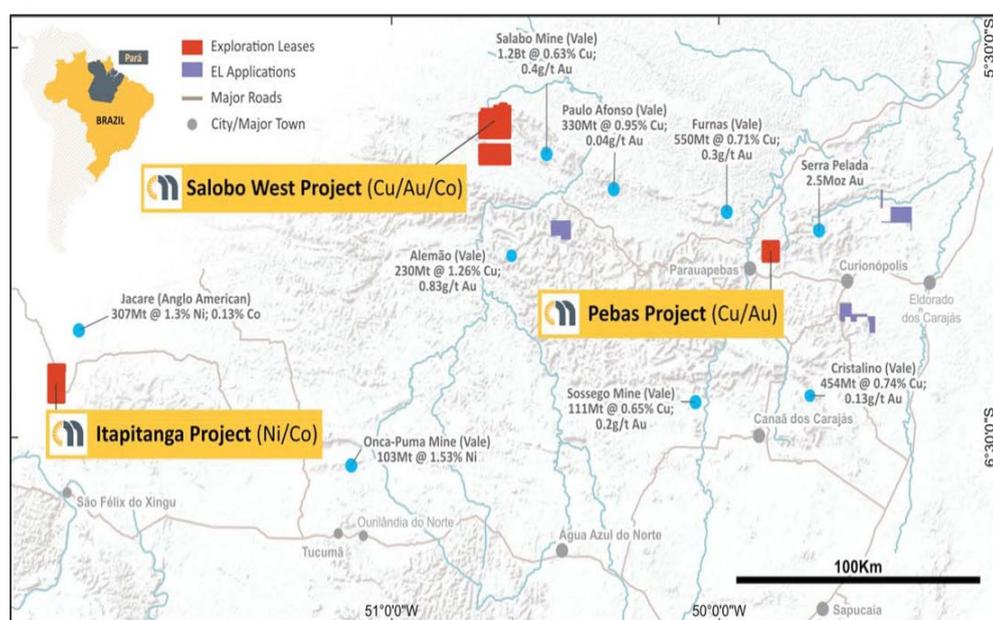
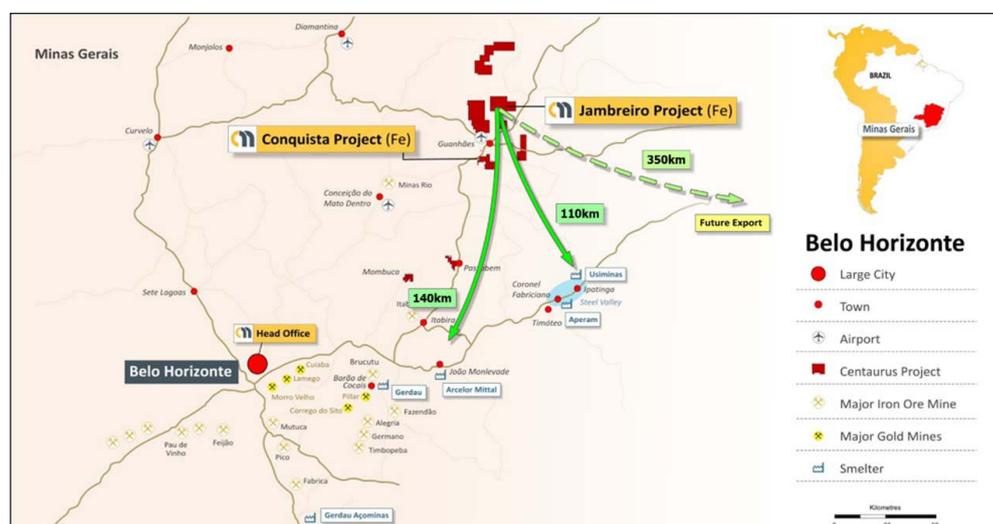
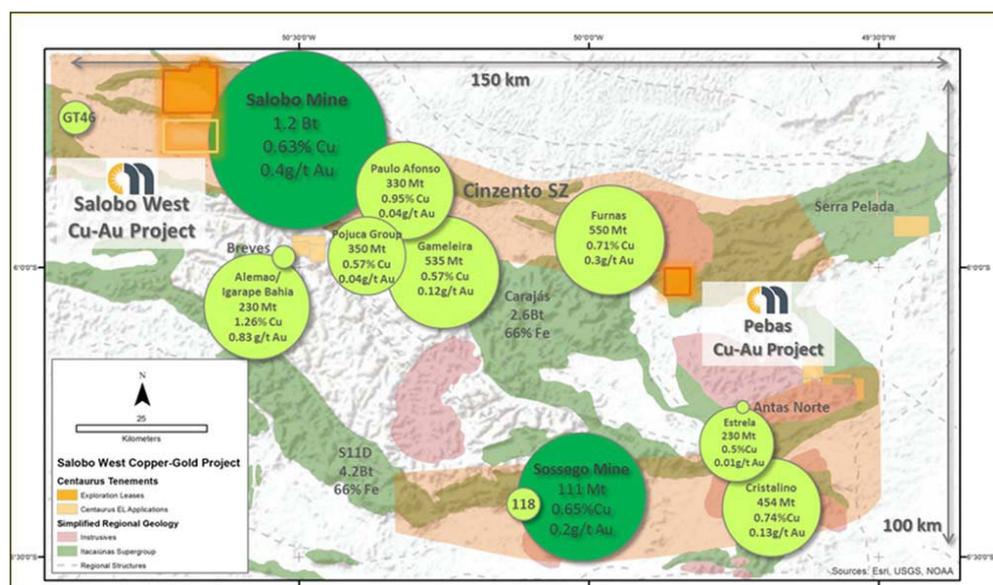


Figure 2: Minas Gerais iron ore projects



Source: Centaurus

Figure 3: Carajás IOCG and iron ore deposits - dark green circles are operating IOCG mines



Source: Centaurus

- ◆ Plans for the Carajás projects are to advance them and then look at value realisation options (possibly including development), dependent upon the results; any large IOCG discovery in particular may be an attractive proposition for a major to take an interest in.
- ◆ The Company is considering their options with regards to the iron ore projects; an option over the Conquista DSO Project has been granted to local Brazilian group R3M Mineração Ltda ("R3M"), with value realisation alternatives also being considered for the shovel ready Jambreiro project, which is licenced for the wet production of 3mtpa of high grade, low impurity iron ore, and with a start-up plan of 1mtpa of mine gate sales from treatment of friable ore for an estimated up-front capital cost of R\$109 million (~US\$31 million at current exchange rates).

TERRATIVA ALLIANCE

- ◆ On September 24, 2015 the Company announced that it had finalised terms to form a Strategic Alliance with Terrativa Minerals SA, to advance Centaurus' diversification and growth strategy in Brazil - up to that date the Company had a less formal but long standing relationship with Terrativa, having entered into project acquisition agreements with them.
- ◆ The formation of the Strategic Alliance included farming into the Aurora Copper Project (in which the Company retains an interest, however is non-core) and restructure of the acquisition terms of the Conquista DSO and Mombuca Gold Projects.
- ◆ In addition Terrativa agreed to subscribe for shares in Centaurus, which resulted in (including the issue of shares for project acquisitions at the time) the issue of 46.5 million shares - at the time the issue resulted in Terrativa being Centaurus' largest shareholder with ~9% of the issued capital - Terrativa currently hold 76.5 million shares in Centaurus, with an additional 30 million shares issued for the December 2016 PEP acquisition.

FINANCIAL POSITION

- ◆ As of March 31, 2018, the Company had A\$2.56 million in cash and no debt, with an additional A\$2.25 million coming in after the end of the quarter through the fully underwritten exercise of listed options.
- ◆ Over the twelve months to March 3, 2018 the Company spent A\$2.430 million on exploration and A\$1.109 million on administration and staff costs, highlighting the high proportion of funds going into the ground.
- ◆ During the same period (and in addition to the option exercise) the Company raised A\$5.152 million (before costs) from oversubscribed capital raisings; this included a rights issue completed in the 2017 September quarter that raised ~A\$2.5 million through the issue of 624 million shares at \$A0.004/share, and a 2018 March quarter share placement that raised ~A\$2.65 million from the issue of 295 million shares at \$A0.009/share.

CARAJÁS EXPLORATION PROJECTS

PARÁ EXPLORATION PACKAGE - COPPER-GOLD-COBALT

Location, Acquisition and Tenure

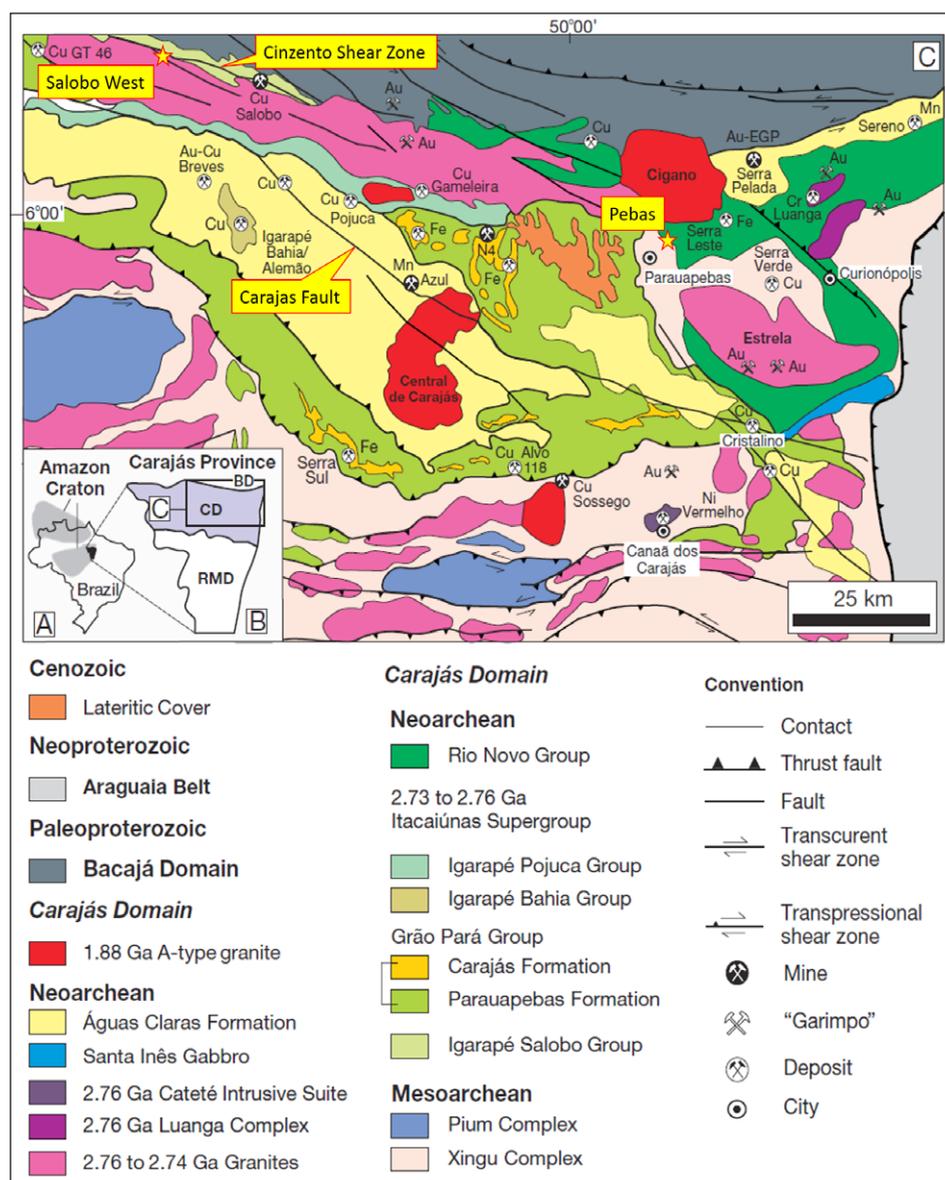
- ◆ The Pará Exploration Package (“PEP”) was acquired from Terrativa in December 2016, with the initial primary focus on the Serra Misteriosa Gold Project, located to the north of the area shown in Figures 1 and 4.
- ◆ The package included a number of additional granted exploration licences (“EL”) and EL applications (“ELA”), including Salobo West (applications at the time, but subsequently granted) and Pebas (granted).
- ◆ The northern Salobo West EL, SW1, covers an area of 81km², with the southern block (SW2) covering 50km²; Pebas covers 26km².
- ◆ The Company is currently in the process of applying for clearing and drilling permits for the Salobo West tenements, which are located in national forest - these are expected to take a few months to authorise, with timing dependent upon any requests from the Environmental Agency (“ICMbio”) for a vegetation inventory; Pebas is permitted for drilling.
- ◆ The region is largely well served by infrastructure, including road, rail and power. The exception is the national forest in which Salobo West is located, however the property is just 12 kilometres from the large Salobo mine site.
- ◆ Terms of the acquisition of the PEP from Terrativa included:
 - The right to earn 100% of the projects through the expenditure of R\$2.5 million (then A\$1 million) within two years of execution of the agreement (completed);
 - Following meeting the expenditure commitments, Centaurus will then be able to acquire 100% of the project tenements through the issue of 30 million Centaurus shares (completed); and,
 - Concurrent with the share issue, the issue of three tranches of Performance Shares as follows:
 - Tranche A – 30 million Shares in CTM should a JORC Inferred Mineral Resource of 500,000oz of gold or gold equivalent be defined on the Project Tenements within six years of executing the Agreement;
 - Tranche B – 30 million Shares in CTM should a JORC Inferred Mineral Resource of 1,000,000oz gold or gold equivalent be defined on the Project Tenements within six years of executing the Agreement; and
 - Tranche C – 30 million Shares in CTM should a JORC Inferred Mineral Resource of 1,500,000oz of gold or gold equivalent be defined on the Project Tenements within six years of executing the Agreement.

Regional Geology

- ◆ The Salobo West and Pebas Projects are located in the Neoarchaean Iticaiúnas Belt of the highly mineralised Carajás Mineral Province (Figure 4), with key units including the 2.75Ga to 2.68Ga Iticaiúnas Supergroup, host to all known IOCG deposits.
- ◆ The Carajás Block comprises the eastern part of the Archaean Amazon Craton, with the northern contact being covered by Proterozoic units and Cenozoic units of the Amazon Basin; the block is structurally juxtaposed against the Rio Maria granite-greenstone terrane to the south.
- ◆ Basement to the belt includes gneiss and migmatite of the Xingü Complex and 3,002Ma orthogranulites of the Pium Complex
- ◆ The Iticaiúnas Belt is interpreted as representing a volcano-sedimentary succession (the Carajás Basin) formed on continental crust adjoining a rift setting; the lowest units are predominantly volcanic, which grade up into a dominantly sedimentary package.
- ◆ Deformation and metamorphism is only minimal at the central parts of the basin, represented by the Grão Pará Group (Figure 4), but increases dramatically to intensely sheared, amphibolite/granulite facies rocks (the Salobo Group) in the north adjacent to the Cinzento Shear Zone.
- ◆ The main deformation event which formed the shear zone occurred at ~2.7Ga, with only limited tectonism subsequent to this.
- ◆ The package has been intruded by a number of distinct magmatic events, including:

- 2.74Ga granites, diorites and some ultramafic/mafic complexes;
 - 2.57Ga alkalic to A-type granites, represented by the Estrela Complex, the Salobo Granite and Itacaiúnas Granite amongst others (we note that these are shown with an age of 2.76Ga to 2.74Ga in Figure 4); and;
 - The 1.88Ga Proterozoic A-type granites that form one of the largest distributions of A-type granites globally, being emplaced in an anorogenic environment.
- ◆ The 2.75Ga mafic-ultramafic complexes include the precursor intrusives for laterite development at Itapitanga.
 - ◆ A younger intrusive suite hosting gold mineralisation has also been recognised; this is a Neoproterozoic (~600Ma to 550Ma) event possibly related to the Araguaia Fold Belt that truncates the eastern edge of the Itacaiúnas Belt (Figure 4).

Figure 4: Carajás geology



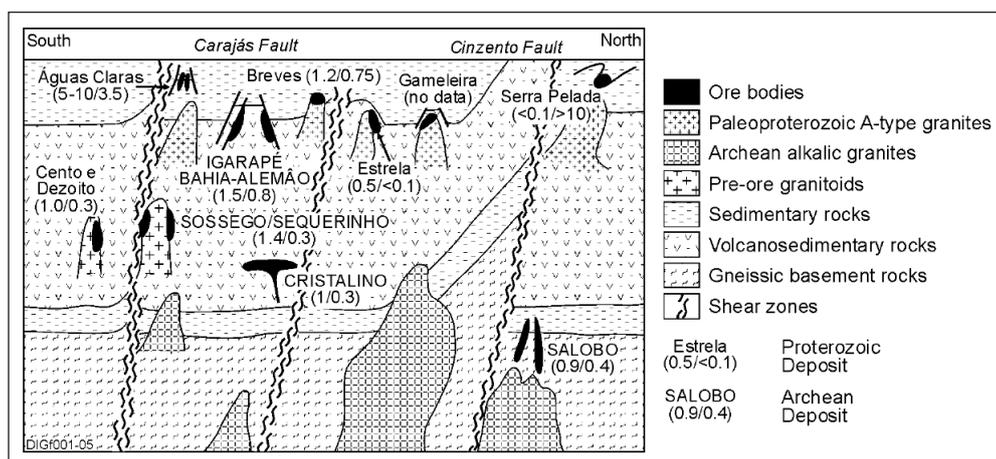
Source: Xavier et al, 2012 - Society of Economic Geologists Special Publication 16, pp 433-453

IOCG Mineralisation

- ◆ IOCG deposits are a rather loosely defined group that can exhibit a wide range of alteration styles and deposit morphologies dependent upon the host rocks and tectonic processes at the time of formation amongst other factors.
- ◆ However features that they have in common include an association with large intrusive bodies, commonly major structures and significant amounts of iron oxide minerals (largely hematite and magnetite) as gangue minerals - these features indicate that IOCG deposits are expressions of large crustal-scale alteration and mineralisation events that have led to widespread metasomatism of the country rocks.

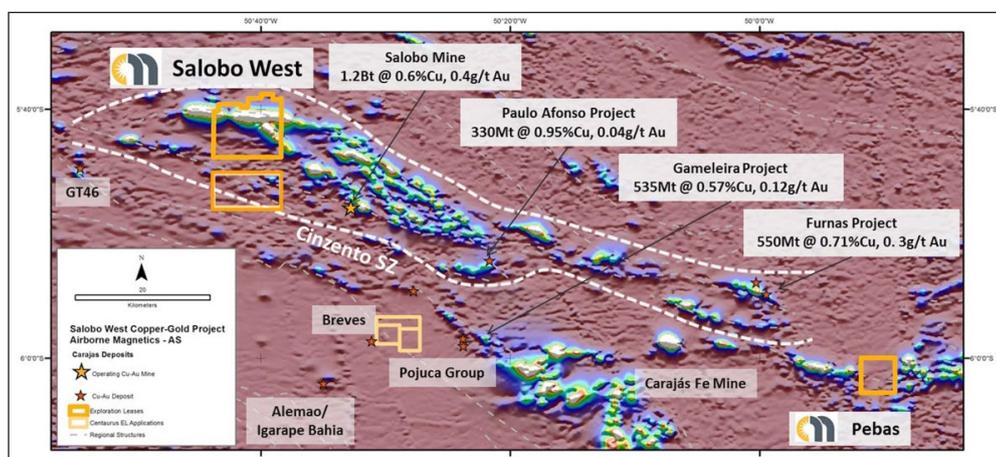
- ◆ Key commodities produced from IOCG deposits include copper, gold and some uranium - the mineralisation assemblage is generally simpler than that from skarns with which they share some genetic affinities.
- ◆ Key copper minerals include chalcopyrite, bornite and chalcocite, with these occurring in a number of ways, including massive, breccia fill, vein and disseminated mineralisation.
- ◆ The Carajás IOCG deposits cover a wide range of morphologies and occur at a number of crustal levels (however are all hosted in the Iticaiúnas Supergroup); these include as tabular bodies in the ductile zone of the Cinzento Shear Zone (e.g. Salobo, Figure 5 and Figure 6) to higher level, breccia hosted bodies in the shallower brittle zone of structures

Figure 5: Schematic cross-section - Carajás IOCG Province



Source: Grainger et al 2008: Metallogensis of the Carajás Mineral Province... Ore Geology Reviews 33, pp 451-489

Figure 6: Cinzento Shear Zone and deposits on magnetics image



Source: Centaurus

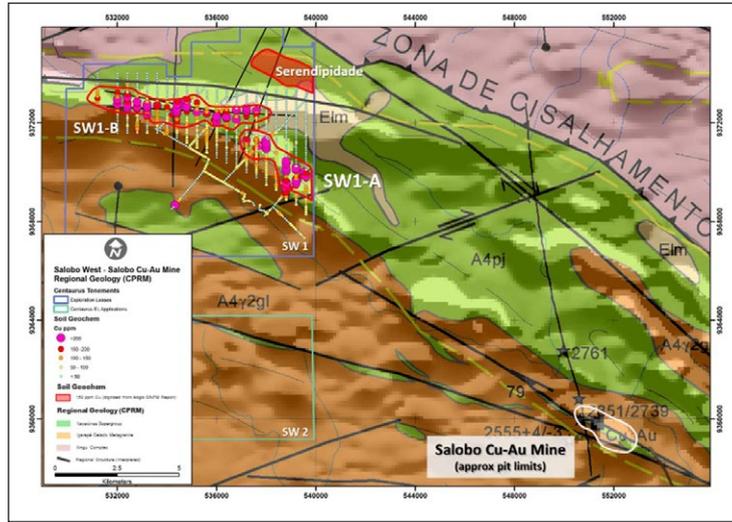
- ◆ There is also conjecture as to the ages of some of the deposits; there is no doubt that a number are related to the 2.75Ga magmatic event, however there is also the possibility that a number are related to the younger 1.88Ga anorogenic event.
- ◆ Isotope dating gives a wide range of age for some deposits, indicating that there may be some remobilisation of earlier mineralisation, and also resetting of the isotopes by the younger events.
- ◆ The different styles of these are relevant to Centaurus, with Salobo West probably representing mineralisation in a ductile shear zone as at Salobo, with Pebas being a shallow, brittle structural system, similar to Avanco's Antas Norte deposit - Avanco is currently the subject of a takeover by OZ Minerals Limited (ASX: OZL).

Salobo West Project

- ◆ As mentioned previously, Salobo West is located some 12km WNW along the strike of the CSZ from the Salobo Mine (Figure 7), with this clearly highlighting the main east-west and NW structural and lithological trends related to the CSZ and which control the location of the main IOCG deposits.

- ◆ This also highlights the magnetic nature of the trends, reflecting both the presence of alteration magnetite within structures and banded iron formation ("BIF") units within the CSZ.
- ◆ Another important controlling structural trend is SW, with a number of these features shown on Figure 7.

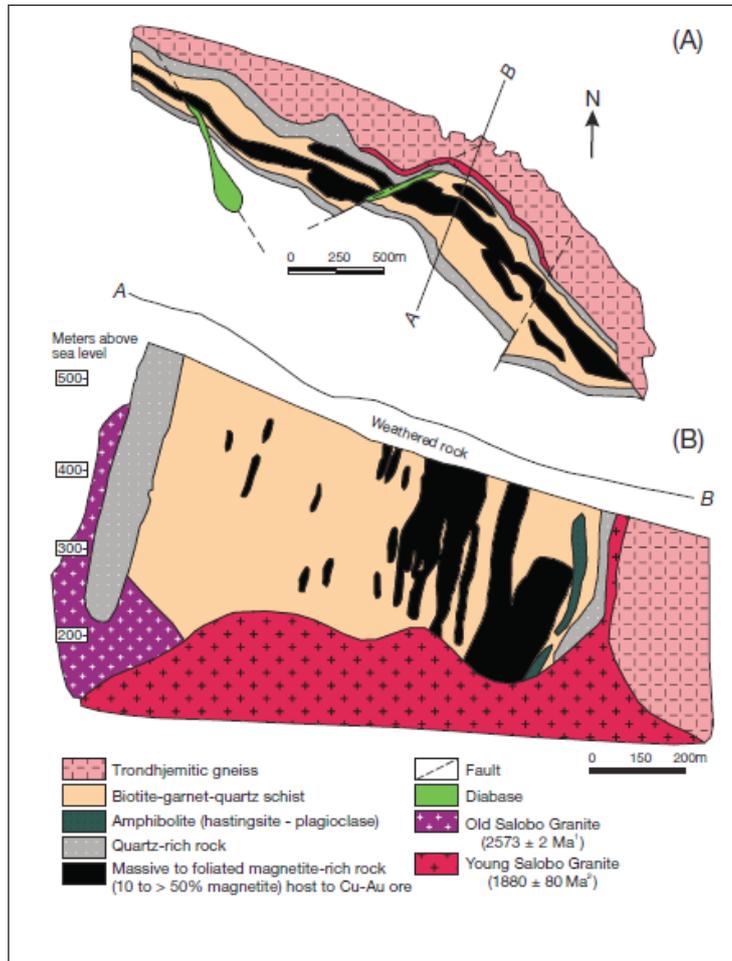
Figure 7: Salobo West location, magnetics, geology and soils



Source: Centaurus

- ◆ Mineralisation at Salobo comprises a number of parallel, steeply dipping magnetite/sulphide-bearing zones hosted in biotite-garnet-quartz schist of the Igarapé Salobo Group, adjacent to the sheared contact with older basement gneisses that have been intruded by the ~1,880Ma Young Salobo Granite (Figure 8) - this is a similar structural trend to that seen at the SW1-A prospect.

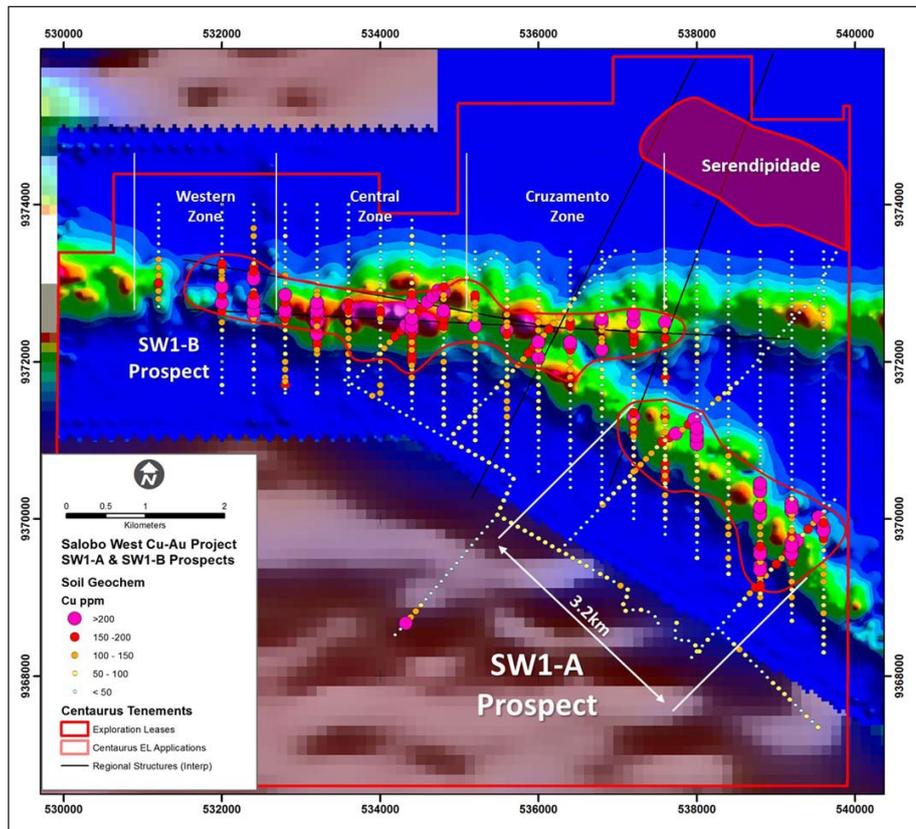
Figure 8: Salobo mineralisation plan and cross section



Source: Xavier et al, 2012 - Society of Economic Geologists Special Publication 16, pp 433-453

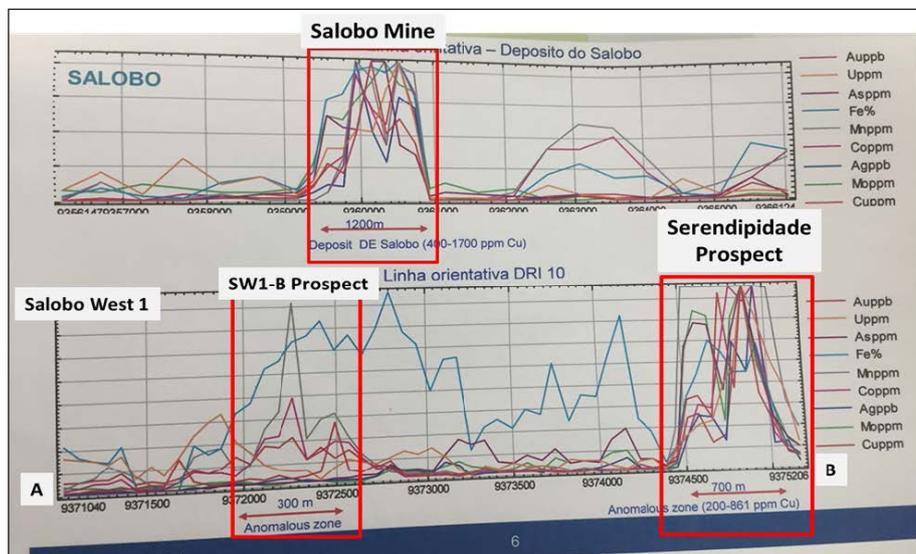
- ◆ As seen in Figures 7 and 9, Salobo West occurs at the intersection the NW trending BIF and a major east-west trending structure; this is defined by a strong magnetic signature, with this interpreted to reflect both magnetite alteration and BIF units within the Iticaiúnas Supergroup.
- ◆ Historic work over both tenements at Salobo West has included surface sampling (including soils and rock chips), geophysics, geological mapping and some limited drilling; this has resulted in a high quality database that has been collated from reports lodged by Vale and Anglo American with the ANM; these present a number of walk up drill targets.
- ◆ This work has outlined two linear Cu-Au(Co) soil anomalies, SW1-A and SW1-B associated with the structural and lithological trends; and Serendipidade, which is a 2.5km long by 700m wide Cu-Co-Au-Ag-Mo anomaly associated with an electromagnetic (“VTEM”) anomaly (Figure 9) away from the main magnetic trends.
- ◆ The soil anomalies exhibit similar signatures to those from Salobo (Figure 10).

Figure 9: Soil anomalies on magnetics image, Salobo West SW1 tenement.



Source: Centaurus

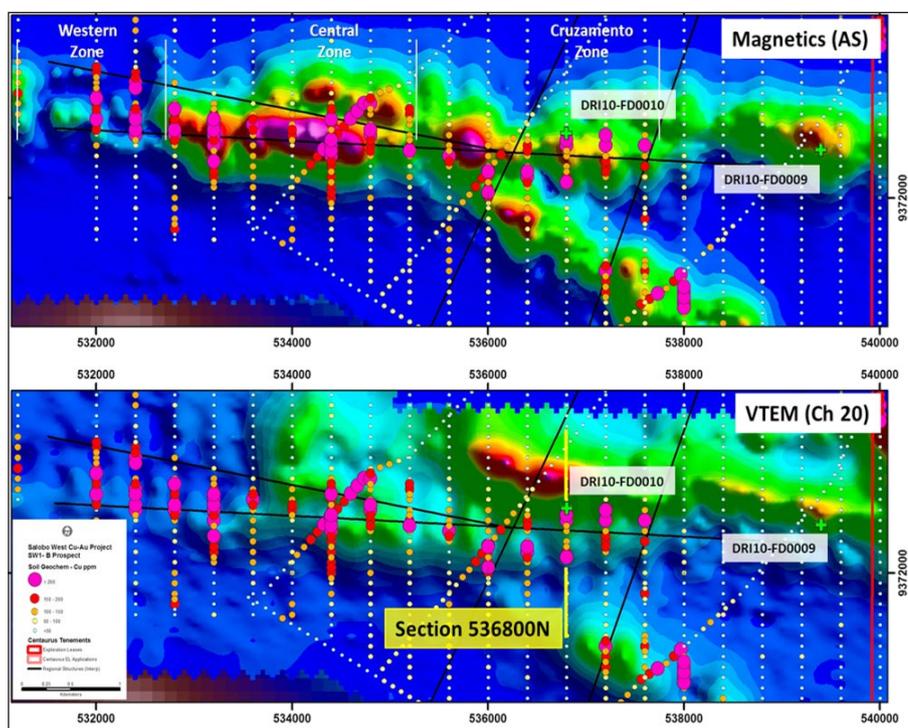
Figure 10: Comparison of Salobo West and Salobo geochemical signatures



Source: Centaurus

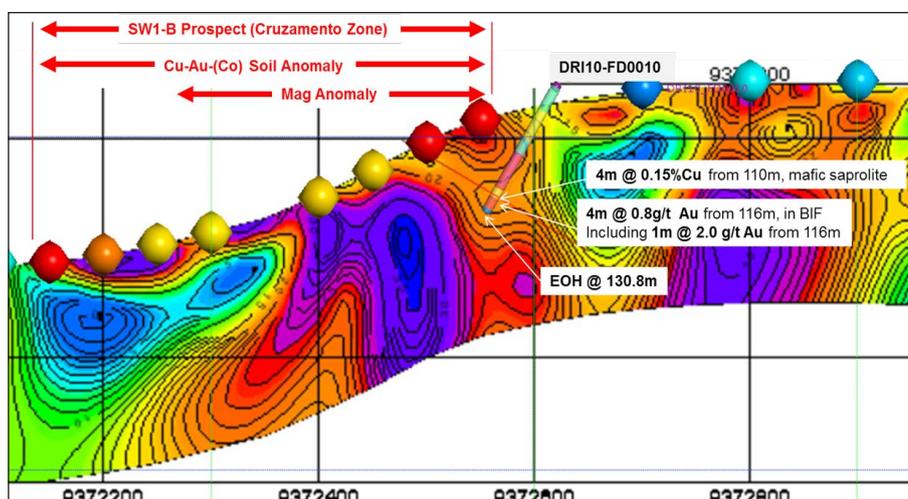
- ◆ The SW1-B prospect extends for some 6.5km east-west and is locally up to 600m wide; the prospect includes three zones, namely (from west to east) the Western Zone, Central Zone and Cruzamento (convergence) Zone (Figures 9 and 11), with the latter being at the intersection of the E-W structure and the NW trending BIF that is interpreted as the extension of the BIF that hosts the Salobo mineralisation.
- ◆ As discussed later there is a canga iron occurrence along strike to the east of the SW1-B prospect - this is represented in Figure 9 by a discrete magnetic high immediately to the south of Serendipidade, and just west of the tenement boundary.
- ◆ A single hole drilled by Anglo American at Cruzamento (and the only one drilled in the SW1-B prospect) intersected 4m @ 0.8g/t Au and 55% Fe from 116m to 120m, with the interval from 110m to 115m intersecting copper values of between 0.07% and 0.20% Cu (Figures 11 and 12).
- ◆ As shown in Figure 12 this hole reportedly stopped 50m short of an interpreted induced polarisation ("IP") anomaly, a magnetic anomaly with the drilling also not fully testing the main Cu-Au-(Co) soil geochemical anomaly.

Figure 11: Cruzamento prospect, showing geochemistry and drillhole locations on magnetics (top) and EM (btm)



Source: Centaurus

Figure 12: Cruzamento prospect section 536800N, looking west on EM image



Source: Centaurus

- ◆ Whereas SW1-A and SW1-B represent IOCG targets, Serendipidade potentially relates to a stratabound or stratiform style of mineralisation, with the EM responses reflecting broad, sulphide rich sedimentary horizons that returned up to 124m at 0.021% Co in drilling.

- ◆ Potential deposit styles include copper-cobalt sedimentary deposits (similar to those in the Central African Copperbelt), else sedimentary exhalative ("SEDEX") or volcanogenic massive sulphide ("VMS") style mineralisation.
- ◆ Historic work over the SW2 tenement defined Cu soil anomalies of up to 500ppm Cu, coincident with magnetic and/or EM geophysical anomalies - this work was completed by Vale's exploration group in the late 1990s and early 2000s, with this including soil geochemical surveys, geological mapping and regional scale geophysical surveys.
- ◆ Again, like the northern tenement, this presents a number of walk up IOCG drill targets along WNW trending zones.

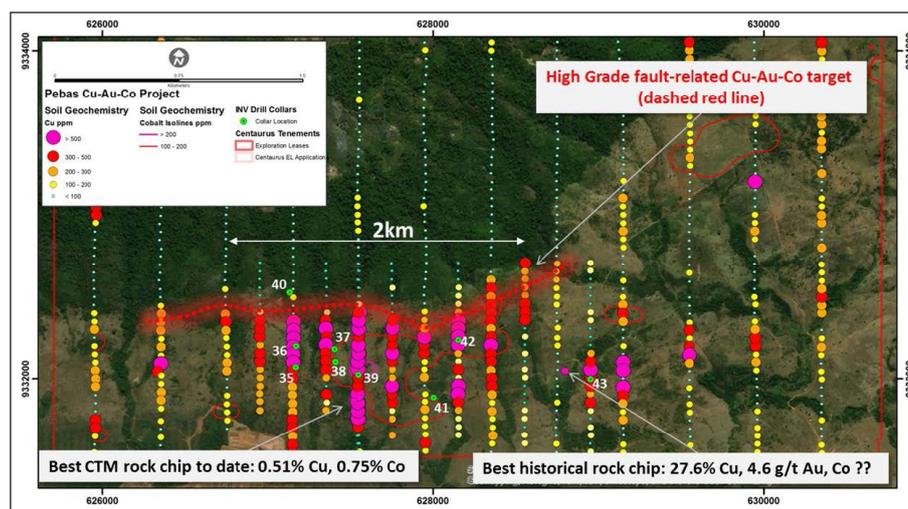
Canga Prospect, Salobo West

- ◆ The Company has identified canga-style (detrital) iron ore mineralisation at Salobo at the eastern end of the main E-W trending magnetic feature near the tenement boundary.
- ◆ Rock chip sampling has returned consistent high grade iron results above 65% over a zone with a strike length of over 900m, and with a width of 150m.
- ◆ Profile modelling of the regional magnetics data has returned responses similar to those from Vale's S11D iron ore deposit, which is located some 100km SSE of Salobo West, and which is the largest iron ore mine in the world - S11D has Reserves of over 4Bt @ +66% Fe and is reportedly ramping up to 90Mtpa production.
- ◆ Canga in the Carajás is typically up to 20m thick, and is a feature that sits over all of the giant iron ore deposits in the region.
- ◆ Magnetic modelling of the Canga prospect has returned a top of the magnetic feature at a depth of between 285m to 390m, reflecting the depth of supergene and hypogene processes that result in the high-grade hematite ore and demagnetise the precursor magnetic units.
- ◆ A similar exercise undertaken over S11D results in a similar depth to the magnetic feature of 390m; Vale has reportedly intersected enriched hematite to this depth in drilling.

Pebas Project

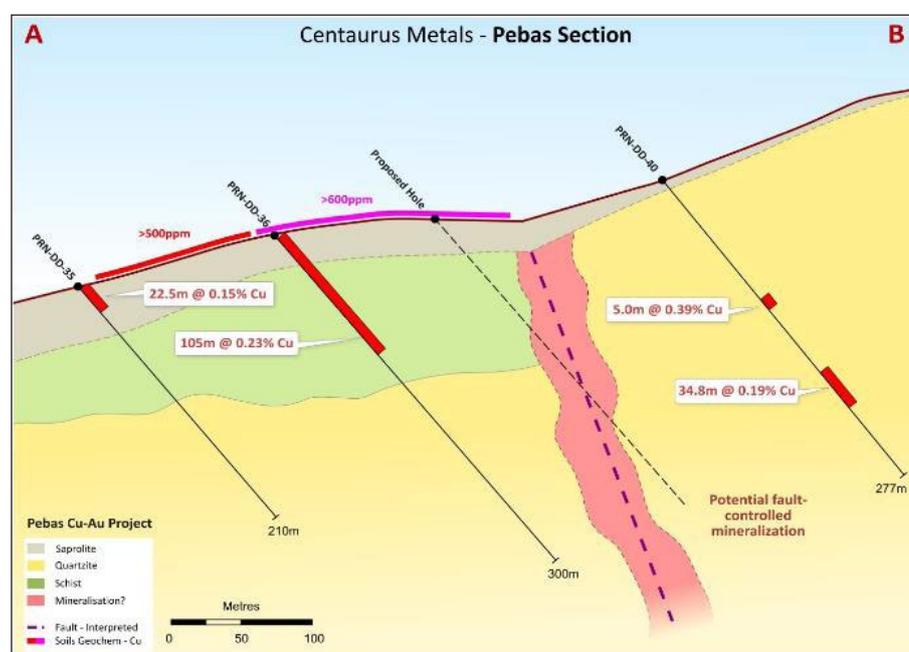
- ◆ Pebas, located within a few kilometres of the city of Parauapebas has seen historical work by INV Metals Inc (a TSX-listed explorer) and Teck.
- ◆ Previous work, as extracted from publicly available reports on SEDAR included soil and rock chip sampling and the drilling of nine reconnaissance diamond drill holes - this publicly available information may not include all work completed at Pebas and hence the Company is looking to obtain data directly from previous explorers.
- ◆ Work by Centaurus has included geological mapping, soil and rock chip sampling and EM surveying, with the soil sampling confirming the presence of a 2km long and locally up to 400m wide Cu soil anomaly which is coincident with a 1km long magnetic feature (Figure 13).
- ◆ New rock chip results have returned up to 0.51% Cu and 0.75% Co, with historic sampling returning up to 27.6% Cu and 4.6g/t Au.
- ◆ The historic drilling intersected broad zones of low grade mineralisation (including 146.9m @ 0.21% Cu), with individual assays of up to 3.74% Cu within the broader zones (Figure 14).
- ◆ Centaurus' exploration model is that of a high grade brittle fault-related IOCG system, similar to that at Antas Norte, located some 25km south of Pebas.
- ◆ This is presented in Figure 14 (with the fault target shown as a dashed red line in Figure 13), highlighting that the historic drilling did not intersect the interpreted mineralised structure.
- ◆ Mineralisation at Antas Norte, which with a head grade of ~2.6% Cu is one of the highest grade copper mines globally, has a thickness of ~60m and a strike length of 700m; there is sufficient room at Pebas to host a deposit of similar size, with the across strike distance between drillholes PRN-DD-36 and PRN-DD-40 being 300m.

Figure 13: Pebas soil sampling results



Source: Centaurus

Figure 14: Pebas drill section



Source: Centaurus

- ◆ In addition to the central zone at Pebas, recent work has identified two new copper soil anomalies to the east and northeast with these associated with magnetic features - follow up work, including geological mapping and infill soil sampling is now required.

ITAPITANGA NICKEL-COBALT PROJECT

Location, Tenure and Acquisition

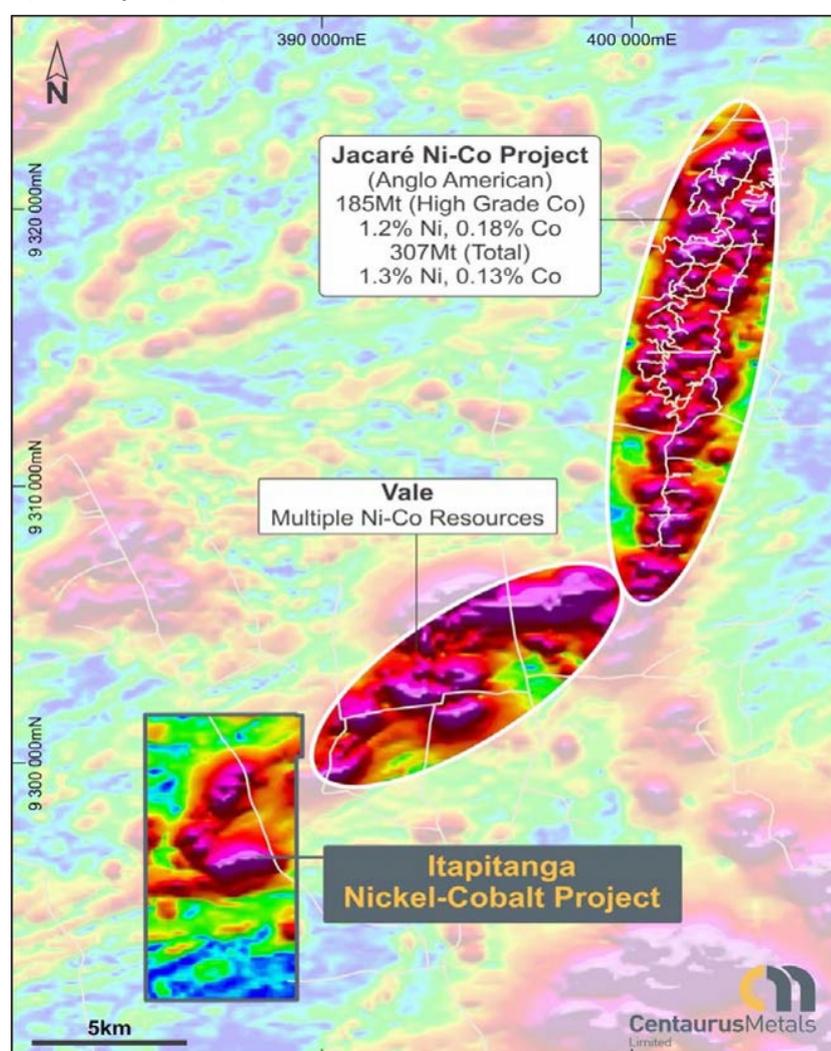
- ◆ Itapitanga comprises a single EL for 50.6km², situated some 50km north of the town of São Felix do Xingü in Pará State (Figure 1), and adjacent to Anglo American's Jacaré Project - the project is readily accessible by dirt roads from São Felix do Xingü, with access not significantly restricted during the wet season.
- ◆ São Felix do Xingü is accessible by 370km of paved roads from Parauapebas, with rail also at Parauapebas and the Sossego Copper Gold Mine, some 270km away.
- ◆ The nearest high voltage substation is a 230kVA facility some 120km east.
- ◆ 100% of the Project was acquired from a local vendor in February 2018 under the following terms:
 - An initial payment of R\$150,000 (~A\$60,000) over a six months option period, with a commitment to spend the same amount on exploration over the option period (this has now been satisfied);

- If the Company decides to commit to the Project, an additional R\$500,000 (~A\$200,000) will be paid to the vendor; and,
- This will be followed by milestone payments of R\$1 million (~A\$400,000) upon definition of a JORC Resource and R\$1.5 million (~A\$600,000) on the grant of a Mining Lease.

Geology and Mineralisation

- ◆ Itapitanga includes lateritic Ni-Co mineralisation developed over a layered/zoned ultramafic/mafic intrusive complex, which is similar in style to a number of others globally, including examples in Australia.
- ◆ The Project is a strike extent of Anglo American's Jacaré ("Alligator"; Figure 15) nickel-cobalt deposit (albeit with a smaller strike extent), which has global resources of 307Mt @ 1.3% Ni and 0.13% Co, including a high grade cobalt resource of 185Mt at 1.2% Ni and 0.18% Co - Jacaré has a N-S strike length of some 15km and a maximum width of ~3km.
- ◆ Anglo American were, during the period of high nickel prices up until 2011, flagging development of Jacaré, however the subsequent fall in nickel prices put development plans on hold.
- ◆ Centaurus has identified two targets at Itapitanga; a northern target with a strike length of some 3.3km and a southern target with a strike length of ~2km (Figure 17).

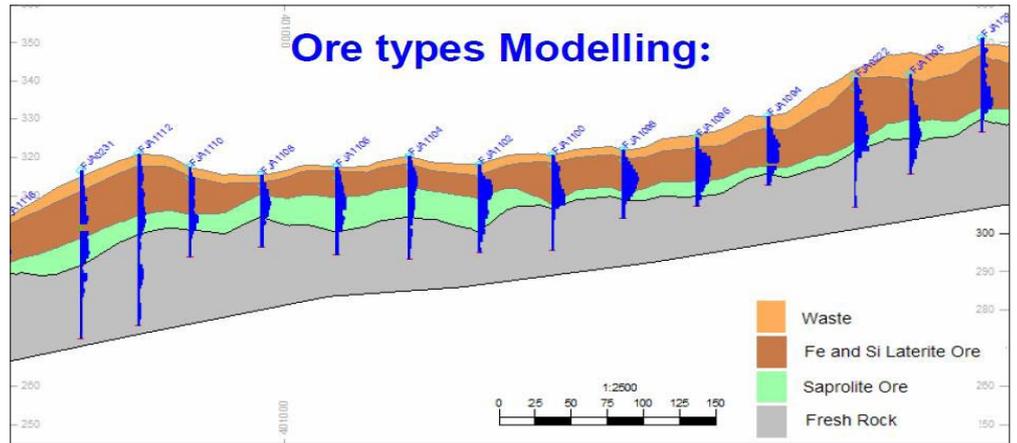
Figure 15: Itapitanga magnetics and tenements



Source: Centaurus

- ◆ Cobalt and nickel mineralisation is generally best developed in laterites formed over more mafic units of the intrusive complexes, in particular dunites and pyroxenites, and a number of mineralised laterite types are developed at Jacaré, including siliceous, ferruginous and saprolite, with an indicative section shown in Figure 16, which also highlights the relative nickel grades between the different laterite types.

Figure 16: Indicative section through Jacaré

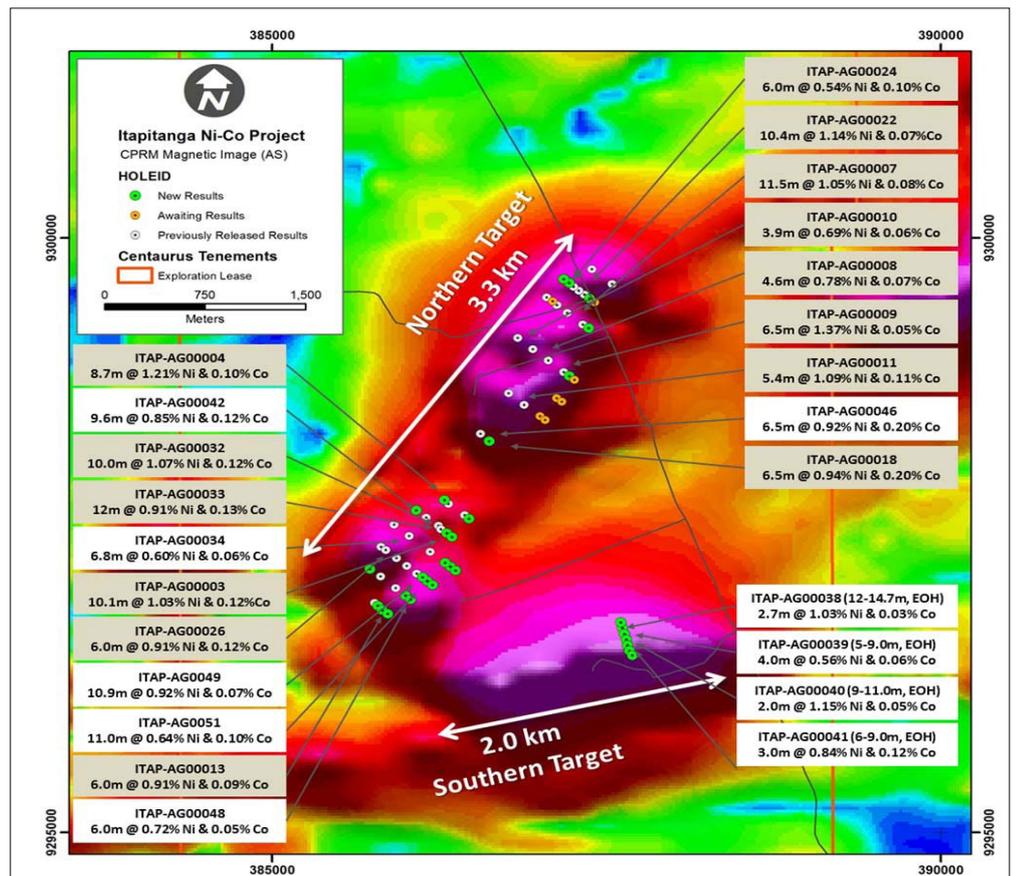


Source: Anglo American presentation

Work Completed

- ◆ Centaurus is not aware of any historic work being completed over Itapitanga.
- ◆ Given that access agreements were in place at the time of acquisition, and that field activities are not hampered by the wet season, Centaurus was able to commence field activities soon after the acquisition.
- ◆ Initial work has included a hand auger programme (with 63 holes reported to date) and channel sampling, with these returning high grade results - a summary of the auger sampling is presented in Figure 17.

Figure 17: Itapitanga hand auger results



Source: Centaurus

- ◆ This work is ongoing, as is a 5,000m reverse circulation drilling programme that has recently commenced.

- ◆ 49 of the 63 auger holes reported to date have finished in Ni-Co mineralisation, with intersections including:
 - 10.1m @ 1.03% Ni and 0.12% Co from surface;
 - 8.7m @ 1.21% Ni and 0.10% Co;
 - 6.5m @ 0.92% Ni and 0.20% Co; and,
 - 6.0m @ 1.04% Ni and 0.11% Co.
- ◆ Further results are as shown in Figure 17, with the full list available in the Company's releases.

MINAS GERAIS IRON ORE PROJECTS

- ◆ The Company holds the Jambreiro and Conquista iron ore projects in the Quadrilátero Ferrífero iron ore producing region of Minas Gerais State, a globally significant iron ore producing area.
- ◆ Given the current focus on the Carajás projects, these will only be discussed briefly for information purposes, although they do have significant value.

JAMBREIRO

- ◆ The 100% owned Jambreiro is located some 110km from the Ipatinga steel making region of Minas Gerais (Figure 2), and readily accessible by road; in addition it is approximately 500km by rail from the export port of Tubarão (however gaining access to the rail can prove problematic, hence current work being targeted at domestic steel producers).
- ◆ The Company has spent over US\$25 million on Jambreiro, with the project now fully permitted for 3mtpa of wet production, and is shovel ready.
- ◆ Work included over 19,000m of drilling, which resulted in a JORC compliant Resource of 128Mt, and as part of a Feasibility Study completed in 2012, an initial Reserve of 48.5Mt at 28.1% Fe of friable iron ore.
- ◆ Friable iron ore is that which sits above primary mineralisation, and which has undergone some weathering; it is generally free dig and can be upgraded through simple gravity and magnetic separation processes - it is a widely mined and beneficiated ore type in the region.
- ◆ The Feasibility Study was based on a production rate (and mine gate sales) of 2mtpa, with this revised to 1mtpa in 2013, resulting in a reduced start-up capex of R\$109 million (A\$53 million at the time, but now at A\$42 million due to foreign exchange movements).
- ◆ The Company is of the view that Jambreiro remains economically viable (we have not undertaken any modelling to verify this), and as such has recently provided samples to potential steel mill customers in Brazil - the sample has a high iron grade of 64.6% Fe, with low impurity grades of 4.7% SiO₂, 0.7% Al₂O₃ and 0.02% P, making it a highly desirable product.

CONQUISTA DSO

- ◆ Conquista, which is located near Jambreiro (Figure 2), is an early stage exploration project that the Company has recently optioned to a local mining group, R3M.
- ◆ The terms of the option include the requirement that R3M spend R\$1 million (~A\$400k) during the option period, with this to include at least 1,000m of drilling, with this aimed at proving up an Exploration Target.
- ◆ Should R3M wish to exercise the option, they will grant Centaurus a 12% production royalty, with R\$3 million (A\$1.2 million) to be paid upon exercise of the option as an advance on any future royalties.
- ◆ Mapping and rock chip sampling on the property by Centaurus has identified high grade (+64% Fe) DSO material outcropping over a strike length of 2.5km, with rock chips returning Fe values of between 64% and 70% with low impurities, with initial testwork showing that the material is suitable as either a high grade sinter feed or lump product.

UPCOMING WORK

- ◆ Given that there is a healthy bank account, Centaurus has an active work programme planned over the Carajás properties.
- ◆ As mentioned earlier, the Company is currently RC drilling at Itapitanga, with this rig likely to move to Pebas once this programme is completed, possibly around early July.

- ◆ Activities at Salobo West will depend upon permitting, however any drilling is likely to use a diamond core rig due to the smaller footprint than an RC rig and the depth of planned holes.
- ◆ Diamond drilling is initially planned on the SW1-A and SW1-B prospects given the IOCG prospectivity, however clearing and drilling permits have also been applied over the SW2 tenement.
- ◆ Although there are some preliminary drill targets at SW2, the Company has planned mapping and soil sampling prior to any drilling.

PEER GROUP ANALYSIS

- ◆ Given the mix of mineralisation styles, Centaurus is unique amongst ASX-listed explorers and developers - peer groups we could compare the company to include diversified explorers, the copper-gold explorers, Ni-Co laterite explorers and developers, and iron ore developers, however with very few of these are operating in Brazil.
- ◆ We therefore consider the closest peer group for Centaurus being those ASX-listed junior and mid cap companies operating in Brazil, as shown in Table 1, and we also consider, given the current market interest in the sector cobalt peers, with these shown in Table 2.
- ◆ We note the increase in Centaurus' share price following the announcement of the Itapitanga RC drilling programme.

BRAZILIAN OPERATORS

- ◆ Our view is that historically the obvious ASX-listed peer in Brazil is Avanco, with the company transitioning from an explorer to producer following the 2008 discovery of high grade copper mineralisation at the Rio Verde Copper Project (at which time it had a market capitalisation of under A\$5 million), which includes the currently operational Antas Norte mine - a very brief history is presented below.
- ◆ At times Avanco also had interests in iron ore and nickel, albeit with the nickel being primary sulphide and not laterite hosted.

Table 1: Centaurus peers -Brazil

Centaurus peers - lithium						
Code	Company	Last Price	Market Cap UD	Commodity	Status	Key Project Details
AVB	Avanco Resources	A\$0.17	A\$418 m	IOCG copper-gold, greenstone gold	Operator, developer, explorer	Antas Norte Mine, 5.46Mt @ 2.43% Cu, 0.48g/t Au, mining at ~600ktpa Pedra Branca development project, 10.48Mt @ 2.8% Cu, 0.7g/t Au Centrogold greenstone gold, 20.2Mt @ 2.0g/t Au
BDR	Beadell Resources	A\$0.07	A\$90 m	Greenstone gold	Operator	Tucano Gold Min ~130kozpa, and Tartaruga gold project
OGX	Orinoco Gold	A\$0.08	A\$81 m	Greenstone gold	Producer, developer	Faina Goldfields Project, producing from Cascavel
BBX	BBX Minerals	A\$0.21	A\$78 m	Epithermal gold and porphyry Cu-Au	Explorer	Juma East, Tres Estados and Ema projects
CTM	Centaurus Metals	A\$0.02	A\$34 m	IOCG copper-gold, laterite Co-Ni, iron ore	Explorer	Salobo West IOCG, Itapitanga laterite, Pebas gold
AGR	Agua Resources	A\$0.23	A\$30 m	Phosphate	Developer, explorer	Rio Grande and Lucena phosphate projects
CAS	Crusader Resources	A\$0.04	A\$18 m	Greenstone gold, other orogenic gold	Developer, explorer	Borborema greenstone - 42.4Mt @ 1.18g/t Reserve, Juruena orogenic deposit, 261koz, 6.3g/t orogenic lode gold
CDG	Cleveland Mining	A\$0.07	A\$11 m	Greenstone gold	Producer, developer	Premier Gold Mine ~76koz, 10koz - 20kozpa production

Source: IRESS, Company Reports, IIR analysis

A (Very) Brief History of Avanco

- ◆ Following the Antas discovery in 2008, Avanco completed a number of successful drilling programmes which delineated significant high grade copper (and gold) mineralisation.
- ◆ A trial mining licence was granted over Antas Norte in late 2011, with the Company then acquiring the nearby Pedra Branca Project in early 2012 - Pedra Branca forms the proposed larger Stage 2 of planned operations.
- ◆ Antas Stage 1 was granted a full Mining Licence (“ML”) in September 2014, with construction of the planned 12,000t of copper and 7,000oz of gold operation commencing in May 2015 - the funding for the ~A\$70 million capex was through dilutive equity, with the downturn in the resources industry resulting in debt funding being difficult to acquire.
- ◆ Commissioning of the plant commenced in early 2016, with commercial production declared in July 2016.
- ◆ Throughout the entire period, including through the severe 2001 to 2016 downturn Avanco has continued exploration and appraisal activities on all projects, including the CentroGold Project which was acquired in 2016; work on all projects has continued to find additional mineralisation, highlighting the prospectivity of the tenements.
- ◆ The most recent significant event is the 120% premium offer by OZ Minerals for all of the listed capital in Avanco, which in our view is a vote of confidence in the country, with the premium also highlighting the unrealised value of Avanco, and should result in an increase in interest in other ASX-listed companies operating in the country, including Centaurus.
- ◆ The story also highlights the potential for new discoveries in the Carajás, and the potential for value uplift with exploration success.

COBALT PEERS

- ◆ Table 2 presents data on a number of ASX-listed companies with cobalt assets.
- ◆ We have also included LSE-listed Horizonte Minerals here (with the market capitalisation converted from GBP), given the company’s presence in the Carajás with the advanced Araguaia and Vermelho Projects, with Vermelho being recently acquired from Vale.
- ◆ In most cases cobalt is associated with other metals, including scandium, PGMs and nickel in the case of laterite deposits and copper in the case of copperbelt style mineralisation (e.g. Nzuri) - in such cases cobalt can be considered as a co-product or by-product; given this a comparison on an EV/tonne of contained cobalt is meaningless.
- ◆ To take different metal assemblages into account we have also included global Ni and Cu grades in our table, with these being the most common associated metals - at current prices (US\$90,000/t Co, US\$7,000/t Cu and US\$15,100/t Ni, the in ground value of 1% Cu is equivalent to ~0.08% Co and 1% Ni is equivalent to ~0.17% Co.
- ◆ One factor that this table highlights is the relative size and grade of Anglo American’s Jacaré Project, with a global resource of 307Mt @ 1.3% Ni and 0.12% Co.
- ◆ The peer comparison, particularly when compared with Horizonte Minerals, highlights the potential for value uplift for Centaurus with a discovery at Itapitanga and the subsequent estimation of a meaningful Resource which would potentially support a standalone operation.

Table 2: Centaurus peers - cobalt

Centaurus peers - cobalt								
Company	MC \$Am	Project and Location	Type	Stage	Global Res. (Mt)	Global Co Grade	Global Ni or Cu Grade	Equity Cobalt (t)
CleanTeq Holdings	\$796	Sunrise, NSW	Laterite	Development Studies	101	0.13%	0.59%	131,300
Australian Mines	\$217	Flemington Sconi, NSW QLD	Laterite	Development Studies	91.9	0.06%	0.58%	55,140
Artemis Resources	\$119	Carlow Castle, WA	Structural	Assessment	N/A	N/A	N/A	N/A
Horizonte Minerals	\$117	Araguaia, Vermelho, Carajas, Brazil	Laterite	Development Studies	221.5	0.05%	1.27%	110,800
Celsius Resources	\$114	Opuwa, Namibia	Copperbelt Style	Development Studies	112.4	0.11%	0.41% Cu	126,113
Cobalt Blue	\$85	Thackaringa, NSW	Cobaltiferous Pyrite	Development Studies	54.9	0.09%	N/A	25,199

Centaurus peers - cobalt								
Company	MC \$Am	Project and Location	Type	Stage	Global Res. (Mt)	Global Co Grade	Global Ni or Cu Grade	Equity Cobalt (t)
Jervois Mining	\$85	Nico Young, NSW	Laterite	Development Studies	99.1	0.08%	0.58%	79,280
Nzuri Copper	\$82	Kalongwe, DRC	Copperbelt	Development	6.91 ¹	0.62%	2.02% Cu	36,416
Ardea Resources	\$80	Goongarrie, WA	Laterite	Development Studies	108.3	0.10%	0.79%	108,300
GME Resources	\$67	NiWest, WA	Laterite	Development Studies	81	0.06%	1.03%	48,600
Collerina Cobalt	\$64	Homeville, NSW	Laterite	Development Studies	16.3	0.06%	0.93%	9,780
European Cobalt	\$53	Various, Slovakia, Finland	Veins, Lodes	Assessment	N/A	N/A	N/A	N/A
Zenith Minerals	\$39	Split Rock, WA	Laterite	Assessment	N/A	N/A	N/A	N/A
Aus Tin Mining	\$36	Mt Cobalt, QLD	Laterite, vein	Assessment	N/A	N/A	N/A	N/A
Centaurus Metals	\$34	Itapitanga, Brazil	Laterite	Appraisal	N/A	N/A	N/A	N/A
Pioneer Res	\$32	Golden Ridge, WA	Laterite	Assessment	N/A	N/A	N/A	N/A
Barra Resources	\$26	Mt Thirsty, WA	Laterite	Development Studies	31.94	0.12%	0.21%	19,164
Hylea Metals	\$22	Hylea, NSW	Laterite	Assessment	N/A	N/A	N/A	N/A
Platina Resources	\$22	Owendale, NSW	Laterite	Development Studies	17.6	0.15%	0.23%	26,400
Meteoritic Resources	\$22	Iron Mask, Mulligan, Quebec, Ontario	Skarn, Vein	Assessment	N/A	N/A	N/A	N/A
Broken Hill Prospecting	\$19	Thackaringa, NSW	Cobaltiferous Pyrite	Development Studies	54.9	0.09%	0.09%	24,211
Metalicity	\$16	Kyarra, WA	Poss sim to Central African Copperbelt	Assessment	N/A	N/A	N/A	N/A
Corazon	\$11	Mt Gilmore, NSW	Vein	Assessment	N/A	N/A	N/A	N/A

Source: IRESS, Company Reports, IIR analysis

1 - The quoted Nzuri resource includes the mixed and Co only domains, it does not include the Cu only domains

CAPITAL STRUCTURE

- ◆ Centaurus currently has 2,299 million ordinary shares, 623.3 million listed options, 266 million unlisted options and 90 million performance rights on issue.
- ◆ The unlisted options include a mixture of vested and unvested employee options and ordinary unlisted options - these are detailed in Table 3.

Table 3: Unlisted option detail

Unlisted option detail					
Expiry Date	Exercise Price	Employee Options		Options	Total Number of Shares Under Option
		Vested	Unvested		
31/08/2018	\$0.1250	2,000,000	-	-	2,000,000
10/06/2018	\$0.0082	5,500,000	-	-	5,500,000
10/06/2019	\$0.0082	8,500,000	-	-	8,500,000
10/06/2020	\$0.0082	-	8,500,000	-	8,500,000
31/05/2020	\$0.0130	18,500,000	-	-	18,500,000
31/05/2021	\$0.0140	-	18,500,000	-	18,500,000
31/05/2022	\$0.0150	-	37,000,000	-	37,000,000
31/01/2020	\$0.0150	-	-	167,500,000	147,500,000
Total		34,500,000	64,000,000	167,500,000	266,000,000

Source: Centaurus

- ◆ The majority of the listed and unlisted options are currently in the money, with these having the potential to bring in A\$9.68 million in cash if exercised.
- ◆ The top 20 hold 28.64%, with insiders holding 5.60%.
- ◆ The top holder is Mr Bradley Bolin, with 4.40% of the ordinary shares.
- ◆ As of May 3, 2018 the Company had 2,667 shareholders.

RISKS

- ◆ **Exploration:** This is the key risk for Centaurus, particularly at Salobo West and Pebas. Work to date has highlighted the potential at Itapitanga, with the risk here relating to the size of any resource that may be estimated.
- ◆ **Permitting:** With regards to exploration, this is significantly mitigated with the Exploration Licences being issued. The immediate key risk here relates to time frames of permitting for drilling programmes in the forest areas at Salobo West.
- ◆ **Funding:** This is a perennial issue for junior explorers and developers, however Centaurus is largely insulated from this at the moment with sufficient cash, following the recent placement and option conversion underwriting for planned activities in 2018. Also, should the share price stay at current levels or higher there is the potential for significant cash from the conversion of current options.
- ◆ **Markets:** Although relatively buoyant at the moment, markets can turn on a dime and funding for and sentiment towards juniors can dry up very quickly. Centaurus is relatively protected with the cash position at the moment, however a falling share price would lead to less options being in the money, and may lead to the need to conserve cash through cutting back on exploration programmes.
- ◆ **Sovereign:** Brazil is proven mining destination and a major world producer of a number of commodities, particularly iron ore. The country ranked 65th out of 91 jurisdictions surveyed in the 2017 Fraser Institute of Mining Companies, including ranking 11th out of 24 Latin American jurisdictions (including the Argentinian states which are surveyed separately). Although this is a relatively low ranking, a number of ASX-listed companies have successfully operated in Brazil, with a case in point being Avanco. In addition, Company personnel have extensive Brazilian experience, thus mitigating this risk.

BOARD AND MANAGEMENT

- ◆ **Mr Didier Murcia - Non-Executive Chairman:** Mr Murcia is a lawyer with over 30 years of legal and corporate experience in the resources industry. He is currently Honorary Australian Consul for the United Republic of Tanzania. Mr Murcia is the Chairman and founding director of Perth-based legal group Murcia Pestell Hillard, and holds Director positions at Strandline Resources Limited and Alicanto Minerals Ltd.
- ◆ **Mr Darren Gordon – Managing Director:** Mr Gordon is a Chartered Accountant with 25 years' experience in the mining industry as a senior finance and resources executive. Mr Gordon has had extensive involvement in financing resource projects from both a debt and equity perspective, including his previous position as Chief Financial Officer and Company Secretary for Gindalbie Metals Limited. Mr Gordon has headed up Centaurus for nearly ten years, and has a deep knowledge of the Brazilian operating environment.
- ◆ **Mr Bruno Scarpelli – Executive Director:** Mr Scarpelli is based in the Company's Brazil office. He joined Centaurus in 2011 bringing a wealth of stakeholder relations and regulatory approval experience to the Company, particularly in the field of environmental matters. Prior to joining Centaurus, Mr Scarpelli was the Environmental Coordinator of the S11D Iron Ore Project, part of the world class Carajás Iron Ore Operations in the State of Para, Brazil. Mr Scarpelli has also previously held a number of roles in Minas Gerais, including with the leading environmental consulting group, Brandt Meio Ambiente, and the global mining consultancy, Golder Associates.
- ◆ **Mr Mark Hancock – Non-Executive Director:** Mark is a Chartered Accountant with more than 30 years professional experience, including senior financial roles across a number of leading Australian and international companies including Lend Lease Corporation Ltd, Woodside Petroleum Ltd and Premier Oil plc. Since 2006 he has held senior roles at Atlas Iron Ltd, most recently as Chief Commercial Officer. In addition Mark has served as Atlas' representative on the Board of other ASX listed iron ore players, namely Warwick Resources, Aurox Resources and Giralia Resources.

- ◆ **Mr Steve Parsons – Non-Executive Director:** Steve is an experienced geologist with an impressive discovery record in the gold sector. He was the founding Managing Director of Gryphon Minerals, which he listed on the Australian Securities Exchange and grew into an ASX-200 company. During this time, he oversaw the discovery and delineation of a 3.6 million ounce resource at Banfora Gold Project in Burkina Faso and the subsequent takeover of the company for \$100 million by a significant North American gold company in late 2016, crystallising significant value for shareholders. Steve is also Executive Director of ASX-listed gold explorer Draig Resources Ltd and a Non-Executive Director at Blackstone Minerals Ltd.
- ◆ **Mr Roger Fitzhardinge – Exploration Manager:** Mr Fitzhardinge is a geologist with more than 18 years' experience in the exploration and mining industry. Mr Fitzhardinge joined Centaurus in 2010. He manages all exploration campaigns and development activities across Centaurus' Brazilian gold, copper and iron ore projects. Before joining Centaurus, Mr Fitzhardinge worked with Mirabela Nickel Ltd in Brazil as Manager of Technical Services. He has previously worked in gold exploration in the Yilgarn with Normandy (now Newmont) and Homestake (now Barrick) as well as BHP's iron ore operations in the Pilbara region.
- ◆ **Mr Paul Bridson – Company Secretary:** Paul is a Chartered Accountant with more than 20 years accounting and finance experience, including over 18 years in the resources industry. He has previously held senior roles with ASX listed exploration companies Syndicated Metals, Avalon Minerals and Gindalbie Metals. Mr Bridson is a Member of the Institute of Chartered Accountants and Chartered Secretaries Australia.

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