Dear Sir/Madam

CENTREX AND WISCO COMPLETE SUPPLEMENTARY DEED FOR FUSION MAGNETITE PROJECT

Highlights

- Centrex and WISCO have signed a Supplementary Deed formalising agreements outlined in the MOU signed in September
- Exploration is being expanded at Fusion to drill further deposits within the project area to reduce overall estimated mine production costs
- A new Prefeasibility Study is to be commenced encompassing the expanded project
- Resource Incentive Payments are to be traded for a funding path through to end of a Bankable Feasibility Study
- Land access negotiations underway to commence drilling at the Bald Hill deposit

Summary

Centrex Metals Limited ("Centrex") has signed a Second Supplementary Deed ("the deed") with Wuhan Iron & Steel (Group) Co. ("WISCO") to amend to the partners' Eyre Iron Magnetite Joint Venture of which Centrex holds a 40% interest. The deed's focus is the Joint Venture's flagship Fusion project which is being re-scoped and rescheduled to take into account recent changes in iron ore market conditions.
Under the deed WISCO and Centrex have agreed to commence an exploration program at new deposits within Fusion to allow greater mining selectivity and reduce estimated mine production costs. This will see the project move back into a Prefeasibility Study (“PFS”) over the next 12 to 24 months to assess the expanded project. The PFS will focus mostly on mining, with the current process plant, logistics and infrastructure designs remaining largely unaltered.

The joint venture has approximately $9M of existing funding remaining. Centrex and WISCO would jointly contribute a target of $10 million (Centrex $4 million) to fund completion of the PFS after current joint venture funding is expended.

A major goal of negotiating amendments to the current joint venture for Centrex was also to find a funding solution through to the end of a Bankable Feasibility Study (“BFS”) at Fusion that is isolated from Centrex current cash reserves. Upon the completion of a PFS if WISCO and Centrex wish to progress the project two options can be taken:

- **First Option** – The joint venture would be incorporated and a listing sought on the ASX for an Initial Public Offer (“IPO”) to raise funds for the completion of a BFS, with WISCO underwriting any shortfall up to a maximum of 25% of the issued capital of the post IPO company, and Centrex being diluted to no less than 30% of the post IPO company.

- **Second Option** – WISCO and Centrex to work together to bring a third party investor into the joint venture to provide funding for the completion of a BFS, with Centrex again being diluted to no less than 30%.

In return for this new funding path direction for the BFS, Centrex has relinquished its entitlements to any resource incentive payments payable under the original agreement. These entitlements represented 4 potential tranches of $27 million each should the joint venture Inferred Resources reach 1.25Bt, 1.5Bt, 1.75Bt and 2Bt respectively. Centrex paid stamp duty on the resource incentive payments for the sum of $5.9 million in 2010. An application will be made to the South Australian Government for a refund of this amount.

Given the uncertainty over triggering the resource incentive payments, with the Joint Venture still quite some way from the first milestone mark, and land access constraints in the area, Centrex believes in the current market the priority is for a BFS funding path that is isolated from its current cash reserves. Within the deed it has also been agreed to remove the obligation for Centrex to dilute its participating interest if the Joint Venture has not defined 1Bt of Inferred Resources within the first 7 years.

If WISCO does not wish to proceed after completion of any resulting PFS then Centrex and WISCO will work together to conduct a trade sale for the joint venture. This provision will also apply if either of the two BFS funding options above are not completed within a maximum of 12 months of the PFS being finished.

The Joint Venture has commenced obtaining approvals and consents to commence drilling at the Bald Hill deposit within the Fusion project.
Fusion

The Fusion project comprises a 50km long magnetic banded iron formation on the Southern Eyre Peninsula in South Australia. The project revolves around numerous satellite magnetite ore deposits feeding into a centralised processing facility to produce a magnetite concentrate. The concentrate is in turn planned to be transported via a relatively short 40km slurry pipeline to the proposed Port Spencer export facility also being developed by Centrex.

To date the project has established 680Mt* of Mineral Resources at the deposits of Koppio, Brennand, Kapperna and Iron Mount, which collectively represent just around 14km of the overall magnetic trend. Centrex and WISCO have now agreed to commence exploration of additional deposits within the Fusion project area to reduce the required mining depths for the initial mining life, in order to lower estimated production costs, and hence to increase project returns creating greater investment certainty given recent iron ore price fluctuations.

Full details of the latest Fusion Mineral Resource estimates can be found via the link below.


Figure: High-resolution magnetic image of the Fusion project area with magnetic iron formations highlighted in red.
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