



## **QUARTERLY ACTIVITIES REPORT**

**For the period ended 30 September 2011**

27 October 2011

### **HIGHLIGHTS**

- **Exploration target of 2.5 to 3.5 billion tonnes established across key project areas comprising 2 to 3 billion tonnes at Rio Pardo (Josilene – Scorpion prospect) and 370 to 680 million tonnes at Gema Verde.**
- **Evaluation of the Gema Verde project continued with a maiden Resource in accordance with the JORC code anticipated by the end of 2011.**
- **Metallurgical evaluation continued at both the Gema Verde and Rio Pardo (Josilene-Scorpion prospect) projects with Mineral Engineering Technical Services Pty Ltd (METS) retained to undertake test work.**
- **Secured option over further prospective mineral rights in the region of its other key projects**

Brazilian Metals Group Limited (ASX: BMG, BMGO) continued to make significant progress during the September quarter in its goal to develop a substantial iron ore mining operation in north of the state of Minas Gerais in Brazil.

The Company's exploration efforts to date have continued to focus on its two core projects: the Rio Pardo project and the Gema Verde project. During the quarter, consistent with its strategy to secure and evaluate new prospective areas, the Company secured an option over the prospective Catuti block of iron ore tenements located in close proximity to the Rio Pardo and Gema Verde projects.

## **EXPLORATION PROGRESS**

### **Gema Verde project**

During the September quarter, the Company continued to advance its evaluation of the Gema Verde project, and a maiden Resource is anticipated to be estimated by the end of calendar 2011. Details of this will be released to the market as soon as they are available.

The Gema Verde project has an exploration target of 370-680 million tonnes at 16.6%-19.9% Fe, with the initial JORC Resource expected to fall within this range.

The Company is also progressing metallurgical test work at the project, with Mineral Engineering Technical Services Pty Ltd (METS) retained to undertake the work. BMG has until February 2012 to complete its evaluation of the Gema Verde project and elect to proceed with the acquisition.

The Gema Verde project is located in the Salinas area in the north-eastern part of the Minas Gerais and covers four granted exploration licences over an area of 75.6 square kilometres. It adjoins, and is an extension of, Hong Kong-listed Honbridge's significant Block 8 resource (currently 2.6 billion tonne resource @20% Fe)<sup>1</sup> in the Vale do Rio Pardo Project. Honbridge's project is currently in definitive feasibility stage. Testwork conducted by Honbridge demonstrated that the material from its Block 8 resource is readily upgraded to pellet feed grade. Honbridge has estimated that the operating costs at its Vale do Rio Pardo project will be below US\$30 per tonne, making it potentially a very low operating cost producer.

### **Rio Pardo project**

The focus of work at the Rio Pardo project during the quarter was on advancing metallurgical test work (conducted by METS) for the Josilene-Scorpion prospect.

The prospect has a continuous mineralised zone which, to date, has been tested over a 13 km strike length within the Rio Pardo project area. The project has an exploration target of 2-3 billion tonnes, and represents a major target for further exploration drilling. The Company plans to conduct a program of infill drilling, prior to estimating a Resource at the project by mid-2012.

## **OPTION TO ACQUIRE CATUTI TENEMENT BLOCK**

On September 8 the Company announced that it had entered into an option agreement to acquire a prospective block of iron ore tenements (the Catuti block) in the Northern Minas Gerais region. The new project area is located 13 km west of the city of Mato Verde, in close proximity to the Company's other key iron ore projects – Rio Pardo and Gema Verde. The Catuti block comprises four iron ore tenements, over an area of 80 square kilometres. There are a number of sub-cropping areas with consistent iron mineralisation from surface sampling, with a weighted average of 30% Fe based on XRF testing.

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<sup>1</sup> Golder Associates "Vale do Rio Pardo Resource Estimation", 28 March 2011, for Honbridge Holdings Ltd; and Honbridge Holdings Ltd' July 2011 presentation titled "Game Changer, The SAM Iron Ore Project".

The agreement to acquire the Catuti block is subject to a seven month evaluation period, which will conclude at the end of March 2012. The Company has now completed landholder agreements and is proceeding to conduct evaluation drilling of key targets associated with the high magnetic trends and sub-cropping areas of iron mineralisation. The project is at an early exploration stage and will require drilling to determine the depth extent of the mineralisation identified at surface.

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**For further information please contact:**

Bruce McCracken, Director and CEO  
Malcolm Castle, Technical Director  
Brazilian Metals Group  
Ph: +61 8 9424 9390  
Email: [info@bmgl.com.au](mailto:info@bmgl.com.au)  
Website: [www.bmgl.com.au](http://www.bmgl.com.au)

James Moses  
Media and Investor Relations  
Mandate Corporate  
Ph: +61 420 991 574  
Email: [james@mandatecorporate.com.au](mailto:james@mandatecorporate.com.au)

## **Competent Persons Statement**

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Malcolm Castle, who is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM"). Mr Castle is the Technical Director of Brazilian Metals Group Limited. He has sufficient experience relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Castle consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

*The range of exploration targets (potential mineralisation) is estimated from geological information including drill holes, outcrops and geological information and is shown as a range. While the Company remains optimistic that it will report resources and reserves in the future, any discussion in relation to exploration targets or resource potential is only conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. Projected production capacity is estimated on reasonable assumptions on conversion of resource and exploration targets to ROM feed and mass recovery of the processing facility.*