



QUARTERLY ACTIVITIES REPORT

For the period ended 30 June 2011

29 July 2011

HIGHLIGHTS

- **Delineation of a large mineralised zone (Josilene–Scorpion prospect) at the Company’s Rio Pardo iron ore project in Minas Gerais, Brazil.**
- **Drill tested Josilene–Scorpion continuous iron mineralised zone for 13 kilometres strike-length to date.**
- **Agreement to acquire 100% of the Gema Verde iron deposit.**
- **Gema Verde project adjoins and is an extension of Hong Kong listed Honbridge Holdings Limited’s Block 8 resource (currently a resource of 2.6 billion tonnes at 20%) in the Vale do Rio Pardo Project.**
- **Gema Verde drilling and scoping study progressing, with a resource estimate expected during the final quarter 2011.**
- **Strengthened management team and board with Mr Malcolm Castle assuming specific responsibility for exploration and development of the Company’s projects as Executive Technical Director and the appointment of Mr Bruce McCracken as CEO and Mr Phillip Fox as COO (Brazil), and appointment of Mr Peter O’Connor as Chairman of Directors.**

During the last quarter Brazilian Metals Group Ltd (ASX: BMG, BMGO) has taken significant steps towards its goal of developing a substantial iron ore mining enterprise in northern Minas Gerais State in Brazil.

The Company’s exploration efforts have delineated a large iron ore prospect in the Rio Pardo exploration project, and we have added the more mature Gema Verde Project to the portfolio. In addition the Company has strengthened its board and management team by bringing further corporate and investment expertise to the board and commercial and operational strength to our existing technical team.

EXPLORATION PROGRESS

The Company's strategy is to identify and acquire areas in Brazil which are highly prospective for large iron deposits and with potential for development into a lowest quartile operating cost export mining operation. The Company, through a combination of acquisition under option agreements (with staged payments) and direct pegging, has now established a large land holding of mineral rights in the northern Minas Gerais iron ore province in the vicinity of a series of large projects that are at different stages of development. Our operational focus during the last quarter has been on advancing key targets at the Rio Pardo exploration project (particularly the Josilene-Scorpion prospect) and progressing the recently secured and more advanced Gema Verde project.

Drilling Summary - June Quarter 2011

Prospect		No Holes	Total Metres
Scorpion	RC	10	1,515
Vargem Grande	RC	4	428
Gema Verde	RC	12	1,421
Gema Verde	DD	2	405
Total		28	3,769

Gema Verde¹ (2008 Diamond Drilling)

- 27.35m at 24.0% Fe from 3.2m in FSD011
- 25.7m at 23.4% Fe from 103.7m in FSD032
- 28.3m at 20.2% Fe from 152.85m in FSD024
- 16.8m at 27.8% Fe from 2.9m in FSD013
- 20m at 22.0% Fe from 76.95m in FSD028
- 20.4m at 21.5% Fe from 59.8m in FSD033
- 20m at 21.6% Fe from 68.7m in FSD014

Rio Pardo: Josilene – Scorpion Prospect² (2011 RC Drilling)

- 76 metres at 17.0% Fe from surface in JORC006
- 64 metres at 16.8% Fe from surface in JORC005
- 44 metres at 18.75% Fe from 92m in SCRC030
- 40 metres at 19.45% Fe from 140m in SCRC022
- 40 metres at 18.89% Fe from 152m in SCRC021
- 44 metres at 16.3% Fe from surface in JORC013
- 44 metres at 17.0% Fe from surface in JORC004

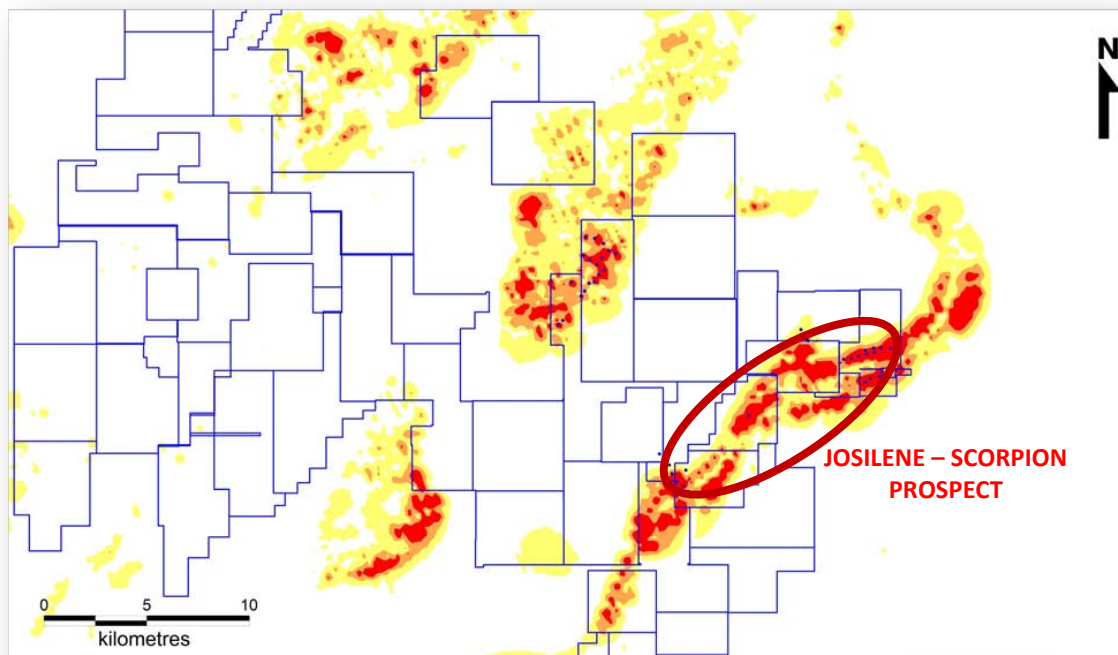
Rio Pardo Project

The Company's drilling programme undertaken during the quarter delineated the first large prospect on the Rio Pardo Project, being the Josilene-Scorpion prospect.

¹ Refer to BMG's ASX Release on 2 May 2011, Agreement to acquire Gema Verde Project in north Minas Gerais, Brazil

² Refer to BMG's ASX release on 15 June 2011 titled 'Further Drilling Results Significantly Advance Rio Pardo Iron Ore Project' for the significant drill results.

The combined Josilene-Scorpion prospect includes a continuous mineralised zone which so far has been drill tested for 13 kilometres strike-length within BMG's tenement holding. Josilene-Scorpion represents a major target for further exploration drilling. The majority of holes (of varying depths up to 216m) were still in magnetite bearing diamictite when terminated. Further work will be undertaken to determine the depth extent of the mineralisation.³



Rio Pardo – Location of Josilene-Scorpion Prospect

Gema Verde Project

In May 2011 BMG entered into an agreement to acquire 100% of the Gema Verde iron deposit ('Gema Verde Project'). The agreement provides an initial evaluation period during which BMG is undertaking confirmatory and in-fill drilling and a scoping study in order to be able to prepare an initial resource assessment in accordance with the JORC Code.

The project is located in the Salinas area in the north-eastern part of the Minas Gerais and covers four granted exploration licences of 75.6 sq km. The Gema Verde Project ground adjoins and is an extension of Hong Kong listed Honbridge's significant block 8 resource (currently 2.6 billion tonne resource @ 20% Fe⁴) in the Vale do Rio Pardo Project which is currently in definitive feasibility stage. Test work conducted by Honbridge has demonstrated that the material is readily upgraded to pellet feed grade. Their operating costs are estimated at USD23.75 per tonne of product⁵, placing it in the lowest quartile of iron ore deposits.

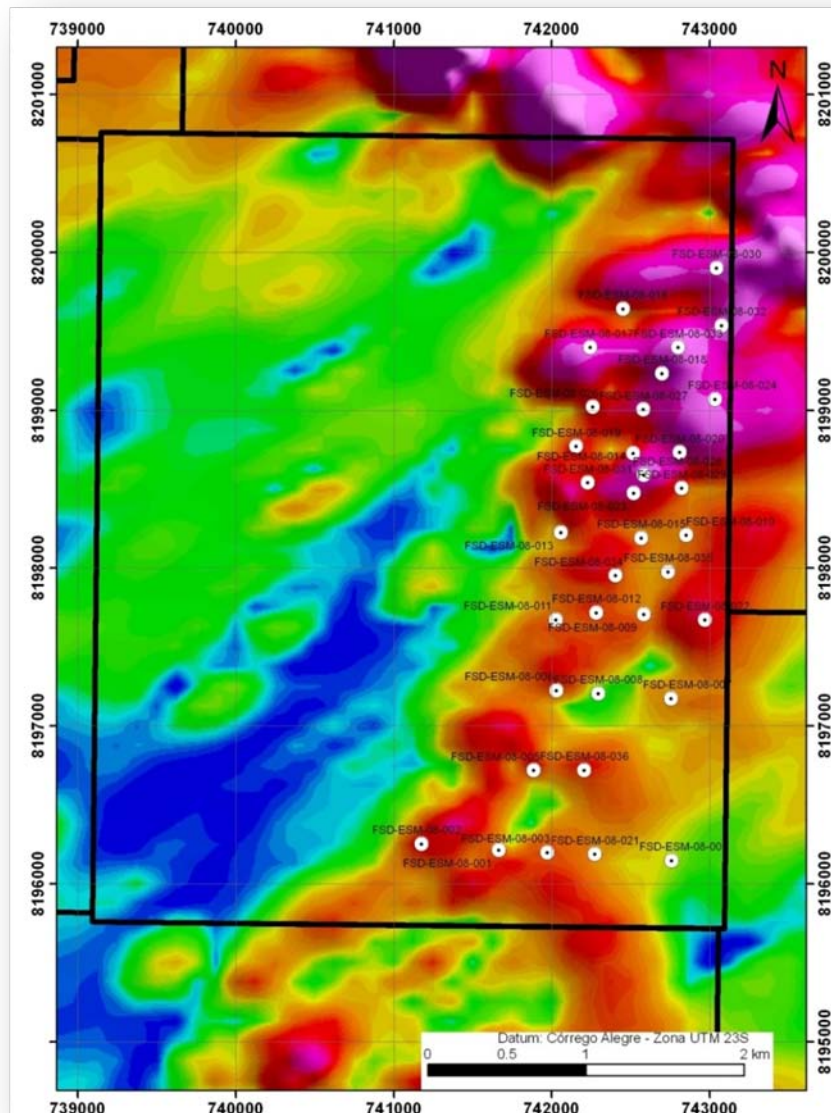
The mineralised zone within the Gema Verde tenement 831.197/2006 adjacent to block 8 was drilled in 2008 with diamond coring in 35 drill holes for a total of 5,514 metres. BMG is currently undertaking a diamond and Reverse Circulation drilling program to confirm and expand on the earlier work, and conducting metallurgical test work.

³ Refer to BMG's ASX release on 15 June 2011 titled 'Further Drilling Results Significantly Advance Rio Pardo Iron Ore Project' for the significant drill results.

⁴ Golder Associates, 2010, "Vale do Rio Pardo Resource Estimation", 28 March 2011, for Honbridge Holdings Limited

⁵ 'Game Changer – The SAM Iron ore Project', February 2011. Presentation by Honbridge Holdings Ltd

It is anticipated that an estimate of the Resource in accordance with the JORC code will be completed during the final quarter of 2011.⁶



Gema Verde – Location of 2008 drilling over aeromagnetic

Board and Management Appointments

With the increasing scale and focus of the Company's activities on our iron ore projects BMG has bolstered its technical team. Mr Malcolm Castle has taken on the specific role as Executive Technical Director on the board with overall responsibility for directing the Company's exploration and development. Mr Castle has over 40 years' experience in exploration geology and project evaluation and was a founding member of Fortescue Metals Group, and a key member of the team developing the definitive feasibility study for the Cloudbreak and Christmas Creek projects. The Company has appointed Mr Phillip Fox as COO (Brazil) based in Minas Gerais to assume direct responsibility for our Brazilian operations.

⁶ Refer to BMG's ASX release on 2 May 2011 titled 'Agreement to Acquire Gema Verde Project in North Minas Gerais' for more detail of the acquisition.

In addition, during the quarter BMG appointed a new Chairman (Mr Peter O'Connor) and CEO (Mr Bruce McCracken). The appointments reflected the need for additional experienced corporate, commercial and operational expertise as the Company's operations grow and mature.

Management Options

Subject to shareholder and ASX approval, the Company's remuneration committee has recommended the grant of options to the new Chairman, Mr Peter O'Connor and the new CEO, Mr Bruce McCracken.

Shareholders will be asked in due course to approve the issue to Mr McCracken of 1 million options exercisable at 20 cents each and up to 4 million options exercisable at 22 cents each under his remuneration package. The options will have a 5 year term from grant but only vest upon the achievement of a number of milestones including the Company successfully progressing its project acquisition strategy and definition of a JORC resource.

Shareholders will be asked in due course to approve the issue of up to 3 million options to Mr O'Connor under his remuneration package. The options will have a 4 year term and be exercisable at 20 cents each.

Chilean Uranium Exploration Projects

The Company's success in pursuing its strategy of acquiring and exploring iron ore prospective ground in Brazil has led to a rapid increase in scale and value of BMG's Brazilian iron ore operations. The increase in focus and scale in Brazil and the current weak market conditions for uranium have meant that, whilst the Company has continued to maintain its Chilean uranium asset in good standing, it is now focussed on its iron ore exploration tenements in Minas Gerais. The Company is consequently actively reviewing options for its Chilean uranium project as we seek to optimally deploy resources.

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Competent Persons Statement

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.

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 a Director of Brazilian Metals Group Limited. He has sufficient experience relevant to the style of mineralization 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" (The JORC code). 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.

Rio Pardo Reverse Circulation intercepts - Significant zones of mineralisation are based on a lower cut off of 15% Fe. All assay intercepts are down hole intervals in vertical holes and at this stage the structure of the host rocks is not known in sufficient detail to estimate true widths. The assays quoted are based on weighted averages of the significant zone with included material of slightly lower grades. Weighting was based on down hole intercept length. All drill holes are by Reverse Circulation at approximately 13.25 cm size. Samples were collected by splitting the RC return material, compositing to 4 metre intervals, riffle split to an appropriate size for submission to a laboratory. Sample recovery was estimated by measurement of the weight of the return and was considered to be satisfactory.

Gema Verde Diamond Drill Intercepts - Significant zones of mineralisation are based on a lower cut off of 15% Fe. 1480 metres of the diamond core was assayed with an average grade of 15.6% Fe. 47% of the metres exceeded 15% Fe with an average grade of 20.2%. All assay intercepts are down hole intervals in angled and vertical holes and at this stage the structure of the host rocks is not known in sufficient detail to estimate true widths. The assays quoted are based on weighted averages of the significant zone with included material of slightly lower grades. Weighting was based on down hole intercept length. All drill holes are by diamond coring at approximately HQ and size. Samples were collected by splitting to half core, compositing to 10 metre intervals, crushed and riffle split to an appropriate size for submission to a laboratory. Sample recovery was estimated by measurement of the drill core and was considered to be satisfactory.

For drilling location details - Refer to BMG's Investor Update Presentation, July 2011