



## Brazilian Metals Group Limited

ACN 107 118 678

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The Manager  
ASX Company Announcements Office  
PO Box H224, Australia Square  
SYDNEY NSW 2001

### OPTION TO ACQUIRE HIGHLY PROSPECTIVE IRON ORE MINERAL RIGHTS IN NORTHERN MINAS GERAIS BRAZIL

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- **BMG has acquired an option over the highly prospective Catuti iron ore block (80 square kilometres) in the emerging world class iron province in Northern Minas Gerais, Brazil**
  - **Surface sampling indicates consistent iron mineralisation of between 18% and 55% Fe (block average of 30% Fe) (based on XRF<sup>1</sup> testing)**
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Brazilian Metals Group Limited (BMG or the Company) (ASX: BMG) is pleased to advise that it has entered into an option agreement to add a highly prospective block of iron ore tenements to its Rio Pardo iron project in Northern Minas Gerais, in Brazil.

The new tenement block is called the Catuti block, and is located in the Mato Verde area, 13 km west of the city, in close proximity to the Company's other key iron ore projects – Rio Pardo and Gema Verde.

The acquisition of the Catuti block of tenements will add to the BMG's portfolio of iron ore projects in the region, and provide a further step in the Company's strategy to identify and acquire project areas in Brazil which are highly prospective for large iron deposits and have the potential for development into a low cost, large scale export mining operation.

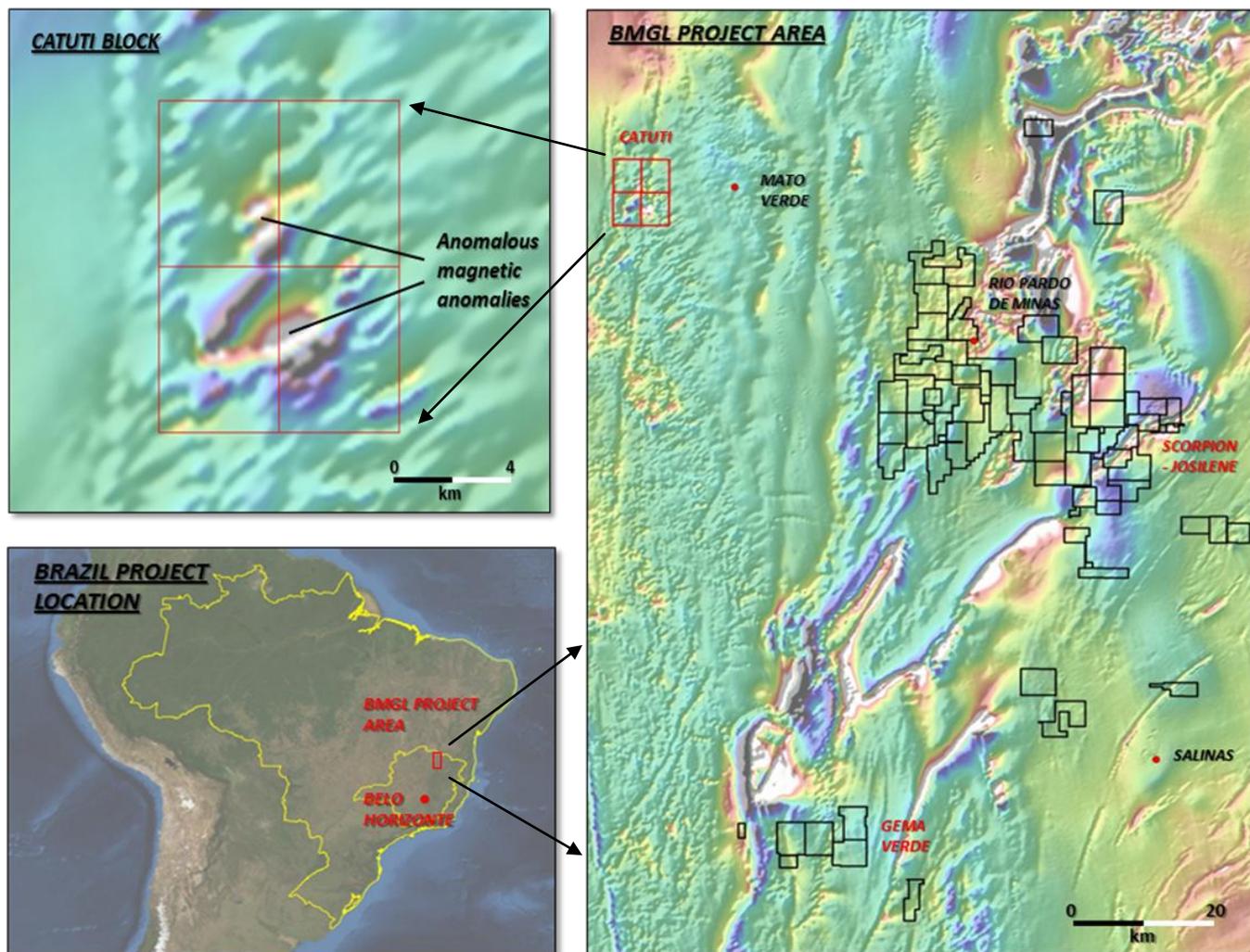
#### **About the Catuti Block**

The Company has, subject to a 7 month period of evaluation, entered into an agreement to acquire the Catuti block, which comprises a block of 4 iron ore tenements, over an area of 80 square kilometres.

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<sup>1</sup> Delta DP-6000 (INNOV-X SYSTEMS INC.)

Figure 1 – Catuti, North Minas Gerais, Brazil



The landscape of the project area is highly accessible, and consists largely of rolling fields and patches of native scrub with occasional rocky sub-crops. There are a number of sub-cropping areas, with consistent iron mineralisation from surface sampling of between 18% and 55% Fe (block average of 30% Fe) (based on XRF<sup>2</sup> testing).

During the evaluation period the Company intends to drill test areas associated with the high magnetic trends and sub-cropping areas of iron mineralisation. BMG plans to commence the evaluation drilling once landholder agreements are finalised, which it anticipates will be around the beginning of October 2011.

### Consideration

BMG paid US\$70,000 for the option to acquire the Catuti block, plus payments of US\$20,000 per month during the 7 month evaluation period (to the end of March 2012). Provided BMG is satisfied with results of its evaluation drilling, it will acquire a 100% interest in the Catuti mineral claims, subject to paying the

<sup>2</sup> Delta DP-6000 (INNOV-X SYSTEMS INC.)

vendors US\$430,000 upon signing a definitive agreement, and further staged payments totalling US\$11 million over the subsequent 3 years. There will be no requirement for royalty payments to be made. BMG retains a right to withdraw from the project and any ongoing payment obligations at any time.

### **Exploration Update**

BMG has continued to progress its evaluation of the **Gema Verde project**, and a maiden JORC resource is anticipated to be delivered in October 2011. BMG has an exploration target of 370 to 680 million tonnes at 16.6% to 19.9% Fe for the project, and expects the initial JORC resource to fall within this range.

The Company is also progressing metallurgical test work, with Mineral Engineering Technical Services Pty Ltd (METS) retained to undertake the work. The Company has until February 2012 to complete its evaluation of the Gema Verde project and elect to proceed with the acquisition. 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% Fe<sup>3</sup>) in the Vale do Rio Pardo Project which is currently in definitive feasibility stage. Testwork conducted by Honbridge has demonstrated that the material is readily upgraded to pellet feed grade. Honbridge has estimated that the operating costs at its Vale do Rio Pardo project will be below USD30 per tonne<sup>4</sup>, making it one of the lowest operating cost producers.

BMG has continued to progress its **Rio Pardo project**, with the recent focus on metallurgical test work by METS for the Josilene–Scorpion prospect. This has a continuous mineralised zone which so far has been tested over a 13 km strike length within BMG's tenement holding. The Company has an exploration target of 2 to 3 billion tonnes, and anticipates a program of infill drilling to deliver a JORC resource by mid-2012.

### **Executive Director**

Following BMG's recent appointment of Mr Peter O'Connor as independent Chairman and the strengthening of the management team with the appointment of Mr Bruce McCracken as CEO and Mr Malcolm Castle as Executive Technical Director, Mr Anthony Trevisan, who recently turned 70, has retired from executive duties with BMG. Mr Trevisan will continue as a Non-executive Director and remain available to assist the Company as required.

ENDS

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<sup>3</sup> Golder Associates, 2010, "Vale do Rio Pardo Resource Estimation", 28 March 2011, for Honbridge Holdings Limited

<sup>4</sup> 'Game Changer – The SAM Iron Ore Project', July 2011. Presentation by Honbridge Holdings Ltd

## Competent Person

*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 Australian Institute of Geoscientists. Mr Castle is a director of the Company and has sufficient experience relevant to the style of mineralisation and type of deposit 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.*