

BRAZILIAN METALS GROUP LIMITED

A.C.N. 107 118 678

Circular to Shareholders

Including

NOTICE OF MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

Date of Meeting

28 November 2011

Time of Meeting

3:30pm

Place of Meeting

Rydges Perth Hotel

Cnr Hay Street and King Street Perth, Western Australia 6000

These documents should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor prior to voting.

NOTICE OF MEETING

Notice is hereby given that the annual general meeting of Brazilian Metals Group Limited will be held at the Rydges Perth Hotel, cnr Hay Street and King Street, Perth, Western Australia 6000 on **28 November 2011** at **3:30pm**.

AGENDA

To consider, and if thought fit to pass, the resolutions set out below as ordinary resolutions.

Information on the proposals to which those resolutions relate is contained in the explanatory memorandum which accompanies and forms part of this Notice of Meeting ('Explanatory Memorandum'). Words and expressions defined in the Explanatory Memorandum have the same meanings where used in this Notice of Meeting.

ORDINARY BUSINESS – FINANCIAL STATEMENTS AND REPORTS

To receive and consider the Annual Financial Report, the Directors' Report and Independent Auditor's Report of Brazilian Metals Group Limited for the financial year ended 30 June 2011.

RESOLUTION 1 – ELECTION OF PETER O'CONNOR

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Peter O'Connor, a Director appointed since the previous annual general meeting and ceasing to hold office in accordance with clause 81(1) of the Company's constitution and Listing Rule 14.4, is elected as a Director."

RESOLUTION 2 – ELECTION OF BRUCE MCCRACKEN

To consider and, if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

"That Bruce McCracken, a Director appointed since the previous annual general meeting and ceasing to hold office in accordance with clause 81(1) of the Company's constitution and Listing Rule 14.4, is elected as a Director."

RESOLUTION 3 – ELECTION OF ANTHONY TREVISAN

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That Anthony Trevisan (a Director appointed to the Board on 8 November 2010) who retires by rotation in accordance with clause 79 of the Company's constitution and Listing Rule 14.4 and, being eligible, offers himself for re-election, is re-elected as a Director."

RESOLUTION 4 – THE ADOPTION OF THE REMUNERATION REPORT (NON-BINDING RESOLUTION)

To consider and, if thought fit, to pass the following resolution as a non-binding ordinary resolution:

“That, for the purpose of section 250R(2) of the *Corporations Act* 2001 and for all other purposes, the remuneration report as contained in the Company’s annual report for the financial year ended 30 June 2011 be adopted.”

RESOLUTION 5 – RE – APPOINTMENT OF INDEPENDENT AUDITORS

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That approval is given for the re-appointment of BDO (WA) Pty Ltd as the Company’s auditor.”

RESOLUTION 6 – APPROVAL OF ISSUE OF OPTIONS TO MALCOLM CASTLE

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 10.11 and for all other purposes, the Company approves the issue of 3,000,000 Options to Malcolm Castle (a Director) or his nominee(s), on the terms and conditions detailed in the Explanatory Memorandum."

Voting exclusion statement:

For the purpose of Listing Rule 10.13.6, and for all other purposes, the Company will disregard any votes cast on this Resolution by Mr. Castle and any of his associates.

However, the Company will not disregard a vote if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 7 – APPROVAL OF ISSUE OF OPTIONS TO PETER O’CONNOR

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 10.11 and for all other purposes, the Company approves the issue of 3,000,000 Options to Peter O’Connor (a Director subject to Resolution 1) or his nominee(s), on the terms and conditions detailed in the Explanatory Memorandum."

Voting exclusion statement:

For the purpose of Listing Rule 10.13.6, and for other purposes, the Company will disregard any votes cast on this Resolution by Mr. O'Connor and any of his associates.

However, the Company will not disregard a vote if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 8 – APPROVAL OF ISSUE OF OPTIONS TO BRUCE McCracken

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 10.11 and for all other purposes, the Company approves the issue of 5,000,000 Options to Bruce McCracken (a Director) or his nominee(s), on the terms and conditions detailed in the Explanatory Memorandum."

Voting exclusion statement:

For the purpose of Listing Rule 10.13.6, and for all other purposes, the Company will disregard any votes cast on this Resolution by Mr. McCracken and any of his associates.

However, the Company will not disregard a vote if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 9 – APPROVAL OF ACQUISITION OF GRANDUVALE PROJECT

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 11.1.2 and for all other purposes, the Company approves the acquisition of the Granduvalé Project in North Minas Brazil, on the terms and conditions detailed in the Explanatory Memorandum."

Voting exclusion statement:

For the purpose of Listing Rule 11.1.2, and for all other purposes, the Company will disregard any votes cast on this Resolution by any person who may obtain a benefit, except a benefit solely in the capacity of a Shareholder, if this Resolution is passed and any associates of those persons.

However, the Company will not disregard a vote if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 10 – APPROVAL OF ACQUISITION OF GEMA VERDE PROJECT

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 11.1.2 and for all other purposes, the Company approves the acquisition of the Gema Verde Project in North Minas Brazil, on the terms and conditions detailed in the Explanatory Memorandum."

Voting exclusion statement:

For the purpose of Listing Rule 11.1.2, and for all other purposes, the Company will disregard any votes cast on this Resolution by any person who may obtain a benefit, except a benefit solely in the capacity of a Shareholder, if this Resolution is passed and any associates of those persons.

However, the Company will not disregard a vote if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

RESOLUTION 11 – APPROVAL OF SHARE ISSUE

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 7.1 and for all other purposes, the Company approves the issue of 30,000,000 Shares to institutional and sophisticated investors on the terms and conditions set out in the Explanatory Memorandum."

Voting exclusion statement:

For the purpose of Listing Rule 7.3.8, and for all other purposes, the Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed and any associates of those persons.

However, the Company will not disregard a vote if:

- a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

By Order of the Board



Fleur Hudson

Company Secretary

NOTES

These notes form part of the Notice of Meeting.

Background information

To assist you in deciding how to vote on the above resolutions, background information to the resolutions are set out in the Explanatory Memorandum forming part of this Notice of Meeting.

Recommendation

The Board believes that the above resolutions are in the best interests of the Shareholders and (save where otherwise indicated in the Explanatory Memorandum) unanimously recommends that Shareholders vote in favour of each of them.

Voting entitlements

The Directors have determined that, for the purpose of voting at the General Meeting, Shareholders eligible to vote at the General Meeting are those persons who are the registered holders of Shares at 5:00pm (Perth time) on 26 November 2011.

How to vote

You may vote by attending the General Meeting in person, by proxy, or by an authorised representative.

Voting in person

To vote in person, attend the General Meeting on the date and at the place set out above. Shareholders are asked to arrive at the venue 30 minutes prior to the time designated for the meeting, if possible, so that the Company may check their shareholding against the Company's share register and note attendances.

Voting by proxy

A Shareholder has the right to appoint a proxy (who need not be a Shareholder). A proxy can be an individual or a body corporate. A body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body corporate may exercise as a proxy at the General Meeting. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

If a Shareholder is entitled to cast two or more votes he may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half the votes.

To vote by proxy, the Proxy Form (together with the original of any power of attorney or other authority, if any, or certified copy of that power of attorney or other authority under which the Proxy Form is signed) must be deposited with the Company at the registered office, Level 14,

As required under section 250PA of the Corporations Act, at the meeting, the Company will make available those questions directed to the auditor received in writing at least five business days prior to the General Meeting, being questions which the auditor considers relevant to the content of the auditor's report or the conduct of the audit of the annual financial report for the financial year ended 30 June 2011. The Chairman of the meeting will allow a reasonable opportunity for the auditor to respond to the questions set out on this list.

Annual report

The Company advises that a copy of its annual report for the financial year ended 30 June 2011, is available to download at the website address, www.bmgl.com.au.

When you access the Company's annual report online, you can view it and print a copy.

Please note that if you have elected to continue to receive a hard copy of the Company's annual reports, the Company's annual report for the financial year ended 30 June 2011 will accompany this Notice of Meeting or, alternatively, it will be mailed to you no later than 21 days before the General Meeting.

However, if you did not elect to continue to receive a hard copy of the Company's annual reports and now (or sometime in the future) you wish to receive a hard copy of the Company's annual reports, please contact Security Transfer Registrar Pty Ltd on (08) 9315 2333. They will be pleased to mail you a copy.

Enquiries

Shareholders are invited to contact the Company Secretary, Fleur Hudson, on (08) 9424 9300 if they have any queries in respect of the matters set out in these documents.

By order of the board

Date 13 October 2011

Signed 

Name Fleur Hudson
 Company Secretary

The Notice of Meeting, Explanatory Memorandum and Proxy Form should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

EXPLANATORY MEMORANDUM

INTRODUCTION

This Explanatory Memorandum is prepared for the information of Shareholders in connection with any business to be transacted at the General Meeting of the Company to be held on 28 November 2011.

At the meeting, Shareholders will be asked to consider resolutions regarding:

- election of Directors;
- adoption of the Remuneration Report;
- re-appointment of the Auditors;
- approval of the issue of Options to Malcolm Castle;
- approval of the issue of Options to Peter O'Connor;
- approval of the issue of Options to Bruce McCracken;
- approval of the acquisition of the Granduvale project;
- approval of the acquisition of the Gema Verde project; and
- approval of the issue of 30,000,000 Shares.

Details of these proposals are set out in this Explanatory Memorandum, which Shareholders are encouraged to read carefully.

The purpose of this Explanatory Memorandum is to provide information that the Board believes to be material to Shareholders in deciding whether or not to pass these resolutions. The Explanatory Memorandum explains the resolutions and identifies the Board's reasons for putting them to Shareholders. It should be read in conjunction with the accompanying Notice of Meeting.

Section 250BD prohibits members of the Company's key management personnel or their closely related parties from voting as a Shareholder's proxy on any resolution connected directly or indirectly with the remuneration of members of the Company's key management personnel where the proxy appointment does **not** specify the way the proxy is to vote on the resolution. Therefore, if you wish to appoint a member of the Company's key management personnel as your proxy, you **must** indicate how you wish your proxy to vote in relation to Resolutions 4, 6, 7, and 8, otherwise your vote on those resolutions will not be counted.

1. Financial Statements and Reports

Shareholders are to receive and consider the Annual Financial Report, Directors' Report and the Independent Auditor's Report of Brazilian Metals Group Limited for the financial year ended 30 June 2011.

Shareholders will be given the opportunity to ask questions of the Board and the Auditors in relation to the annual report for the financial year ended 30 June 2011, at the General Meeting.

2. Election of Directors

Clause 81(1) of the Company's constitution provides that the Directors may appoint any person as a Director to fill a casual vacancy or as an addition to the existing Directors. Clause 81(2) of the

Company's constitution and Listing Rule 14.4 provide that a Director appointed by the Board will hold office until the next annual general meeting of the Company when the Director may then be re-elected.

Clause 79 of the Company's constitution and Listing Rule 14.4 require that at each annual general meeting of the Company, one third of the Directors (to the nearest whole number) must retire from office. A retiring Director is eligible for re-election.

Mr. O'Connor, having consented by notice in writing to act as a Director, was appointed by the Board as a Director on 17 May 2011 pursuant to clause 81(1) of the Company's constitution.

Mr. McCracken, having consented by notice in writing to act as a Director, was appointed by the Board as a Director on 1 July 2011 pursuant to clause 81(1) of the Company's constitution.

Subject to Resolutions 1, 2 and 3 being passed, after the General Meeting the Board will comprise Mr. Peter O'Connor, Mr. Bruce McCracken, Mr. Anthony Trevisan, Mr. Malcolm Castle and Mr. Robert Pett. The Board considers that this board composition, including the mix of executive and non-executive Directors, provides an appropriate range of skills, knowledge and experience.

2.1 Resolution 1 – Election of Peter O'Connor

In accordance with clause 81(2) of the Company's constitution and Listing Rule 14.4, Mr O'Connor, being eligible, has offered himself for re-election as a Director. A profile of Mr. O'Connor is contained in the Company's annual report for the financial year ended 30 June 2011.

2.2 Resolution 2 – Election of Bruce McCracken

In accordance with clause 81(2) of the Company's constitution and Listing Rule 14.4, Mr McCracken, being eligible, has offered himself for re-election as a Director. A profile of Mr. McCracken is contained in the Company's annual report for the financial year ended 30 June 2011.

2.3 Resolution 3 – Re-election of Director – Anthony Trevisan

In accordance with clause 79 of the Company's constitution, Mr. Trevisan, being eligible, has offered himself for re-election as a Director. A profile of Mr. Trevisan is contained in the Company's annual report for the financial year ended 30 June 2011.

2.4 Directors' recommendation

All Directors (other than Mr. O'Connor in relation to Resolution 1, Mr. McCracken in relation to Resolution 2 and Mr. Trevisan in relation to Resolution 3) recommend that Shareholders vote in favour of Resolutions 1, 2 and 3.

3. Resolution 4 – Adoption of the Remuneration Report

The Corporations Act requires that at a listed company's annual general meeting a resolution that the remuneration report be adopted must be put to the Shareholders. This resolution is advisory only and will not bind the Directors or the Company. The Chairman of the meeting will allow a reasonable opportunity for discussion of the remuneration report at the meeting.

The remuneration report is contained in the financial report for the year end 30 June 2011 and sets out the Company's remuneration arrangements for the Directors and senior management of the Company.

Section 250R(4) of the Corporations Act prohibits any votes on this resolution being cast by senior executives (or their associates) whose remuneration details are disclosed in the report. This prohibition extends to undirected proxy votes to be cast by the Chairman. In this regard, you should specifically note that if you appoint the Chairman as your proxy and you do not indicate on the Proxy Form how you wish your proxy to vote on Resolution 4, you will be deemed to have expressly directed the Chairman to cast your votes **in favour of Resolution 4**. **Therefore, if you wish to appoint the Chairman as your proxy but do NOT want your votes to be cast in favour of Resolution 4, you must indicate your voting intention by marking either 'against' or 'abstain' against Resolution 4 in the Proxy Form.**

4. Resolution 5 – Re-appointment of the Auditors

On the recommendation of the Audit and Risk Committee of the Company, the Board recommends that the Shareholders re-appoint BDO (WA) Pty Ltd as the Company's auditor.

5. Issue of Options

The Company proposes to issue:

- a) 3,000,000 Options to Malcolm Castle, a Director;
- b) 3,000,000 Options to Peter O'Connor, a Director; and
- c) 5,000,000 Options to Bruce McCracken, a Director.

Shareholder approval for the grant of these options is sought for the purposes of Listing Rule 10.11.

Listing Rule 10.11 provides that a company must not issue or agree to issue securities to a related party without first obtaining the approval of Shareholders by ordinary resolution. As Resolutions 6, 7 and 8 relate to the issue of securities to a Director, Shareholder approval must be obtained.

As approval of Shareholders is being sought pursuant to Listing Rule 10.11, under Listing Rule 7.2 Exception 14, approval under Listing Rule 7.1 is not required.

5.1 Resolution 6 – Approval of Issue of Options to Malcolm Castle

The proposed grant of Options to Mr Castle is pursuant to the terms of his employment contract. Options were included in the employment contract as part of Mr. Castle's overall remuneration package, to encourage his continuing involvement in the achievement of the Company's objectives and to provide an incentive for him to strive to that end by participating in the future growth and prosperity of the Company through share ownership. These Options are benchmarked against a key performance indicator (acquiring an estimation of a mineral resource in compliance with the JORC Code).

5.1.1 Listing Rule 10.13

In accordance with Listing Rule 10.13, the following information is provided to Shareholders with respect to Resolution 6:

- a) the Options will be issued to Mr. Castle;
- b) the total number of Options to be issued under Resolution 6 is 3,000,000;
- c) the Options will be issued on the terms and conditions in Annexure A;
- d) the Options will be issued as soon as practicable after the General Meeting but in any event not later than one month after the General Meeting;
- e) the Options will be granted for no cash consideration; and
- f) no funds will be raised by the issue of the Options.

5.2 Resolution 7 – Approval of Issue of Options to Peter O’Connor

The proposed grant of Options to Mr. O’Connor is pursuant to the terms of his agreement with the Company entered into on 10 May 2011. Options were included in the agreement as part of Mr. O’Connor's overall remuneration package, to encourage his continuing involvement in the achievement of the Company's objectives and to provide an incentive for him to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

5.2.1 Listing Rule 10.13

In accordance with Listing Rule 10.13, the following information is provided to Shareholders with respect to Resolution 7:

- a) the Options will be issued to Mr. O’Connor;
- b) the total number of Options to be issued under Resolution 7 is 3,000,000;
- c) the Options will be issued on the terms and conditions in Annexure A;
- d) the Options will be issued as soon as practicable after the General Meeting but in any event not later than one month after the General Meeting;
- e) the Options will be granted for no cash consideration; and
- f) no funds will be raised by the issue of the Options.

5.3 Resolution 8 – Approval of Issue of Options to Bruce McCracken

The proposed grant of Options to Mr. McCracken is pursuant to the terms of his employment contract entered into on 18 April 2011. Options were included in the employment contract as part of Mr. McCracken's overall remuneration package, to encourage his continuing involvement in the achievement of the Company's objectives and to provide an incentive for him to strive to that end by participating in the future growth and prosperity of the Company through share ownership. A proportion of these Options are benchmarked against a key performance indicator (acquiring an estimation of a mineral resource in compliance with the JORC Code).

5.3.1 Listing Rule 10.13

In accordance with Listing Rule 10.13, the following information is provided to Shareholders with respect to Resolution 8:

- a) the Options will be issued to Mr. McCracken;
- b) the total number of Options to be issued under Resolution 8 is 5,000,000;
- c) the Options will be issued on the terms and conditions in Annexure A;
- d) the Options will be issued as soon as practicable after the General Meeting but in any event not later than one month after the General Meeting;
- e) the Options will be granted for no cash consideration; and
- f) no funds will be raised by the issue of the Options.

5.4 Directors' recommendation

Based on a recommendation of the remuneration committee in accordance with the Company's remuneration policies and the agreements with Mr Castle (with respect to Resolution 6), Mr O'Connor (with respect to Resolution 7) and Mr McCracken (with respect to Resolution 8), the Board (other than Mr Castle in relation to Resolution 6, Mr O'Connor in relation to Resolution 7, and Mr McCracken in relation to Resolution 8) has determined it is appropriate to issue the Options the subject of Resolutions 6, 7 and 8 on the terms set out in this Explanatory Memorandum and, accordingly, recommends that Shareholders vote in favour of Resolutions 6, 7 and 8.

6. Resolution 9 – Approval of the Acquisition of Granduvale Project

Shareholder approval for the acquisition of the Granduvale Project the subject of Resolution 9 is sought for the purposes of Listing Rule 11.1.2. The Granduvale project is part of the overall Rio Pardo iron ore exploration project in Brazil and hosts the Josilene - Scorpion prospect. The project itself may be deemed a change in scale of activities and consequently Shareholder approval is being sought. The Granduvale project is being acquired and matured as part of the company's strategy of securing mineral rights over prospective ground in the Rio Pardo area on terms that provide the ability to withdraw and stage payments over a period as the projects are matured. Under this strategy the company will progressively refine, drop and mature ground, based on results so as to improve the overall quality of its secured mineral rights.

Listing Rule 11.1 provides that a company that proposes to make a significant change to the nature or scale of its activities must provide full details to the ASX. As such the Company provided full details to the ASX in April 2011, and in its response the ASX confirmed that Listing Rule 11.1.2 applies but not Listing Rule 11.1.3.

Listing Rule 11.1.2 provides that, if required by ASX, a company must obtain the approval of its shareholders before making a proposed change to its activities.

6.1 Background

As announced by the company on 11 December 2010, the company has entered into an agreement to acquire the Granduvale Project comprising 30 tenements (383 square kilometres) including a large block to the east and contiguous with other tenements in the company's Rio Pardo iron ore exploration project.

The Josilene-Scorpion prospect, located on the Granduvale tenements, has a strike length of 13kms as detailed in the Company's announcements of 11 December 2010, 14 March 2011 and 15 June 2011 and its Annual Report.

The company must make staged payments totalling US\$59 million over the next 6 years with a right to withdraw from the project and any ongoing payment obligations at any time. The Company will also pay a royalty of US\$1 per tonne of iron ore pellets, pellet feed or sinter feed produced over the life of any mine developed on the Granduvale Project. The next payment is due 12 months after the granting of a number of special licences to carry out additional work on a number of specific licences and as at 4 October 2011 the time period had not commenced to run.

6.2 Directors' recommendation

The Directors recommend that Shareholders vote in favour of Resolution 9.

7. Resolution 10 – Approval of the Acquisition of Gema Verde Project

Shareholder approval for the acquisition of the Gema Verde Project the subject of Resolution 10 is sought for the purposes of Listing Rule 11.1.2. The Gema Verde project is a mature iron ore prospect in the north Minas Gerais iron ore province proximate to the company's Rio Pardo exploration project. The project itself may be deemed a change in scale of activities and consequently Shareholder approval is being sought. The Gema Verde project is being acquired and matured as part of the company's strategy of securing mineral rights over prospective ground in the Rio Pardo area on terms that provide the ability to withdraw and stage payments over a period as the projects are matured. Under this strategy the company will progressively refine, drop and mature ground based on results so as to improve the overall quality of its secured mineral rights.

Listing Rule 11.1 provides that any company that proposes to make a significant change to the nature or scale of its activities must provide full details to the ASX. As such the Company provided full details to the ASX in April 2011, and in its response the ASX confirmed that Listing Rule 11.1.2 applies but not Listing Rule 11.1.3.

Listing Rule 11.1.2 provides that, if required by ASX, a company must obtain the approval of its shareholders before making a proposed change to its activities.

7.1 Background

As announced by the Company on 2 May 2011, the Company has entered into an agreement with Gema Verde Comércio Exportação de Minerais & Serviços Ltda to acquire 100% of the Gema Verde iron deposit ("Gema Verde Project") in the Salinas Area, Minas Gerais State, Brazil. The agreement covers four granted Exploration Licences covering 75.6 square kilometres.

The Company has agreed to acquire the Gema Verde Project subject to an evaluation period (at a cost to BMG of USD50,000 per month) during which the Company will undertake confirmatory and in-fill drilling.

If the Company is satisfied with its due diligence and exercises its option to proceed with the acquisition then it will pay the vendors in staged annual payments over the 5 year period following exercise. The Company has a right to withdraw from the Gema Verde Project prior to any of the annual payments.

The first annual payment will be due subject to the end of the successful completion of the evaluation which is currently scheduled for the first quarter of 2012. Payments are weighted towards the end of the 5 year period following the end of the due diligence period rising from an initial USD2,800,000 annual payment to USD15,000,000 payment in the last quarter of 2015 and, subject to the right to withdraw, totalling USD60,000,000. The Company will also pay a royalty of USD0.35 per tonne of exportable iron-ore product produced from the Gema Verde Project tenements.

The Gema Verde Project is particularly relevant to the Company as it abuts one of the existing tenements (831.716/2008 part of the Company's Granduvale group within the Rio Pardo Project) to the south of Mineral Claim 832.443/2007. The Granduvale tenement provides continuity of an aeromagnetic anomaly that continues from the Gema Verde Project tenement and is yet to be drilled.

7.2 Directors' recommendation

The Directors recommend that Shareholders vote in favour of Resolution 10.

8. Resolution 11 – Approval of Share Issue

Listing Rule 7.1 provides that a listed company cannot issue securities (including shares) in any 12 month period which, when aggregated with the number of other securities issued within that 12 month period, exceed 15% of the number of securities on issue at the beginning of the period, unless the issue falls within one of the exceptions to Rule 7.1 or the prior approval of Shareholders is obtained.

If Resolution 11 is passed the Company will, to the extent of the Shares the subject of that Resolution, be able to utilise the 15% placement capacity in Listing Rule 7.1 for future issues of capital without having to seek prior Shareholders' approval.

In accordance with Listing Rule 7.3, the following information is provided to Shareholders:

- a) up to a total of 30,000,000 Shares will be issued;
- b) the Shares will be issued no later than three months following the General Meeting and allotment will occur progressively;
- c) the issue price of the Shares will be not less than a 20% discount to the average market price (as that term is defined in the Listing Rules) of the Shares, calculated over the last five days on which sales of Shares were recorded before the day on which the issue is made;

- d) the Shares will be issued on terms that, from the date of issue, the Shares will rank equally in all respects with the Company's existing Shares;
- e) the Shares will be allotted to professional and sophisticated investors;
- f) no related party of the Company will participate in the Placement; and
- g) the funds raised by the Placement are intended to be used for:
 - a. exploration at the Rio Pardo and Gema Verde projects in Brazil;
 - b. payments in relation to the acquisition and evaluation of the Rio Pardo, Granduvale, Gema Verde and/or Catuti Projects in Brazil; and
 - c. working capital.

8.1 Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 11.

9. Action to be taken by Shareholders

Shareholders should read this Explanatory Memorandum carefully before deciding how to vote on the resolution set out in the Notice of Meeting.

Attached to the Notice of Meeting is a proxy form for use by Shareholders. Shareholders are invited and encouraged to attend the General Meeting or, if unable to attend in person, to complete, sign and return the Proxy Form to the Company in accordance with the instructions contained on the Proxy Form and in the Notice of Meeting. Lodgment of a Proxy Form will not preclude a Shareholder from attending and voting at the General Meeting in person.

10. Glossary

The following terms and abbreviations used in this Explanatory Memorandum have the following meanings:

Act or Corporations Act	<i>Corporations Act 2001 (Cth)</i>
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ACN 008 624 691) trading as the Australian Securities Exchange
ASX Listing Rules or Listing Rules	The Official Listing Rules of the ASX, as amended from time-to-time
Auditor	BDO (WA) Pty Ltd (ACN 124 158 863)
Board	The Board of Directors
Company or BMGL	Brazilian Metals Group Limited (ACN 107 118 678)
Director	A director of the Company
General Meeting	The annual general meeting of the Company to be held on 28 November 2011
Notice of Meeting	The notice convening the General Meeting which accompanies this Explanatory Memorandum
Option	An option to acquire a Share
Proxy Form	The proxy form attached to the Notice of Meeting
Share Registrar	Security Transfer Registrars Pty Ltd (ACN 008 894 488)
Shareholder	A registered holder of a Share
Shares or BMGL Shares	Fully paid ordinary shares in the Company

Annexure A

1. Directors' Options issued to Malcolm Castle

- a) No monies will be payable for the issue of the options.
- b) The Options will vest and become exercisable as follows:
 - 1,500,000 options to vest on the Company achieving milestones related to acquiring an estimation of a mineral resource in compliance with the JORC Code and capital raising; and
 - 1,500,000 options to vest on the Company achieving further milestones related to acquiring an estimation of a mineral resource in compliance with the JORC Code and capital raising.
- c) The options will expire on the earlier of the third anniversary of their date of issue or six months after Mr Castle's employment with the Company ceases (**expiry date**).
- d) The exercise price of the options is \$0.22 and will be payable in full on exercise.
- e) Subject to conditions (k) and (l), each option is a right in favour of the option holder to subscribe for one Share.
- f) Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of the options held by the option holder accompanied by a option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified options. An exercise of only some of the options will not affect the rights of the option holder to the balance of the options held by him.
- g) The Company will allot the resultant shares and deliver the holding statement within five business days after the exercise of the options.
- h) The options are not transferrable, and no application will be made to the ASX for Official Quotation of the options.
- i) There will be no participating entitlements inherent in the options to participate in new issues of capital that may be offered to Shareholders during the currency of the options. Prior to any new pro-rata issue of securities to Shareholders, holders of options will be notified by the Company in accordance with the requirements of the Listing Rules.
- j) In the event the Company proceeds with a pro-rata issue (except a bonus issue) of the securities to the holders of shares after the date of issue of the options, the exercise price of the options will be adjusted in accordance with a formula set out in Listing Rule 6.22.2, with such adjustment to take effect on and from the final date of allotment of the securities comprised in that issue.
- k) In the event of a bonus issue of securities, the number of shares over which the options are exercisable may be increased by the number of shares that the option holders would have received if the options had been exercised before the record date for the bonus issue.
- l) In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the expiry date, at the time of the reconstruction all rights of an option holder are to be changed in a manner consistent with the Listing Rules.
- m) There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a pro-rata

issue (in the case of the former) or a bonus issue (in the case of the latter) as required by conditions (j) and (k) above) during the currency of the options.

- n) Shares allotted pursuant to an exercise of options will rank, from the date of allotment, in all respects equally with existing fully paid ordinary shares of the Company.
- o) In accordance with the Listing Rules the Company will apply for Official Quotation of all shares allotted pursuant to an exercise of options.

2. Directors' Options issued to Peter O'Connor

- a) No monies will be payable for the issue of the options.
- b) The options will expire on the earlier of the fourth anniversary of issue or six months after Mr O'Connor's employment with the Company ceases (**expiry date**).
- c) The exercise price of the options is \$0.20 and will be payable in full on exercise.
- d) Subject to conditions (j) and (k), each option is a right in favour of the option holder to subscribe for one Share.
- e) Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of the options held by the option holder accompanied by a option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified options. An exercise of only some of the options will not affect the rights of the option holder to the balance of the options held by him.
- f) The Company will allot the resultant shares and deliver the holding statement within five business days after the exercise of the options.
- g) The options are not transferrable, and no application will be made to the ASX for Official Quotation of the options.
- h) There will be no participating entitlements inherent in the options to participate in new issues of capital that may be offered to Shareholders during the currency of the options. Prior to any new pro-rata issue of securities to Shareholders, holders of options will be notified by the Company in accordance with the requirements of the Listing Rules.
- i) In the event the Company proceeds with a pro-rata issue (except a bonus issue) of the securities to the holders of shares after the date of issue of the options, the exercise price of the options will be adjusted in accordance with a formula set out in Listing Rule 6.22.2, with such adjustment to take effect on and from the final date of allotment of the securities comprised in that issue.
- j) In the event of a bonus issue of securities, the number of shares over which the options are exercisable may be increased by the number of shares that the option holders would have received if the options had been exercised before the record date for the bonus issue.
- k) In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the expiry date, at the time of reconstruction all rights of an option holder are to be changed in a manner consistent with the Listing Rules.

- l) There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a pro-rata issue (in the case of the former) or a bonus issue (in the case of the latter) as required by conditions (i) and (j) above) during the currency of the options.
- m) Shares allotted pursuant to an exercise of options will rank, from the date of allotment, in all respects equally with existing fully paid ordinary shares of the Company.
- n) In accordance with the Listing Rules the Company will apply for Official Quotation of all shares allotted pursuant to an exercise of options.

3. Directors' Options issued to Bruce McCracken

- a) No monies will be payable for the issue of the options.
- b) The Options will vest and become exercisable as follows:
 - 1,400,000 options upon Mr McCracken's commencement with the Company (as this has already occurred, this vesting condition has been satisfied);
 - 1,300,000 options to vest on the first anniversary of Mr. McCracken's commencement with the Company;
 - 1,300,000 options to vest on the Company achieving milestones related to acquiring an estimation of a mineral resource in compliance with the JORC Code and capital raising; and
 - 1,000,000 options to vest on the Company achieving further milestones related to acquiring an estimation of a mineral resource in compliance with the JORC Code and capital raising.
- c) The options will expire on the earlier of 1 July 2016 or six months after Mr McCracken's employment with the Company ceases (**expiry date**).
- d) The exercise price of the options is \$0.20 for the first tranche of 1,400,000 options and \$0.22 for all subsequent tranches and will be payable in full on exercise.
- e) Subject to conditions (k) and (l), each option is a right in favour of the option holder to subscribe for one Share.
- f) Options are exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to exercise all or a specified number of the options held by the option holder accompanied by a option certificate and a cheque made payable to the Company for the subscription price for the exercise of the specified options. An exercise of only some of the options will not affect the rights of the option holder to the balance of the options held by him.
- g) The Company will allot the resultant shares and deliver the holding statement within five business days after the exercise of the options.
- h) The options are not transferrable, and no application will be made to the ASX for Official Quotation of the options.
- i) There will be no participating entitlements inherent in the options to participate in new issues of capital that may be offered to Shareholders during the currency of the options. Prior to any new pro-rata issue of securities to Shareholders, holders of options will be notified by the Company in accordance with the requirements of the Listing Rules.

- j) In the event the Company proceeds with a pro-rata issue (except a bonus issue) of the securities to the holders of shares after the date of issue of the options, the exercise price of the options will be adjusted in accordance with a formula set out in Listing Rule 6.22.2, with such adjustment to take effect on and from the final date of allotment of the securities comprised in that issue.
- k) In the event of a bonus issue of securities, the number of shares over which the options are exercisable may be increased by the number of shares that the option holders would have received if the options had been exercised before the record date for the bonus issue.
- l) In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the expiry date, at the time of reconstruction all rights of an option holder are to be changed in a manner consistent with the Listing Rules.
- m) There is no right to a change in the exercise price of the options or to the number of shares over which the options are exercisable in the event of a new issue of capital (other than a pro-rata issue (in the case of the former) or a bonus issue (in the case of the latter) as required by conditions (j) and (k) above) during the currency of the options.
- n) Shares allotted pursuant to an exercise of options will rank, from the date of allotment, in all respects equally with existing fully paid ordinary shares of the Company.
- o) In accordance with the Listing Rules the Company will apply for Official Quotation of all shares allotted pursuant to an exercise of options.

PROXY FORM

The Secretary
Brazilian Metals Group Limited
Level 14, Parmelia House
191 St Georges Terrace
Perth WA 6000

I/We.....
(Full Name – Block letters)

of

being a member of Brazilian Metals Group Limited hereby appoint

..... to exercise % or my/our voting rights
(Name of 1st Proxy)

..... to exercise % or my/our voting rights
(Name of 2nd Proxy - optional)

or, in his or her absence, the Chairman of the meeting as my/our proxy/proxies to vote on my/our behalf at the General Meeting of the Company to be held at 3:30pm on 28 November 2011 and at any adjournment thereof.

If you appoint a member of the Company's key management personnel or one of their closely related parties as your proxy, you **must** direct him/her how to vote on Resolutions 4, 6, 7, and 8 **or your vote will not be counted.**

The Chairman of the meeting will act as your proxy if you do not appoint someone. I/We understand that if I/we have not directed how to vote, my proxy may vote or abstain from voting as he/she thinks fit.

RESOLUTIONS

	FOR	AGAINST	ABSTAIN
1. To subsequently appoint Peter O'Connor as a Director	[]	[]	[]
2. To subsequently appoint Bruce McCracken as a Director	[]	[]	[]
3. To re-elect Anthony Trevisan as a Director	[]	[]	[]
4. To adopt the Remuneration Report	[]	[]	[]
5. To re-appoint BDO (WA) as the Auditors	[]	[]	[]
6. To approve the issue of options to Malcolm Castle	[]	[]	[]
7. To approve the issue of options to Peter O'Connor	[]	[]	[]

