Brazilian Metals Group Limited
ACN 107 118 678

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Gema Verde Iron Ore Project: Maiden Half Billion Tonne Resource Estimate

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- ***Gema Verde Iron Ore Project: 458.5 million tonnes at a weighted average grade of 18.0% Fe (14% Fe lower cut-off), reported in accordance with the 2004 JORC Code***
- ***50% of the resource is in the Measured category and 36% in the Indicated category***
- ***Low strip ratio for the project expected as mineralisation outcrops at surface and has a gentle dip to the east***
- ***Resource assessment for Josilene-Scorpion prospect due mid 2012***

Brazilian Metals Group Ltd. (ASX: BMG) is pleased to announce a maiden resource estimate for its Gema Verde Iron Ore Project in northern Minas Gerais, Brazil. The resource estimate includes a total of 458.5 million tonnes in the Measured, Indicated and Inferred categories, reported in accordance with the 2004 JORC Code.

BMG's goal is to develop a substantial mining enterprise in northern Minas Gerais by establishing a mining, processing and transport operation with the scale to export in excess of 25 million tonnes of premium iron product per annum. Whilst continuing to investigate opportunities to secure further iron ore prospective mineral rights in the area, the Company's efforts in pursuit of this goal are focussed on the mature Gema Verde Iron Ore Project and the advanced Josilene-Scorpion prospect within its Rio Pardo Iron Ore Project.

In April 2011 BMG entered into an agreement to acquire 100% of the Gema Verde iron deposit in the Salinas/Rio Pardo area of northern Minas Gerais State, Brazil. BMG has undertaken confirmatory and in-fill drilling within and adjacent to the mineralised zone at Gema Verde and related studies leading to today's confirmation of an initial mineralised resource at the project.

The mineralised resource estimated at the Company's Gema Verde Iron Ore Project includes:

- **230.0 million tonnes at 19.0% Fe in the Measured Category;**
- **166.5 million tonnes at 16.7% Fe in the Indicated Category; and**
- **62.0 million tonnes at 17.5% Fe in the Inferred Category.**

The estimate is in accordance with the JORC Code (2004), and is based on 41 diamond drill holes for 6,828 metres and 22 reverse circulation drill holes for 2,487 metres. Metallurgical test work is underway on the diamond core and the beneficiation characteristics have been demonstrated at Hong Kong listed Honbridge Holding Ltd's SAM Iron Ore Project (Block 8 deposit - which is contiguous to the north of the Gema Verde Iron Ore Project).

The Gema Verde Iron Ore Project covers four granted Exploration Licences covering 75.6 square kilometres. Agreement with the vendor permits BMG to continue its evaluation of the deposit until the third quarter calendar 2012.

Exploration in Brazil historically is not reported in accordance with the JORC Code and BMG undertook infill drilling, re-logging and re-sampling of the 2008 drill core and supplementary analysis to enable an estimate of the mineral resource on the Gema Verde deposit to be completed.

BMG has also commenced pre-feasibility work at Gema Verde and Rio Pardo (Josilene–Scorpion prospect) and expects to complete the pre-feasibility on both projects in 2012. In-fill drilling for resource definition at Rio Pardo (Josilene–Scorpion prospect) is anticipated to deliver a resource estimate by mid-2012. The Exploration Target at the Josilene-Scorpion prospect is 2 to 3 billion tonnes at 16.2% Fe to 18.5% Fe based on surface mapping and current drilling over 13km strike length with 28 RC holes to date[1].

BMG's Chief Executive Officer, Bruce McCracken, said:

> "*The Gema Verde resource marks the achievement of a key milestone for the Company, and provides the foundation to progress our strategy of developing an iron ore export enterprise in the medium term. When combined with our resource target of 2 to 3 billion tonnes at our Rio Pardo (Josilene-Scorpion prospect) during 2012, we believe we have the basis for a long term export operation of scale. Our next priority is to continue to progress our infrastructure options for our projects - particularly given that the State Government is already progressing plans to provide open access rail spur links to the new Federal east west railway (EF334) in order to expedite the development of the emerging iron ore projects in the Rio Pardo area*."

Background to the Projects

The Gema Verde deposit is a Rapitan-type iron deposit, a Neoproterozoic type of iron-formation characterized by their distinct association with glaciomarine sediments. Examples include the Rapitan Group (Canada), the

[1] The Exploration Target has been compiled by Malcolm Castle (MAusIMM) who is a director of the company and consents to the inclusion of this information in the release. While the Company remains optimistic that it will report resources and reserves in the future, any discussion in relation to exploration targets 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.

Yudnamutara Subgroup (Braemar Iron Formation - Australia), the Chuos Formation (Namibia), and the Jacadigo Group and Macaubas Group (Brazil).

The Macaubas Group in northern Minas Gerais was first explored in 1964-78 by Vale and more recent work has established a firm foundation for a large iron ore industry in the area with extensive surface indications of iron mineralisation. The Company's other key project, the Rio Pardo Iron Ore Project, straddles the northern extensions of the known mineralised area.

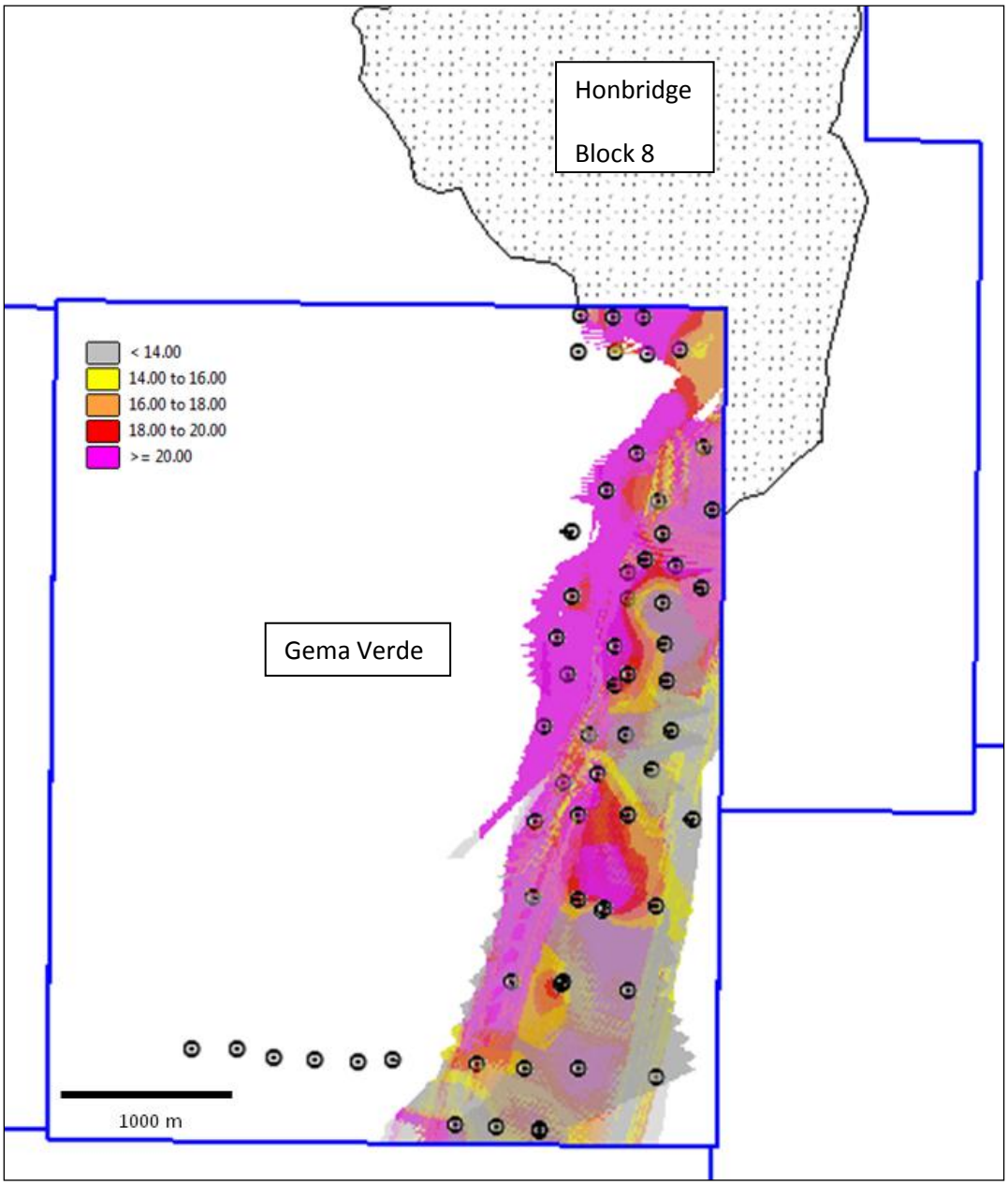

Figure 1. Plan of the Block 8 (stippled to the north) and Gema Verde mineralised zones.

Geological Overview

Mineralisation at the Company's Gema Verde Iron Ore Project, is associated with hematite-rich diamictites (glaciomarine sediments) and, subordinately, to hematite quartzites and rare layers of hematite schist, all belonging to the Riacho dos Poções Member of the Nova Aurora Formation.

The average orientation of the mineralised zone as measured in the field and confirmed by the drilling data indicates a gentle dip, of 15° to the east. Three phases of deformation are recognized in the mineralised zones.

The mineralised diamictites are embedded in less mineralised diamictite packages both on the hangingwall and footwall. The main ore minerals are lamellar and granular maghemite, hematite and goethite with magnetite being rarely associated. Enriched iron grades are distributed towards the top and bottom of the mineralised layer with lower grades in the central part.

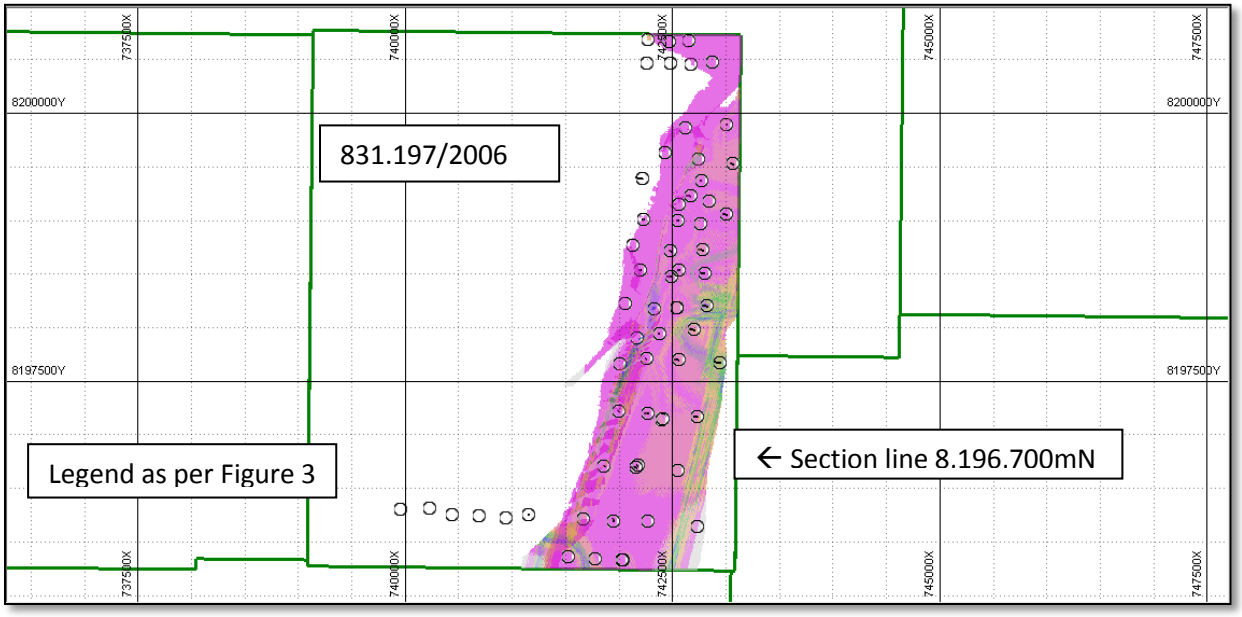

Figure 2. Plan of the tenement boundaries, drill hole locations and 3D view of the mineralised zone, Gema Verde Iron Ore Project

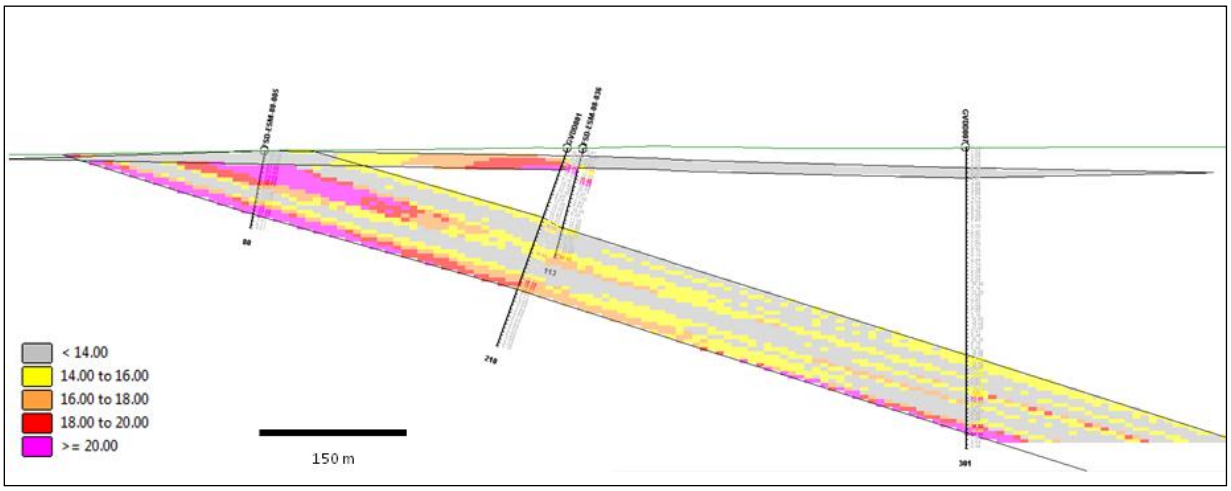

Figure 3. Cross section 8,196,700mN of the Gema Verde Iron Ore Project.

Honbridge's SAM Iron Ore Project (which comprises the Block 7 and Block 8 deposits in the vicinity of Gema Verde) is the northern extension of the Gema Verde mineral resource. It was originally studied by Votorantim and more recently by the current owner, Honbridge. Honbridge has announced a mineralised resource estimated in accordance with the JORC Code of 1,135 million tonnes at 20.57% Fe in the Measured Category, 1,479 million tonnes at 19.64% Fe in the Indicated Category and 1 million tonnes at 18.34% Fe in the Inferred Category in Block 8. In Block 7, several kilometres to the north east, it has confirmed 25 million tonnes at 21.7%

Fe in the Indicated Category and 1,031 million tonnes at 20.6% Fe in the Inferred Category. The SAM Iron Ore Project was purchased by Honbridge in 2010 for a maximum of USD405 million dollars. Beneficiation tests published by Honbridge indicate that the ROM feed material could readily be upgraded to pellet feed grade of 65% Fe for an estimated process operating cost of USD10.73, and an overall operating cost of USD23.73 FOB using a slurry pipeline transport system to Iheus Port[2].

Gema Verde Iron Ore Project Characteristics

Several large iron deposits in the northern Minas Gerais province are being studied at definitive feasibility level and studies have focussed on the beneficiation aspects of the iron bearing material.

Iron ore deposits in south east Brazil are substantially different from equivalent deposits in Australia or West Africa. Generally operating costs in Brazil are lower than for beneficiated ore deposits in Australia, and the barriers to reaching production are significantly lower than in west or central Africa due to the better infrastructure in Brazil.

Low operating costs are possible because of the favourable metallurgical characteristics of the mineralisation allowing beneficiation to pellet feed grades as has been demonstrated by Honbridge at its Block 8 deposit (which is contiguous with the Gema Verde deposit).

Strip ratios at Honbridge's neighbouring Block 8 deposit range from 0.2:1 to 0.6:1 with an outcropping ore-body with a gentle dip. The Gema Verde deposit is the southern extension of Block 8 with similar characteristics.

BMG's Technical Director, Malcolm Castle, said:

> *"We are pleased that the mineralisation is very close to the surface and is amenable to open pit mining with a very low apparent strip ratio. The metallurgical characteristics of this type of mineralisation enable low cost beneficiation to premium valued pellet feed concentrate grades of 65% to 67% Fe.*
>
> *The mineralisation's favourable metallurgical and beneficiation characteristics (as demonstrated on the contiguous SAM Iron Ore Project) in conjunction with the stable mining and fiscal regime in Brazil and favourable infrastructure access associated with operating in northern Minas Gerais, should pave the way for excellent returns."*

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[2] Golder Associates, 2010, "Vale do Rio Pardo Resource Estimation", 28 March 2011, for Honbridge Holdings Limited, Honbridge Holdings Ltd, "Game Changer, The SAM Iron Ore Project", October 2011 Presentation

About Brazilian Metals Group

BMG is an ASX-listed resources company focused on Iron Ore exploration and development in Northern Minas Gerais, Brazil.

The Company has a portfolio of significant Iron Ore assets in an emerging world class Iron province. It has early mover advantage and has acquired ground-floor-entry to a substantial, and growing, land holding of multiple large prospects. BMG's project portfolio has the potential to deliver multi-billion tonne deposits which is readily upgradable to a premium iron product, and requisite infrastructure is under construction.

BMG is currently focused on two advanced projects. The Gema Verde Iron Ore Project has a maiden resource in accordance with the JORC code of 458.5Mt @ 18.0% Fe, at a 14% Fe cut-off. It is an extension of Honbridge's major SAM Iron Ore Project (Block 8), which is at definitive feasibility study stage. The Rio Pardo Iron Ore Project has a strike length of over 13km at the Josilene-Scorpion deposit, with an Exploration Target of 2 to 3 billion tonnes at 16.2% Fe to 18.5% Fe based on surface mapping and current drilling over the strike length with 28 RC holes to date[3].

Drilling and exploration programs are ongoing to define resources in accordance with the JORC code and progress scoping studies at the projects.

[3] The Exploration Target has been compiled by Malcolm Castle (MAusIMM) who is a director of the company and consents to the inclusion of this information in the release. While the Company remains optimistic that it will report resources and reserves in the future, any discussion in relation to exploration targets 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.

APPENDIX

MINERAL RESOURCE STATEMENT

The Mineral Resource estimates for the Gema Verde Deposit are:

Resource	Tonnes (m)	Fe%	Al_2O_3%	SiO_2%	P%	LOI%
Measured	230.0	18.97	63.46	4.01	0.140	1.99
Indicated	166.5	16.73	65.39	4.83	0.160	2.10
Measured + Indicated	396.5	18.03	64.27	4.35	0.148	2.04
Inferred	62.0	17.52	63.24	4.79	0.180	2.09
Total	458.5	17.96	64.13	4.41	0.153	2.04

Reliability and Confidence in the Resource Estimate

Geological interpretation - Sufficient drilling has been completed on the property to allow interpretation of the lithologic boundaries and to propose a conceptual model for the mineralisation. Geological continuity is based upon a coherent and predictable model confirmed in both sectional and plan analyses and is an acceptable genetic model of diamictite hosted iron ore mineralisation. The mineralisation remains open down dip to the east.

Data density - Data included the wider spaced drill hole data for Inferred Resource definition through to the much closer drill holes (at nominally 250 metre by 250 metre drill spacing) for Measured and 500 metre by 250 metre drill spacing for Indicated Resource definition. The material is determined as within a well-constrained wireframe shell based upon both iron distribution and geological interpretation.

Accuracy of location of sampling points - all drill hole collars have been surveyed according to acceptable industry practice with a differential GPS system.

Drilling technique - The mineralised zone within the Gema Verde tenement was drilled in 2008 with diamond coring in 35 drill holes for a total of 5,514 metres. Further diamond core drilling was completed in 2011 with 6 holes for 1,313.95 metres. A series of Reverse Circulation drill holes were also completed to fill in earlier sparse drilling with 22 holes for 2,487 metres. Historical and recent drilling methods conform to acceptable industry standards.

Sampling technique - In recent Reverse Circulation drilling all samples taken have been dry, with sufficient sample return in excess of 95% collected via cyclone and split using a three-tier riffle splitter. Diamond drill core was sampled by sawing and bagging half and quarter core. Nominally four metre composite samples were collected over the entire drill hole for both drilling methods.

Drill sample recovery – Diamond drill core returned 100% core recovery through the mineralised zone in fresh rock. RC drilling returned sufficient sample for adequate representative assay procedures to be applied.

Tonnage factor (Bulk Density) – 259 density measurements were taken on the available drill core using the water immersion technique and were assigned to the weathering and fresh rock domains. Bulk density factors were applied to each block and tonnage calculated from these factors. The average bulk density for the oxidized and primary mineralised material was determined to be 2.54 tonnes per cubic metre.

Quality of assay data - Investigations into the grade distribution and analytical method have been conducted. Field duplicates, blanks and standards were regularly sent to the laboratory and in addition, re-assaying of pulps and additional splits over check intervals has been carried out. Acceptable statistical correlation is found between methods, with averaged

grades from repeat sampling used where possible. Assays were carried out by reputable independent laboratories to acceptable industry standards. A quality Control Report has been compiled for the deposit.

Quality of data description – Diamond core and RC drilling returns were logged in sufficient detail and with significant properties recorded to allow geological maps and sections to be constructed.

Cut-off grades – The mineral resource was estimated at a series of lower cut-off grades ranging from 13% Fe to 20% Fe. The adjacent Block 8 Mineral resource was quoted at a cut-off grade of 14% Fe and this value was chosen as the most appropriate cut-off grade for the Gema Verde deposit. This was determined from cumulative probability plots of the composite files for each domain. The primary mineralised domains were shown to contain single populations with a minor low grade component related to internal dilution.

Metallurgy - Metallurgical test-work has commenced for the Gema Verde drill core by Mets in Perth. Similar test work for the adjacent Block 8 deposit held by Honbridge Holdings Ltd has demonstrated that the mineralised material can be beneficiated to pellet feed concentrate grades of 65% to 67% Fe with the removal of impurities to contract specifications.

Estimation techniques – The Gema Verde mineral resource estimate was generated in Micromine with grade values calculated using Ordinary Kriging estimation. The block model was created with a parent block size of 8(Y) by 8(X) by 4(Z) m with no sub-blocking applied.

Block model validation – The block model was visually and statistically validated, and compared well according to the current geological understanding.

Classification - Resources quoted in this report are in accordance with the Australasian Code for Reporting of identified Mineral Resources and Ore Reserves (JORC, 2004). Measured Resource has drill spacing of 250m x 250m and 10 or more sample points to create the block calculation. Indicated Resource has drill spacing of 500m x 250m (excluding Measured Resource blocks) and more than 10 sample points to create the block calculation. Inferred Resource has similar drill spacing with less than 10 sample points for the block calculation.

Competent Persons Statement and Sources of Information

The information in this statement that relates to the Mineral Resource is based on information compiled by Phillip Fox (B.SC, MAIG - Geology), who is a Member of the Australian Institute of Geoscientists and a full time employee of Brazilian Metals Group Ltd.

Phillip Fox has sufficient experience relevant to resource estimation and exploration of iron ore mineralisation to be considered as a Competent Person as defined in the 2004 Edition of the 'Australia Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Phillip Fox consents to the inclusion in the statement of the Mineral Resource in the form context in which it appears.

Malcolm Castle B.Sc.(Hons), MAusIMM) has reviewed the information used in the preparation of this Resource statement in his capacity of Executive Director of Brazilian Metals Group Ltd and the base data was considered to be reliable in its method of collection and documentation and has satisfied himself that the estimates quoted are reasonable and accurately reflect the geological controls and distribution of the mineralisation.

Malcolm Castle who is a Member of The Australasian Institute of Mining and Metallurgy has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration 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'. Malcolm Castle consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.