



10 December 2012

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

## **BMG TO ACQUIRE 100% INTEREST IN VHMS COPPER-GOLD PROJECT IN CYPRUS**

### **Highlights**

- **Agreement to acquire 100% of Treasure Project - a portfolio of high quality Copper-Gold assets in Cyprus.**
- **VHMS deposits with identified Copper-Gold mineralisation and a series of strong exploration targets**
- **Walk up drill target on Black Pine prospect with high grade Cu and Au reported in drilling, adits and surface mapping/ sampling on a mineralised zone of approximately 1km long by 150m wide.**
  - High grade adit results within this zone include **18.36% Cu over 2m** and a **weighted average of 5.57% Cu over 17m.**
  - **Material gold grades** from surface sampling of 21 rock chip samples collected along a 660m strike length with a **maximum of 13.45g/t Au and 14 samples returning greater than 1 g/t Au.**
- **Potential for significant credits from Cobalt and Nickel**

BMG Managing Director, Bruce McCracken commented, "Reaching agreement to acquire the Treasure Project is an exciting development for the Company. Treasure has a strong portfolio of VHMS Copper-Gold ground in Cyprus which fit with the Company's strategy of seeking projects that can be advanced quickly."

"Treasure has a good mix of immediate targets and exploration potential across an area of around 240 square kilometres. The commercial terms are favourable to the Company, with a maximum of \$1.6m payable in cash and scrip, and nearly half of this amount linked to achieving a bankable feasibility study."

"The 'Black Pine' prospect is particularly encouraging, it has a walk up drill target in a mineralised zone of approximately 1km by 150m in which areas of very high grade copper/gold material have been identified with Cu grades as high as 18.36% (over 2m) and gold samples at surface as high as 13.45g/t."

"Our immediate priority will be to progress a drilling program at Black Pine aimed at establishing a JORC compliant resource, and carry out initial scoping and pre-feasibility work for a mining operation."

Brazilian Metals Group Limited (ASX:BMG) is pleased to announce that it has entered into an agreement to acquire a portfolio of high quality Copper-Gold licences in Cyprus (**Treasure Project**).

The Treasure Project hosts a number of strong exploration targets with Copper and Gold mineralisation identified across major target areas. The most advanced project area – Black Pine – has anomalous to high grade Cu and Au reported in drilling, adits and surface mapping and sampling, with a walk up drill target on a mineralised zone of approximately 1km long by 150m wide. High grade results from adit sampling within this zone include 18.36% Cu over 2m and a weighted average of 5.57% Cu over 17m.

The Treasure Project areas have strong indications of significant gold credits from surface sampling, with material traces of Cobalt and Nickel present in many samples. When combined with the average mined Cu grades of around 0.5% to 2%, the potential for commercial exploitation of mineral interests is greatly enhanced.

### **The Treasure Project**

Mineral exploration in Cyprus has been low during the past few decades, and BMG believes there is a strong possibility for the discovery of additional massive sulphide bodies that either did not outcrop or may extend beyond previously abandoned workings.

The metal deposits of Cyprus are dominantly copper-bearing volcanogenic hosted massive sulphide "VHMS" deposits. These deposits are hosted within the pillow lava sequence of the Troodos Ophiolite Complex. The pillow lava sequence is divided into Upper and Lower Pillow Lavas, with the majority of massive sulphide bodies located along the contact between the two pillow lava sequences. All of the Treasure Project areas overlie this important contact. Gold mineralisation associated with the massive sulphide ores has not historically been evaluated, providing significant opportunity for exploration.

The Treasure Project includes three advanced project areas – Pevkos-Laxia (**Black Pine**), **Kambia** and **Vrechia** - where previous drilling and adits have clearly demonstrated the presence of copper – gold mineralisation. These projects total 164 square kilometres across 22 tenements with 13 granted or approved for grant.

Historic exploration in the 1950s to 1970s at the lead project (**Black Pine**) identified pyrrhotite dominated massive sulphide mineralisation with anomalous to high grade copper and gold reported in drilling, adits and surface mapping and sampling. Two target areas – Pevkos and Laxia - have been identified within this project 5.5 km apart and along strike.

Historic and recent exploration data including drilling and adits have defined a potential mineralised zone approximately 1 km long and up to 150 metres wide which is considered to be an immediate drill target (Laxia deposit). Previous explorers have sampled several of the adits in the mineralised zone with weighted average assay values over a 17 metre interval of 5.67% Cu including 2 metres at 18.36% Cu.

Surface samples along a 660 metre strike length returned 14 samples out of 21 with assays over 1.0 g/t Au, and a high value of 13.45 g/t Au.

The Kalavassos mine is 20 km to the north east and has produced 1.9 million tonnes at 1.0 to 2.5% Cu. The Black Pine project is 15 km northeast of Limassol and covers over 80 square kilometres.

There is a long mining history at the second main project (**Kambia**) with six abandoned copper mines within 500 metres of the tenement boundaries and two historic mines within the project area. Historic production records indicate significant tonnages with low or unknown copper grades. Gold grades were not reported in the historical records but elevated values have been returned from recent sampling.

Previous explorers sampled the old workings and two gossan samples returned 1.38 g/t and 4.98 g/t Au. Massive sulphides at one of the prospects returned 0.18% Cu, 12.4g/t Au, 59.3 g/t Ag and 9.32% Zn.

The nearby Sia Mine produced 334,000 tonnes at 0.5 to 1.2% Cu. The Kambia project is 20 km south of Nicosia and covers around 60 square kilometres.

Records for the third main project area (**Vrechia**) report numerous slag dumps and copper sulphide localities with historic open pit production of 200,000 tonnes at 0.5% Cu. The historic records did not report on gold grades though recent sampling has returned encouraging grades. The project is 30 km northeast of Paphos and covers around 23.5 square kilometres.

The four minor projects have had little modern exploration and represent early stage opportunities. The areas report a number of abandoned copper mines, associated waste dumps and exposed gossans. The projects lie between the Black Pine (Laxia area) and Kambia projects with 4 tenement applications covering 73.2 square kilometres.

### **Proposed Exploration Programme**

Once acquisition of the Treasure Project is completed, BMG's immediate priority will be on advancing Black Pine through exploration and infill drilling aimed at establishing a resource in accordance with the JORC code, and advancing scoping and pre-feasibility work for a mining operation. Additionally, BMG will carry out further exploration sampling, mapping and geophysical work at Kambia and Vrechia to prioritise targets for scout drilling. The other project areas under application are at an earlier stage and will be incrementally progressed through further research, reconnaissance, and geophysical work.

### **The Terms of the Agreement**

BMG has entered an agreement to acquire 100% of Treasure Development Ltd ("TDL"), a privately owned Cypriot company that owns the Treasure Project, on favourable commercial terms.

BMG will pay a maximum consideration of \$1.6 million for the TDL acquisition in a combination of cash and shares, as follows:

- \$100,000 first instalment payable by 12 December 2012.
- \$300,000 on completion of the acquisition, which will occur once the conditions precedent are satisfied.
- \$450,000 in fully paid ordinary shares in BMG on completion of the acquisition.

A further \$750,000 in fully paid ordinary shares in BMG will be payable contingent on the completion of a Bankable Feasibility Study (BFS) confirming the exploitation of the TDL mining interests is commercially viable. The issue price will be based on BMG's volume weighted average share price for the last 5 days of trading immediately prior to the BFS being concluded.

#### Conditions Precedent

Completion of the proposed acquisition is conditional upon a number of conditions precedent for BMG's benefit including:

- BMG completing satisfactory due diligence on TDL and its mineral interests; and
- BMG obtaining all required regulatory and stock exchange approvals.

#### **Cyprus and Copper**

Cyprus has a long association with copper since the metal was first used to make tools around the 4th millennium BC. Rich copper-bearing ores were discovered on the north slope of the Troodos Mountains which lead to the mining of copper resources during the Bronze Age. Through the Roman Era Cyprus was the main supplier of copper to the world. After the fall of the Roman Empire, there was a hiatus in the nation's copper mining activity until the 19th century, when pyrite and chalcopyrite were mined, mainly for sulphur production, but also for copper. The evidence of this long history of mining is readily observed in the abundant ancient surface and underground workings along with extensive slag heaps.

To date, more than 30 copper deposits have been discovered in Cyprus ranging in size from 50,000 tonnes to the Mavrovouni deposit with over 16 million tonnes at a grade of 4.5 percent copper. There are five copper mining districts: the Skouriotissa area, the Tamassos area, the Kambia area, the Kalavassos area, and the Limni area. Most of the mining activity has been centered on these districts, though a few isolated deposits have been found through the country, including Kalavassos (Limassol), Troulli (Larnaca), Mangaleni (Limassol), Peravasa (Limassol) and Vrechia (Paphos).

#### **Next Steps**

BMG will progress legal and technical due diligence on the acquisition and progress the capital raising process.

ENDS

#### **For further information please contact:**

Bruce McCracken, Managing Director

Brazilian Metals Group

Phone: +61 8 9424 9390

Email: [info@bmg.com.au](mailto:info@bmg.com.au)

Website: [www.bmg.com.au](http://www.bmg.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 a 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.*

*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.*

### *BMG Overview*

*BMG is mining exploration and development company. The Company's Rio Pardo Iron Project in Northern Minas Gerais is at an advanced exploration stage. The exploration program conducted by the Company has delineated a large area of Fe mineralisation at the Josilene – Scorpion prospect across a 13km strike length, and an exploration target of 2 to 3 billion tonnes at 16.2% to 18.5% Fe. This is based on surface mapping and drilling with 28 RC holes to date and the potential quantity and grade is 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 Rio Pardo project remains a longer term opportunity with the potential to support a large scale, low cost mining operation. In the near term there are minimal expenditure requirements and the Company will seek to incrementally progress the opportunity without committing any significant cash expenditure, and revisit the program as market conditions improve. The Company has actively managed the project tenement holdings to focus on the core Josilene – Scorpion prospect, with areas of lower potential being relinquished.*