



ARBN 133 221 084

For the offer of up to 75,000,000 Shares at an issue price of \$0.20 each to raise up to \$15,000,000.

Consent under the Exchange Control Act 1972 (and its related regulations) has been obtained from the Bermuda Monetary Authority (BMA) for the issue and transfer of the shares of the Company up to the amount of its authorised capital from time to time and of other securities of the Company to and between residents and non-residents of Bermuda for exchange control purposes provided its Common Shares remain listed on an appointed stock exchange, which includes ASX. This Prospectus will be filed with the Bermuda Registrar of Companies in accordance with Bermuda law. In granting such consent and in accepting this Prospectus for filing, neither the BMA nor the Bermuda Registrar of Companies accepts any responsibility for the financial soundness of the Company or the correctness of any of the statements made or opinions expressed in this Prospectus.

IMPORTANT INFORMATION

This is an important document that should be read in its entirety.

If you do not understand it you should consult your professional advisers without delay. The Shares offered by this Prospectus should be considered speculative.

PROSPECTUS

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BraziIron
LIMITED

» **1** **CORPORATE** **DIRECTORY**

DIRECTORS

Robert Brierley
Neil O'Loughlin
Walt Guidice
Pedro Jacobi
Youzhi Wei

COMPANY SECRETARY

Catherine Anderson

ASSISTANT COMPANY SECRETARY

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BERMUDA RESIDENT REPRESENTATIVE*

Marcello Ausenda
Conyers Dill & Pearman Limited

AUSTRALIAN OFFICE

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Subiaco WA 6904 Australia

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BERMUDIAN SOLICITORS TO THE COMPANY*

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Clarendon House
2 Church Street
Hamilton HM 11
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Telephone: +1 (441) 295-1422
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ARBN

133 221 084

WEBSITE

www.braziron.com

SHARE REGISTRY*

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PERTH WA 6000

Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

REGISTERED OFFICE

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Hamilton, HM11
BERMUDA

BRAZILIAN OFFICE

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BRAZILIAN SOLICITORS TO THE COMPANY*

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* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

» **CORPORATE
DIRECTORY CONT.**

USA SOLICITORS TO THE COMPANY*

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United States of America

INDEPENDENT GEOLOGIST

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Facsimile: +61 8 9324 8877

AUSTRALIAN SOLICITORS TO THE COMPANY

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INVESTIGATING ACCOUNTANT

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Trading as Stantons International Securities
Level 1, 1 Havelock Street
WEST PERTH WA 6005

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Facsimile: +61 8 9321 1204

* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

» **BRAZIRON LIMITED PROSPECTUS 2010**

» **IMPORTANT NOTICE**

GENERAL

This Prospectus is dated 16 August 2010 and was lodged with the Australian Securities and Investments Commission (ASIC) on that date. Neither ASIC nor the Australian Securities Exchange Limited (ASX) takes any responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates.

The expiry date of this Prospectus is at 5.00pm WST on that date which is 13 months after the date this Prospectus was lodged with the ASIC (Expiry Date). No securities may be issued on the basis of this Prospectus after the Expiry Date.

APPLICATION FOR LISTING

Within seven (7) days after the date of this Prospectus, the Company will apply for admission to the official list of the ASX and quotation of the Shares on the ASX.

Consent under the Exchange Control Act 1972 (and its related regulations) has been obtained from the Bermuda Monetary Authority (BMA) for the issue and transfer of the shares of the Company up to the amount of its authorized capital from time to time and of other securities of the Company to and between residents and non-residents of Bermuda for exchange control purposes provided its Common Shares remain listed on an appointed stock exchange, which includes ASX. This Prospectus will be filed with the Bermuda Registrar of Companies in accordance with Bermuda law. In granting such consent and in accepting this Prospectus for filing, neither the BMA nor the Bermuda Registrar of Companies accepts any responsibility for the financial soundness of the Company or the correctness of any of the statements made or opinions expressed in this Prospectus.

SPECULATIVE INVESTMENT

It is important that investors read this Prospectus in its entirety before deciding to complete and lodge an Application Form and, in particular, in considering the prospects of the Company, you should consider the risk factors that could affect the financial performance of Braziron. You should consider these factors in the light of your personal circumstances (including financial and taxation issues). Some of the risk factors that should be considered by potential investors are outlined in Section 10.

If you have any questions you should seek professional advice from your stockbroker, accountant or other professional adviser before deciding to invest.

The Shares the subject of this Prospectus should be considered speculative.

» **NO OVERSEAS OFFERING**

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

» **WEBSITE - ELECTRONIC PROSPECTUS**

A copy of this Prospectus can be downloaded from the website of the Company at www.braziron.com. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an application form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

» **EXPOSURE PERIOD**

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that this examination may result in the identification of deficiencies in the Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act.

Applications for securities under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

» **DEFINED TERMS, CURRENCY AND TIME**

Certain terms and abbreviations used in this Prospectus have defined meanings that are explained in the Glossary. All amounts are stated in Australian dollars unless otherwise stipulated and all references to time refer to Western Australian Standard time unless otherwise indicated.

» **PHOTOGRAPHS AND DIAGRAMS**

Any assets depicted in photographs in this Prospectus are not assets of the Company unless otherwise stated.

» **2** **CHAIRMAN'S** **LETTER**

Dear Investor,

On behalf of the Board of BrazIron, I am pleased to present to you this Prospectus to raise funds for the development of the Company's assets and invite you to become a shareholder in the Company.

The Company is focussed on the exploration of iron ore projects in Brazil. We have assembled a strong management team with broad experience in mining and finance both in Brazil and globally.

Iron ore is common worldwide, but ore grade material suitable for sale is dominated by countries such as Australia, Brazil and China. BrazIron has acquired a portfolio of Projects located in Brazil which the Company considers are highly prospective for iron ore mineralisation.

Further details in relation to the Projects are contained in Section 5 and the Independent Geologist's Report in Section 7 of this Prospectus.

Please refer to Section 9 for the Solicitor's Report on Tenements comprising the Projects.

The Company intends to explore these iron ore tenements with a view to establishing their potential, with priority given to the Xique Xique Project. The Company plans to drill out the area that has already been the subject of an initial 10-hole diamond core drilling program and aims to define the size and scope of the mineralisation whilst also exploring for extensions of the known mineralisation and new ore bodies.

In the meantime, significant funds have been allocated for the purpose of commencing exploration activities on the F1 Project and continuing to define the iron outcrops at the Xingu Project. The Company also plans to continue exploration at the Macaubas and Jacaraci projects.

BrazIron has a team highly capable of facilitating the efficient exploration of its existing projects whilst also pursuing other opportunities to enhance Shareholder value. Detailed information of the Company's management team is contained in Section 6 of this Prospectus.

Please read this Prospectus carefully before making any investment decision. My fellow Directors and I look forward to welcoming you as a Shareholder.

Yours sincerely



ROB BRIERLEY
Chairman

3 » INVESTMENT OVERVIEW

3.1 IMPORTANT NOTICE

This Section is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

3.2 OVERVIEW OF BRAZIRON

BrazIron is an exempted company incorporated in Bermuda that has been established to explore iron ore opportunities in Brazil. The Company has acquired tenure over a number of iron ore projects, some of which have already been drilled. Further details of the Projects are set out in Section 5 and the Independent Geologist's Report in Section 7 and the Solicitor's Report on Tenements in Section 9.

Details of the material agreements regarding the Company's interest in the Projects are set out in Section 11.2 of this Prospectus.

The Company intends to focus on exploration on the Xique Xique Tenements with the aim of delineating a JORC compliant resource on these Tenements. Exploration drilling will also be conducted on the F1 project.

3.3 OBJECTIVES

The Company's immediate objectives are:

- to complete the evaluation of the substantial geological data available in relation to the Projects;
- to establish and conduct structured exploration programs targeting known anomalous areas; and
- to pursue other opportunities to enhance Shareholder value.

3.4 RISK FACTORS

The Company is incorporated pursuant to the laws of Bermuda and accordingly, will be governed primarily by the laws of Bermuda, which differ to Australian law. The Company is not governed by the Corporations Act but by Bermudan company law. It should be noted that once listed on ASX, the Company will be subject to ASX Listing Rules. Further, the Bye Laws contain provisions which seek to replicate some of the protections which exist under the Corporations Act. These provisions will not have the same force of law, but form a contract between the Company and the Shareholders. As a foreign company, BrazIron will be required to comply with the requirements of the Foreign Acquisitions and Takeovers Act when making significant investments in Australian assets.

Furthermore, the business of the company involves mining exploration and investment in mining tenements which attaches a number of risks.

Accordingly, investment in the Shares offered by this Prospectus should be considered speculative. Some of the principle risks include:

» **INVESTMENT
OVERVIEW CONT.**

RISK AREA	RISKS	FURTHER DETAILS
Operating in Brazil	Economic, legal, social, political and governmental risks	Section 10.2
Exploration Risk	Exploration and mining operation risks	Section 10.3
Title Risk	Ability to renew and retain Tenements	Section 10.4
Contract Risk (including Joint Ventures)	Company reliant on and cannot guarantee cooperation and compliance of counterparties including other joint venturers	Sections 10.5 and 10.6
Operating Risks	Operations of Company can be affected by various factors including failure to locate or identify mineral deposits or achieve predicted grades	Section 10.7
Resource Estimates	Resource estimates are based on judgment, can be imprecise and can alter significantly as further information becomes available	Section 10.8
Commodity price volatility and exchange rate risk	Commodity prices and exchange rates fluctuate and are affected by various factors beyond the control of the Company	Section 10.9
Market Conditions	Market prices for securities can fluctuate	Section 10.10
Economic Risk	Currency fluctuations, commodity prices, demand and supply	Section 10.11
Funding Risk	Company may require further funding to further its activities	Section 10.12
Environmental Risks	Impact on the environment and subject to Brazilian legislation	Section 10.13
Brazil legal environment	Brazil has less developed legal system than other countries which can result in a number of risks	Section 10.14
Limited History	BrazIron only incorporated in 2007 and has only limited operating and financial history	Section 10.15
Incorporation in Bermuda	Rights of Shareholders under Bermuda law may differ from rights in other jurisdictions, such as Australia	Section 10.16
Change in government policy	Company's activities may be affected by new and changing government policies and legislation	Section 10.17
Reliance on key management	No assurance that Company will not suffer detriment if key senior personnel ceased employment	Section 10.18

» INVESTMENT OVERVIEW CONT.

3.4 RISK FACTORS...CONT.

Investors should be aware that an investment in the Company involves risks that may be higher than risks associated with an investment in some other companies. Careful consideration should be given to all matters raised in this Prospectus and the relative risk factors prior to applying for Shares offered for subscription under this Prospectus. Some of these risks can be mitigated by the use of appropriate safeguards and actions, but some are outside the Company's control and cannot be mitigated. Before deciding whether to apply for Shares, investors should consider the risk factors described above, and outlined in more detail in Section 10 together with the information contained elsewhere in this Prospectus.

3.5 THE OFFER

By this Prospectus, the Company offers a total of up to 75 million Shares at an issue price of \$0.20 each to raise up to \$15,000,000.

3.6 INDICATIVE TIMETABLE

EVENT	DATE
Lodgement of Prospectus with the ASIC	16 August 2010
Opening Date	24 August 2010
Offer Closing Date	5.00pm WST on 20 September 2010
Despatch of Holding Statements	29 September 2010
Expected date for listing on ASX	11 October 2010

The above dates are indicative only and may vary. The Company reserves the right to change the key dates of the Offer without prior notice which may have a consequential impact on other dates.

3.7 PURPOSE OF THE OFFER AND USE OF PROCEEDS

The purpose of the Offer is to raise sufficient funds to progress the Company's Projects as outlined in Section 5 and in the Independent Geologist's Report in Section 7, and to provide ongoing capital.

It is intended to apply funds raised from the Offer as follows:

	MINIMUM SUBSCRIPTION \$	MAXIMUM SUBSCRIPTION \$
Evaluation and exploration	7,280,000	9,280,000
Acquisition prepayment costs	240,000	240,000
Expenses of issue	700,000	900,000
Administration Costs	1,400,000	1,400,000
General working capital	380,000	3,180,000
Total	\$10,000,000	\$15,000,000

» **INVESTMENT**
OVERVIEW CONT.

It is the view of the Board that following completion of the Offer, the Company will have sufficient working capital to carry out its stated objectives.

If the Company raises between the Minimum and Maximum Subscriptions, the Company intends to apply the funds (after increased Offer costs) first to evaluation and exploration and second to general working capital.

The above table is a statement of current intentions as of the date of lodgement of this Prospectus with ASIC. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

3.8 CAPITAL STRUCTURE

The capital structure of the Company following completion of the Offer is summarised below:

SHARES	MINIMUM SUBSCRIPTION	MAXIMUM SUBSCRIPTION
Shares on issue at date of Prospectus	241,650,000	241,650,000
Shares now offered	50,000,000	75,000,000
Total Shares on issue at completion of the Offer	291,650,000	316,650,000

The Company does not have any other Securities on issue.

SHARES	AT DATE OF PROSPECTUS	MINIMUM SUBSCRIPTION	MAXIMUM SUBSCRIPTION
Shares held by existing Shareholders (%)	100%	82.9%	76.3%
Shares held by investors subscribing under the Offer (%) ¹	N/A	17.1%	23.7%
Total	100%	100%	100%

Notes:

1. Assumes no existing Shareholders subscribe under the Offer.

3.9 RESTRICTED SECURITIES

Subject to the Company being admitted to the Official List, certain of the Shares on issue prior to the Offer are likely to be classified by ASX as restricted securities and will be required to be held in escrow.

» 4 DETAILS OF THE OFFER

4.1 THE OFFER

By this Prospectus, the Company offers for subscription up to 75,000,000 Shares at \$0.20 each to raise up to \$15,000,000.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue. All Application monies are payable in full on Application.

4.2 APPLICATION FOR SHARES

An Application for Shares can only be made on the Application Form contained at the back of this Prospectus. The Application Form must be completed in accordance with the instructions set out on the Application Form.

Payment for the Shares must be made in full at the issue price of \$0.20 per Share. Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares. Completed Application Forms and accompanying cheques in Australian dollars must be mailed to:

BrazIron Limited – General Offer
C/- Computershare Investor Services Pty Limited
GPO Box D128
PERTH WA 6840

or delivered to:

BrazIron Limited – General Offer
C/- Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
PERTH WA 6000

Cheques should be made payable to “BrazIron Limited – Share Offer Account” and crossed “Not Negotiable”. Completed Application Forms must reach one of the above addresses by no later than the Offer Closing Date.

The Company reserves the right to close the Offer early.

An original, completed and lodged Application Form, together with a cheque for the application monies, constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form.

The Application Form does not need to be signed to be a valid application. An Application Form will be deemed to have been accepted by the Company upon allotment of the Shares.

If the Application Form is not completed correctly, or if the accompanying payment of the application monies is for the wrong amount, it may still be treated as valid. The Directors’ decision as to whether to treat the Application Form as valid and how to construe, amend or complete the Application Form is final. However, an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the cheque for the application monies. No brokerage or stamp duty is payable by Applicants in respect of Application Forms for Shares under this Prospectus.

4.3 ALLOTMENT

Subject to ASX granting approval for the Company to be admitted to the Official List, allotment of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date. Prior to allotment, all application monies shall be held by the Company on trust. The Company, irrespective of whether the allotment of Shares takes place, will retain any interest earned on the application monies.

» **DETAILS OF
THE OFFER CONT.**

The Directors reserve the right to allot Shares in full for any application or to allot any lesser number or to decline any Application Form. Where the number of Securities allotted is less than the number applied for, or where no allotment is made, the surplus application monies will be returned by cheque to the applicant within seven (7) days of the allotment date.

4.4 MINIMUM SUBSCRIPTION

The minimum subscription pursuant to the Offer is 50,000,000 Shares at an issue price of \$0.20 each to raise \$10,000,000.

Should only the minimum amount be raised, the ability of the Company to meet all of the expenditure conditions of the Tenements comprising the Projects and other expenditure requirements in general will not be affected. Please refer to Section 3.7 for further details of the Company's intended use of the proceeds of the Offer.

If the minimum subscription has not been raised within four (4) months after the date of this Prospectus, all applications will be dealt with in accordance with the Corporations Act.

4.5 ASX LISTING

The Company will apply to ASX within seven (7) days after the date of this Prospectus for admission to the Official List and for Official Quotation of the Shares offered under this Prospectus. If ASX does not grant permission for Official Quotation of the Shares within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares offered by this Prospectus will be allotted or issued. In that circumstance, all applications will be dealt with in accordance with the Corporations Act.

4.6 APPLICANTS OUTSIDE AUSTRALIA

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify these Securities or otherwise permit a public offering of the Securities the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained.

4.7 UNDERWRITER

The Offer is not underwritten.

4.8 COMMISSIONS ON APPLICATION FORMS

The Company reserves the right to pay a commission of 4% (inclusive of goods and services tax) of amounts subscribed to any licensed securities dealers or Australian Financial Services licensee in respect of valid Application Forms lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian Financial Services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian Financial Services licensee.

» **DETAILS OF THE OFFER CONT.**

4.9 CHESS

The Company will apply to participate in the Clearing House Electronic Subregister System (CHESS). CHESS is operated by ASX Settlement and Transfer Corporation Pty Ltd (ASTC), a wholly owned subsidiary of ASX, in accordance with the Listing Rules and the ASTC Settlement Rules.

Under CHESS, the Company will not issue certificates to investors. Instead, Share and Option holders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASTC will send a CHESS statement.

4.10 RISK FACTORS

Prospective investors in the Company should be aware that subscribing for securities the subject of this Prospectus involves a number of risks. These risks are set out in Section 10 of this Prospectus and investors are urged to consider those risks carefully (and if necessary, consult their professional adviser) before deciding whether to invest in the Company.

The risk factors set out in Section 10, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Shares. Accordingly, an investment in the Company should be considered speculative.

4.11 PRIVACY STATEMENT

If you complete an Application Form for Shares, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers; regulatory bodies, including the Australian Taxation Office; authorised securities brokers; print service providers; mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the Application Form for Shares, the Company may not be able to accept or process your application.

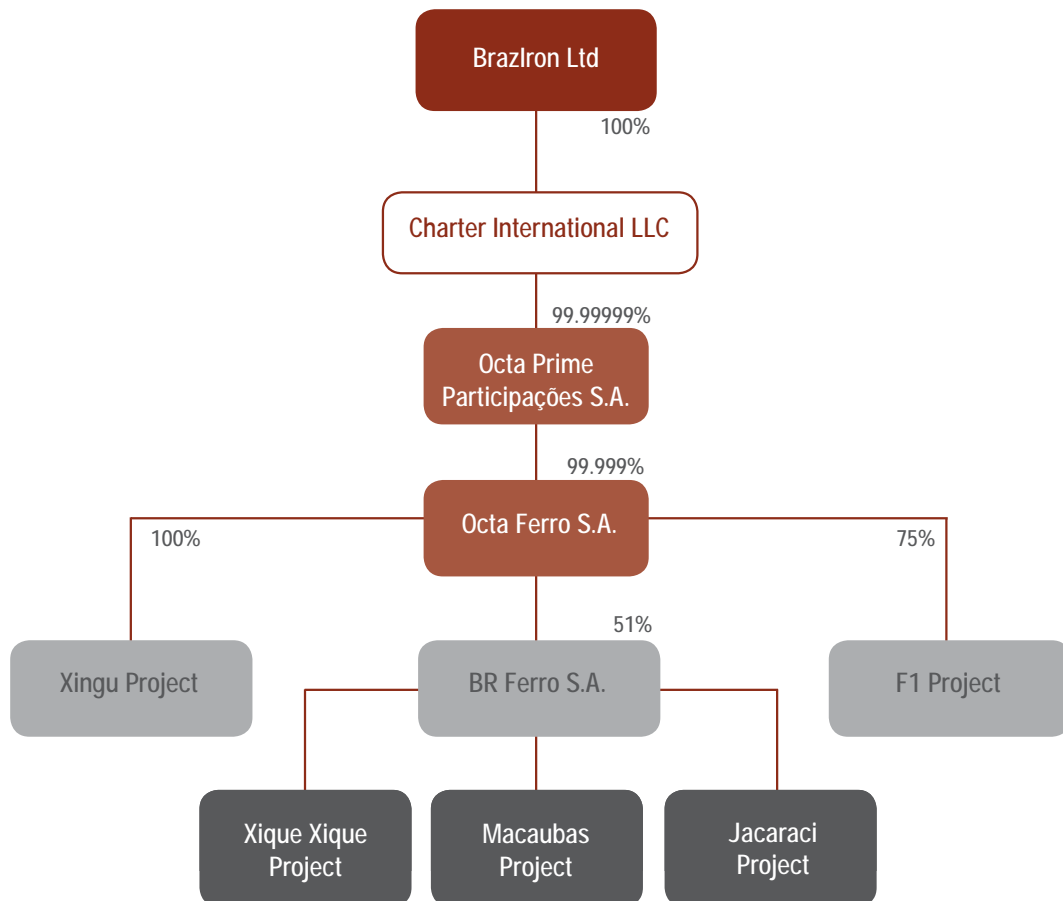
» **5** **COMPANY AND** **PROJECT OVERVIEW**

5.1 OVERVIEW OF THE COMPANY

BrazIron is an exempted company incorporated in Bermuda on 27 September 2007. The Company registered as a Foreign Company with the Australian Securities and Investments Commission in September 2008.

BrazIron was formed with the objective of pursuing Brazilian mineral exploration opportunities and potential mining of iron ore.

BrazIron has recently acquired a Brazilian incorporated entity, Octa Ferro SA. As shown in the table below, Octa Ferro holds, directly and indirectly, interests in iron ore projects located in Brazil, known as the Xingu Project, Bahia Iron Project and F1 Project. Further details of these Projects are set out below and in the Independent Geologist's Report in Section 7. Details of the material contracts giving rise to these interests are contained in Section 11.2 of this Prospectus.



All these Project regions have been under-explored and require modern, well-funded programmes of exploration to realise their potential.

The funds raised through this Prospectus will fund exploration and if successful, feasibility studies on these Projects.

» **COMPANY AND PROJECT OVERVIEW CONT.**

5.2 BRAZIL OVERVIEW

COUNTRY - OVERVIEW

The Federative Republic of Brazil (Brazil) is the world's 5th most populous country (more than 185 million people) and is ranked as the 10th largest economy with GDP (Purchasing Power Parity) of US\$2.025 trillion (est. 2009). Brazil has extensive infrastructure allowing for the efficient expansion of mining industries and subsequent internal consumption and export of mineral commodities. Its land surface is over 10% larger than Australia and is comprised of large areas of exposed Archean and Proterozoic rocks prospective for a large range of major deposit styles.

Brazil is a major mining nation, ranks second in the world in iron ore production producing approximately 350 million tonnes of product in 2008, and together with Australia dominates seaborne iron ore trade. The country distinguishes itself internationally for the volume and quality of its iron ore. The 1995 constitutional reform allowed free participation of foreign capital in the Brazilian minerals sectors and this, combined with a stable political environment and relatively large domestic industrial market, has seen Brazil rank as an attractive country for investments. In 2008, Brazil became a net external creditor and two ratings agencies awarded investment grade status to its debt.

5.3 BAHIA PROJECTS

The Company has interests in a joint venture comprising Tenements covering a total area of 31.5 km² in the Bahia Iron District.

Bahia is one of the 26 states of Brazil and is located in the north-eastern part of the country on the Atlantic coast.

BrazIron's Bahia projects are set in extensions of the world famous Proterozoic Quadrilatero Ferrífero (the Iron Quadrangle) meta sedimentary sequence carrying banded iron formations. These iron rich units extend for several thousand kilometres to the north across Bahia and into the north-eastern states.

Via its subsidiary Octa Prime, BrazIron has acquired 51% interest in the incorporated joint venture, BR Ferro Mineração S.A. BrazIron has the right to earn an additional 9% interest in BR Ferro with payment for such interest calculated by reference to the resources found, which would bring its total interest in the joint venture to 60%. Details of the material contracts giving rise to these interests are contained in Section 11.2 of this Prospectus.

This joint venture consists of three Projects described below. The three Project areas are close to the towns of Jacaraci in the south, Macaubas in the centre, and Xique Xique in the north. Mineralisation is represented by large jaspillitic ore of medium to fine size grains in the north to medium to coarse grained itabrites in the southern blocks.

XIQUE XIQUE PROJECT

The project is located 70km north of the township of the same name in central-northern Bahia state, approximately 615km west-northwest of the state capital of Salvador. The town and project respectively lie adjacent to and straddle the São Francisco River.

» **COMPANY AND
PROJECT OVERVIEW CONT.**

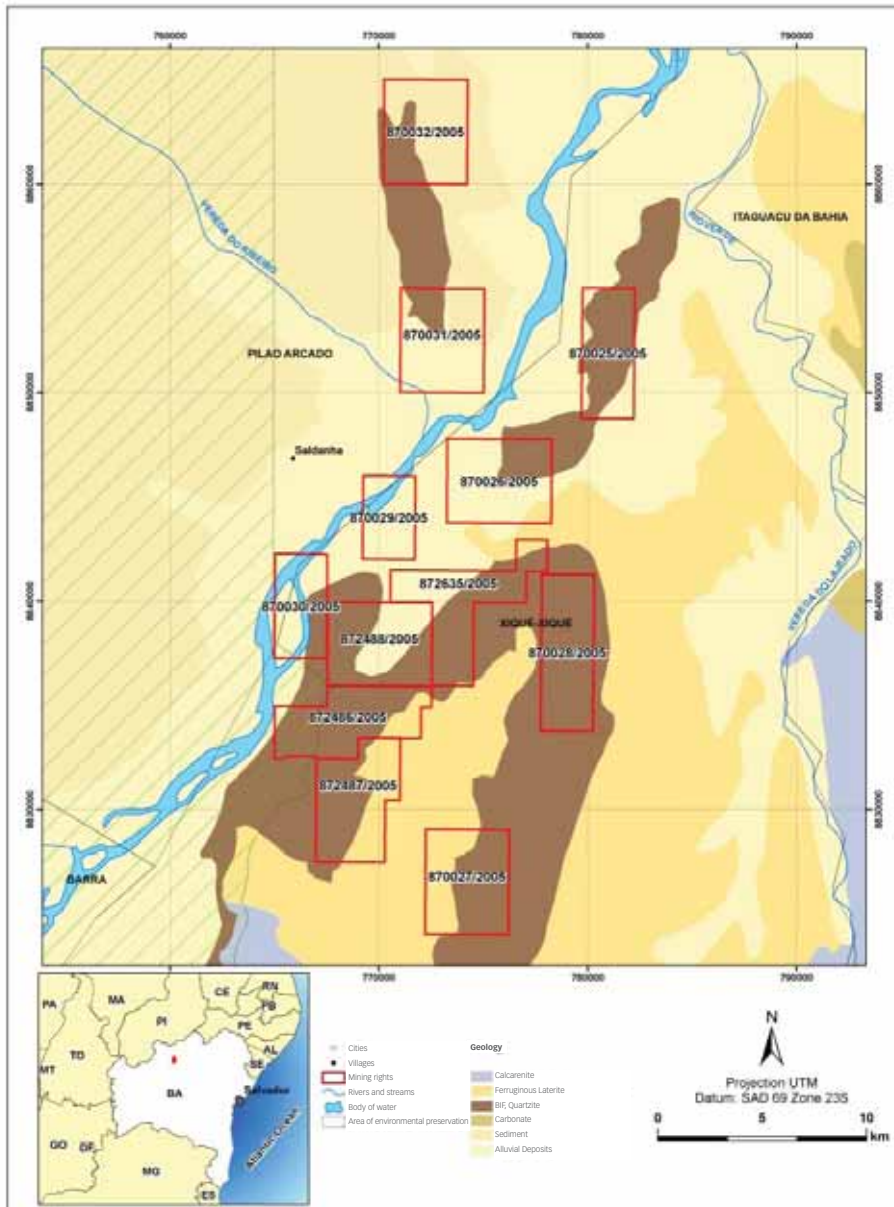


FIGURE 1 - XIQUE-XIQUE LOCATION AND GEOLOGY

The Xique Xique Project comprises 12 granted prospecting Tenements covering an area of 21.6km².

The Xique Xique complex is deformed into a series of anticlines and synclines, with dips ranging from sub-horizontal to steeply dipping. The magnetite-rich quartzites (itabirites) are extensive covering the majority of the permits.

Exploration by Braziron has included satellite image interpretation, detailed mapping, outcrop sampling, ground magnetic surveying and drilling. Braziron has completed 10 vertical diamond core (DC) holes for 1,004m which are located along the main BIF mineralisation over approximately 3.5km. All holes drilled returned similar results with the top 30m returning between 25% and 35% Fe and then grading into 10% to 30% Fe until the bottom of the holes. Most holes were drilled to around 80m in depth.

» **COMPANY AND PROJECT OVERVIEW CONT.**

The drilling indicates that there is potential to define a large tonnage iron ore deposit at between 25% and 35% Fe.

This tonnage potential indicates to the Company that Xique Xique warrants further work, including additional resource definition drilling, to enable a scoping level economic assessment to be undertaken.

The Project is favourably located with respect to infrastructure, straddling the São Francisco River, which is navigable to barges with up to a 1,400t capacity.

JACARACI PROJECT

The Jacarací Project is located 10km west of the small township of the same name (~13,000 inhabitants) in central-southern Bahia state. The Project comprises five contiguous prospecting Tenements (three under application and two with extension applications submitted) covering an aggregate area of 4.5km².

Iron mineralisation at the Jacaraci Project is hosted by broadly folded quartzite units within the Borda-Lest Group of the Espinhaço Supergroup. Mineralisation within the itabirites comprises both magnetite and haematite, but is clearly dominated by the latter.

Exploration completed by BrazIron has comprised satellite image interpretation, reconnaissance mapping and sampling, along with initial metallurgical testwork. The metallurgical results indicate that the material displays beneficiation potential.

MACAUBAS PROJECT

The Macaúbas Project is located 10km north of the township of the same name in central Bahia state, approximately 675km west of the state capital of Salvador and 298km south of the Xique Xique Project. The Project comprises seven prospecting Tenements (including one extension application) covering a contiguous area of 6.3km².

The Macaúbas Project lies within an extensive belt of Lower Proterozoic sediments, dominated by quartzites that comprise the Espinhaço Supergroup or equivalents. Iron mineralisation is associated with a series of stacked magnetite quartzite (itabirite) units.

Exploration by BrazIron has included satellite image interpretation, detailed mapping, outcrop sampling, ground magnetic surveying and drilling. Six bore holes were drilled in the main deposits, Gameleira and Campo Grande for a total of 572m.

The results to date have identified the potential for moderate tonnage low grade iron mineralisation at grades below 30%. The preliminary metallurgy results indicate that the material displays beneficiation potential.

5.4 XINGU PROJECT

The Xingu project (located in Para state) comprises 7 prospecting Tenements (1 granted, 3 under partial extensions and 3 under application) covering an aggregate area of 34km², located along the southern margin of the east-west trending Amazon Basin rift. The mineral potential of the Amazon Basin is essentially unknown, with only limited government surveys and extremely limited exploration having been completed.

» **COMPANY AND
PROJECT OVERVIEW CONT.**



FIGURE 2 – LOCATION OF XINGU PROJECT

Mineralisation is associated with magnetite iron formations that overlie Jurassic dolerites and gabbros up to 800m in thickness that have variously been interpreted as extrusive volcanics or intrusive sills. The shallowly north dipping iron formations range from 2m to 10m in thickness and persist along strike in an east-northeast orientation for at least 15km to 20km, and possibly up to 40km or more.

BrazIron has completed preliminary pitting, trenching and drilling which has defined narrow intervals between 3 to 10m at between 50 and 55% Fe.

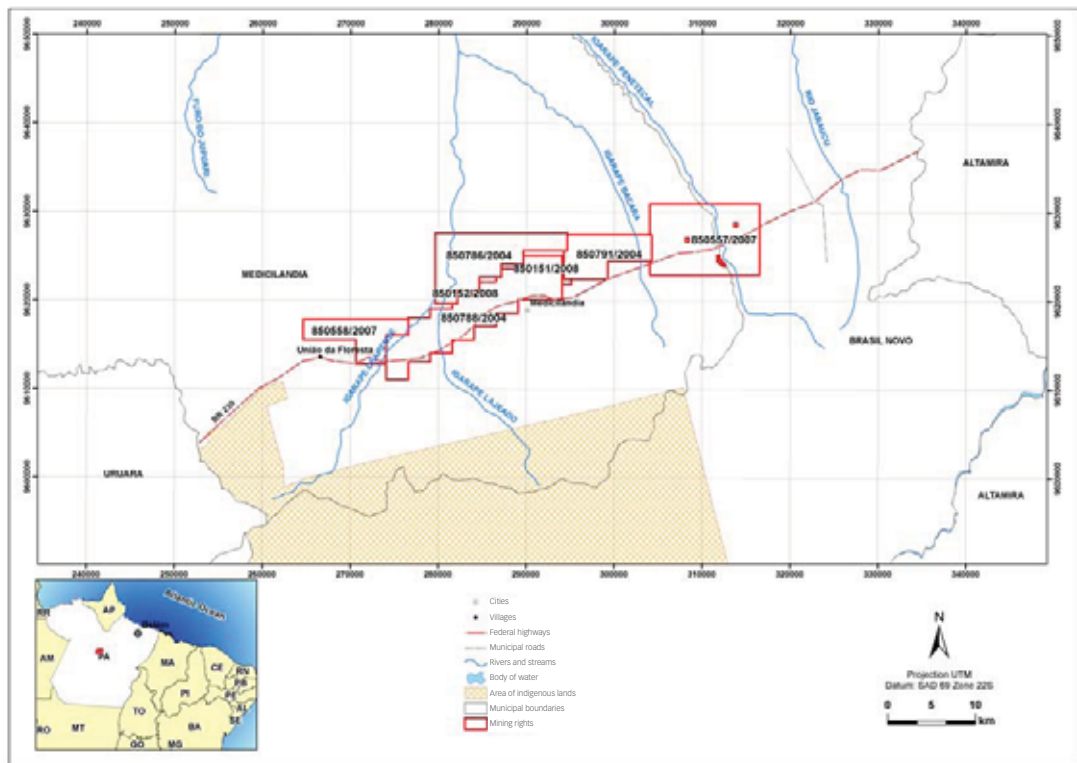


FIGURE 3 - BRAZIRON TENEMENTS ON THE XINGU AREA

» **COMPANY AND PROJECT OVERVIEW CONT.**

5.5 F1 PROJECT

An unincorporated joint venture agreement covers the F1 Project. BrazIron's initial interest in the iron rights of the F1 Project is 75% on two tenements covering 871 hectares. Please refer to Section 11.2 for further details in relation to the joint venture arrangements.

The F1 Project is located 10km southwest of the small township of Itagi and 40km south of the city of Jequie in the southeast of Bahia state.

Iron mineralisation at the Prospect is hosted by a shallow dipping tabular quartzite unit. Mineralisation comprises both magnetite and martite, but is dominated by the latter at surface. The martite has been mapped over 900m in strike and up to 250m in width. The depth extension is unknown.

The F1 Project is at an extremely early stage of exploration, with no systematic sampling or drilling having been undertaken.

5.6 DISCLAIMER

Investors should note that in relation to its projects, any potential quantity and grade is conceptual in nature. There has been insufficient exploration to define a mineral resource in respect of the projects at the date of this Prospectus and that it is uncertain that further exploration will result in the determination of a JORC classification. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

Please refer to the Independent Geologist's Report in Section 7 and the Solicitors Report on Tenements in Section 9 of this Prospectus for further details in relation to the Projects.

» **6** **DIRECTORS, KEY MANAGEMENT** **AND CORPORATE GOVERNANCE**

6.1 DIRECTORS

ROBERT BRIERLEY – EXECUTIVE CHAIRMAN

Robert Brierley is a mining engineer educated at the Western Australian School of Mines in Kalgoorlie, Western Australia. He has experience across many commodity groups and has been involved in the design, operation and management of several major mining projects in Australia including the Yandi, Brockman and Koolan Island iron ore operations.

Mr Brierley has also worked in the stock broking industry as a research analyst, specializing in the resources sector, including four years in the role of Director of Research for an Australian national stock broking and financial services company.

Mr Brierley has particular experience in finance, mining project management and valuation techniques and principles. He is a Graduate of the Australian Institute of Company Directors.

WALT GUIDICE – NON EXECUTIVE DIRECTOR

Walt Guidice is a principal shareholder and CEO/Chairman of Majestic Diamonds and Metals Inc, a U.S. mineral exploration company he co-founded in April 2004 (refer to Section 11.2, Option Agreements). Mr Guidice has over 20 years of experience in banking, corporate finance, venture capital, asset management, mergers and executive corporate management.

Over his career he co-founded and grew a mortgage company which became the largest, independently owned mortgage company in Washington State, worked for and represented several large mortgage companies and banks in Washington State in positions including Vice-President, Director of Sales and Chairman, founded a boutique investment bank, Guidice & Associates, Inc., and founded Northstar Capital, a private investment and asset management firm.

NEIL O'LOUGHLIN – NON EXECUTIVE DIRECTOR

Neil O'Loughlin is a geologist with over 20 years experience in mineral exploration and mine development with exposure to a range of commodities worldwide. Mr O'Loughlin worked in a wide range of technical roles prior to joining Resource Service Group (now RSG-Global) where he was exposed to several major projects in a range of commodities in Australia and Asia.

Since 1996 Mr O'Loughlin has been involved in several corporate roles. Mr O'Loughlin was co-founder and Technical Director of Basin Minerals Ltd from 1996 until 2002 during which time he led the exploration and evaluation team that discovered the Douglas Titanium-Zircon project in Victoria, Australia. He was the technical director of ASX and TSX listed Crescent Gold Limited between 2002 and 2006 and has held other directorships for unlisted ventures since 2004.

PEDRO JACOBI – NON-EXECUTIVE DIRECTOR

Pedro Jacobi is a principal shareholder, co-founder and CEO of Mining and Exploration for Majestic Diamonds and Metals Inc (refer to Section 11.2, Option Agreements). Mr Jacobi has over 35 years of experience in mineral exploration and mining with major international companies. Mr Jacobi has worked with Terraservice, CVRD-Docegego, Shell Metals and Van Roois Vley Mine (South Africa).

Mr Jacobi spent over 11 years with the Rio Tinto Group culminating in his appointment as the General Exploration Manager for Rio Tinto Brazil. He has been directly responsible for the discovery of many economic mineral deposits including the 1 million ounce Palito Gold Mine, the 1.5 million ounce Saõ Jorge Gold Deposit, and the 500,000 ounce Ouro Roxo Deposit.

Mr Jacobi holds a Bachelor of Science in Geology, with Honours. He is a Brazilian citizen and speaks Portuguese, English and Spanish.

» **DIRECTORS, KEY MANAGEMENT AND CORPORATE GOVERNANCE CONT.**

YOUZHI WEI – NON-EXECUTIVE DIRECTOR

Dr Youzhi Wei is a Mining Engineer with over 20 years of experience in mining, geotechnical engineering and mining technology development. Dr Wei has extensive experience in the evaluation of developing and operating mining projects, especially in China.

Dr Wei is the founder of China Mining Business Solutions Limited, which provides corporate advice and business strategies to mining groups, financial institutions and private investors on China-related mining projects. He is currently a resident of Hong Kong where his consultancy services business is based. Dr Wei has previously held senior mining related positions with SRK Consulting Group in Perth and China, CSIRO Exploration and Mining, and the Advanced Technical Development group of CRA, a division of Rio Tinto.

Dr Wei is a Fellow and Chartered Engineer (Mining) of the Australasian Institute of Mining and Metallurgy.

6.2 SENIOR & KEY MANAGEMENT

MARCELLO AUSENDA – BERMUDA RESIDENT REPRESENTATIVE

Marcello Ausenda is a director of Conyers Dill & Pearman Limited, our Bermuda Solicitors.

CATHERINE ANDERSON – COMPANY SECRETARY

Ms Anderson is admitted as a barrister and solicitor in Victoria and Western Australia and has over 20 years experience in both private practice and in-house roles. She specialises in capital raisings and corporate restructuring, as well as advising on all aspects of corporate and commercial law. Ms Anderson has also been twice nominated for the Telstra Business Woman of the Year for an online retail business she established in 2007.

ELPIDIO REIS – GENERAL MANAGER

Elpidio Reis has over 38 years experience in mineral exploration, evaluation, and development in senior management positions with both Rio Tinto and Billiton and was president of ADIMB (Agency for Technological Development of the Brazilian Mining Industry) Mr Reis was Exploration and Business Development Director of Rio Tinto DM, which included responsibility for multi-commodity (iron ore, diamond, gold, copper, zinc, kaolin, coal, potash, bauxite, nickel and vermiculite) exploration activities and development of projects for Rio Tinto in Brazil and French Guyana. Mr Reis is currently a consultant on exploration and mineral business evaluation, due diligence and strategic planning in iron, gold and base metals projects. He is involved in writing the Brazilian Code for Reserves and Resources. Mr Reis holds a BSc (geology), MSc (mineral exploration) from Queens - Canada, and an MBA from Universidade Federal do Rio de Janeiro. He speaks fluent Portuguese, English and Spanish.

6.3 CORPORATE GOVERNANCE

The Directors manage the business and affairs of the Company and have formally adopted a corporate governance policy which is designed to encourage Directors to focus their attention on accountability, risk management and ethical conduct.

The Company's main corporate governance policies and practices are outlined below.

6.3.1 THE BOARD OF DIRECTORS

The Company's Board of Directors is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and

» **DIRECTORS, KEY MANAGEMENT
AND CORPORATE GOVERNANCE CONT.**

- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (d) developing initiatives for profit and asset growth;
- (e) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (f) acting on behalf of, and being accountable to, the Shareholders; and
- (g) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

6.3.2 COMPOSITION OF THE BOARD

Board members are elected by the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- (a) the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and
- (b) the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board membership, but an informal assessment process, facilitated by the Chairman in consultation with the Company's professional advisors, has been committed to by the Board.

6.3.3 INDEPENDENT PROFESSIONAL ADVICE

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

6.3.4 REMUNERATION ARRANGEMENTS

The remuneration of an executive director will be decided by the Board, without the affected executive director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is the subject of a Shareholder resolution in accordance with the Company's bye laws, the Corporations Act and ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director.

The Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

6.3.5 EXTERNAL AUDIT

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

6.3.6 AUDIT COMMITTEE

The Company is to have a separately constituted audit committee.

6.3.7 IDENTIFICATION AND MANAGEMENT OF RISK

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board Meetings.

6.3.8 ETHICAL STANDARDS

The Board is committed to the establishment and maintenance of appropriate ethical standards.

7 » INDEPENDENT GEOLOGIST'S REPORT

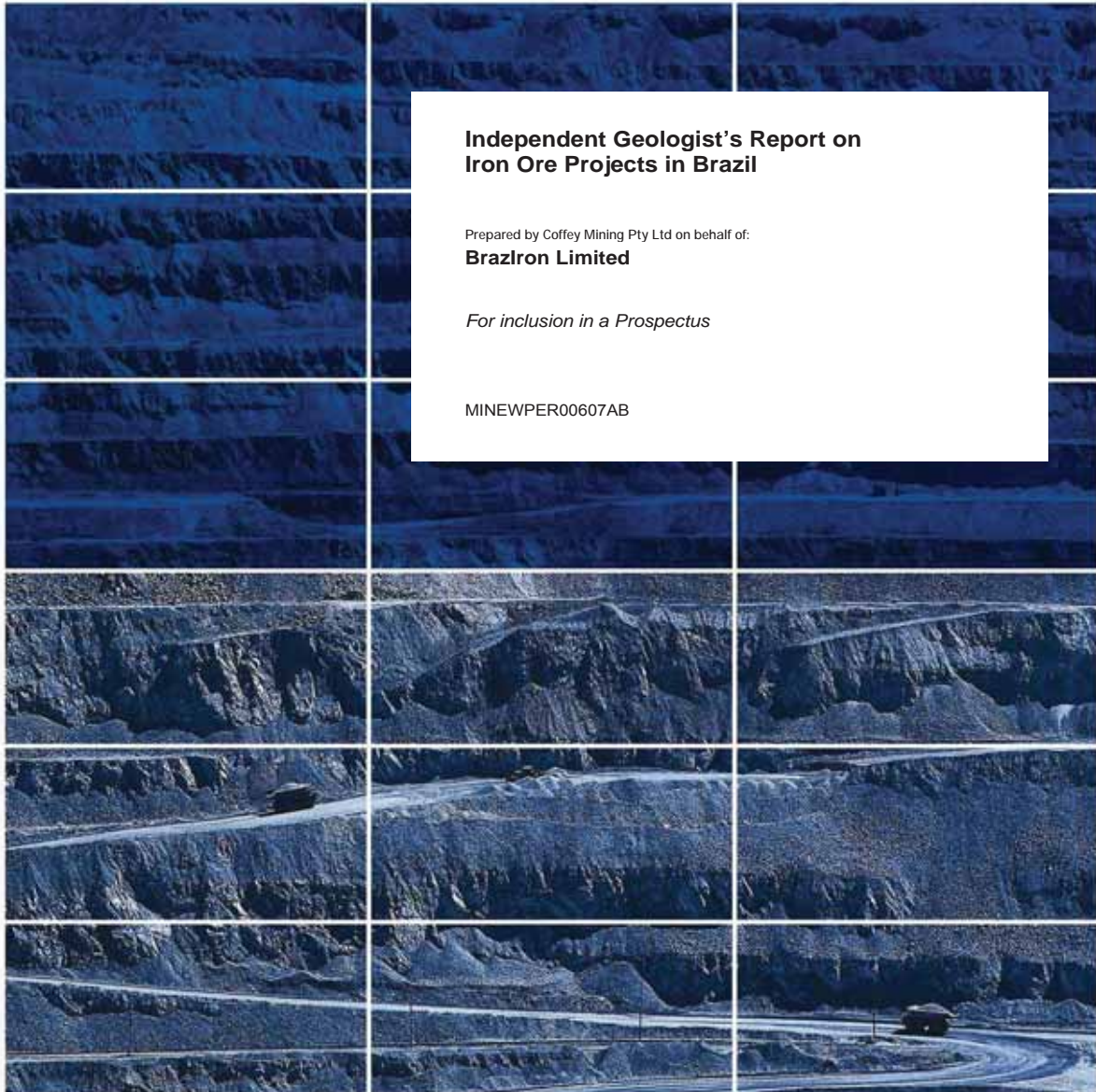


Independent Geologist's Report on Iron Ore Projects in Brazil

Prepared by Coffey Mining Pty Ltd on behalf of:
BrazIron Limited

For inclusion in a Prospectus

MINEWPER00607AB





Independent Geologist's Report

16 August 2010

The Directors
BrazIron Limited
Clarendon House,
2 Church Street
Hamilton HM11,
BERMUDA

Dear Sirs

Coffey Mining Pty Ltd ("Coffey Mining") has been commissioned by BrazIron Limited ("BrazIron") to provide an Independent Geologist's Report (IGR) on five iron ore properties located in the South American country of Brazil. This report is to be included in a Prospectus to be lodged with the Australian Securities and Investments Commission ('ASIC') on or about 16 August 2010, offering for subscription 75 million Shares at an issue price of 20¢ per Share (the 'Prospectus'), to raise a total of \$15 million (before costs associated with the issue). The funds raised will be primarily used for the purpose of exploration and evaluation of the mineral properties.

Coffey Mining has not been requested to comment on the fairness or reasonableness of any vendor or promoter considerations, and we have therefore not offered any opinion on these matters.

Coffey Mining has based its review of the BrazIron Properties on information provided by BrazIron, along with technical reports prepared by government agencies and previous tenement holders, and other relevant published and unpublished data. A site visit was undertaken to the Xingu Project by the primary author in February 2006, while the Xique-Xique, Jacaraci and Macaubas properties were visited by the primary author in April 2008. The F1 Project was visited by the co-author (Beau Nicholls) in September 2008. We have endeavoured, by making all reasonable enquiries, to confirm the authenticity and completeness of the technical data upon which the Independent Geologist's Report is based. A final draft of this report was also provided to BrazIron, along with a written request to identify any material errors or omissions, prior to lodgement. Coffey Mining confirms that it has taken all reasonable care to ensure that the information contained in the Independent Geologist's Report is, to the best of its knowledge and belief, factually accurate and without omission that would otherwise materially affect the import of the document.

The BrazIron mineral properties are understood to comprise 30 Mineral Claims covering an aggregate area of 66.65km² in which BrazIron holds a majority interest. The legal status associated with the tenure of the properties is understood to be the subject of a separate Solicitor's Report and Coffey Mining has not independently verified these matters. The present status of tenements and agreements listed in this report is based on information provided by BrazIron, and the report has been prepared on the assumption that the tenements are, or will prove to be, lawfully accessible for evaluation and development.

The IGR has been prepared in accordance with the Code for the Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (Valmin Code, 2005). Where relevant, the report has also been prepared in accordance with reporting standards and guidelines for the mining industry, developed and maintained by the Joint Ore Reserves Committee (JORC) and referred to as the JORC Code. These Codes are binding upon Members of the Australasian Institute of Mining and Metallurgy (AusIMM), the Australian Institute of Geoscientists (AIG), and the rules and guidelines issued by various international stock exchanges and regulatory bodies, which pertain to independent expert reports.

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» INDEPENDENT GEOLOGIST'S REPORT CONT.



The mineral properties in which BrazIron has or is earning an interest are considered to be sufficiently prospective, subject to varying degrees of exploration risk, to warrant further evaluation and development of their economic potential, consistent with the proposed programs. BrazIron has prepared staged exploration and development programs for each project, which are consistent with the proposed budgets. Coffey Mining considers that the BrazIron Properties have sufficient technical merit to justify the proposed programs and associated expenditure as provided. The proposed exploration budgets also exceed the anticipated minimum annual statutory and joint venture expenditure commitments associated with each of the projects.

The Independent Geologist's Report has been prepared on information available up to and including 16 August 2010. Coffey Mining has provided its consent for the inclusion of the Independent Geologist's Report in the Prospectus, and to the inclusion of statements made by Coffey Mining in the Prospectus, in the form and context in which the report and those statements appear, and has not withdrawn that consent prior to lodgement with the ASIC.

Coffey Mining is a wholly-owned subsidiary of Australian listed multi-specialist consulting group Coffey International Limited, which has been providing independent consulting services to the minerals industry since 1960 and is accredited with all major international stock exchanges, financial institutions and equity funds.

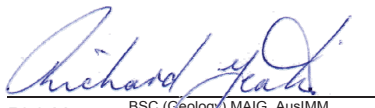
Coffey Mining is an integrated mineral industry consulting firm, which has been providing services and advice to international mining companies and financial institutions since 1987. The primary authors of this report are Mr Richard Yeates and Mr Beau Nicholls. Mr Yeates is a professional geologist with over 28 years experience in the exploration and evaluation of mineral properties internationally. Mr Yeates is an Associate Senior Principal Consultant of Coffey Mining and a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and the Australian Institute of Geosciences (AIG), and has the appropriate relevant qualifications, experience and independence to be considered an 'Expert' as defined in the Valmin Code. Mr Yeates visited the Xingu Project in February 2006, while the Xique-Xique, Jacaraci and Macaubas properties were visited by the primary author in April 2008.

Mr Nicholls is a professional geologist with 15 years experience in the exploration and evaluation of mineral properties internationally. Mr Nicholls is an Associate Principal Consultant of Coffey Mining and a Member of the AIG, and has the appropriate relevant qualifications, experience, competence and independence to be considered as an 'Expert' under the definition provided in the VALMIN Code. Mr Nicholls visited the F1 Project in September 2008.

Mr Rod Smith, Senior Principal Metallurgist with Coffey Mining, was engaged as a 'Specialist' to assess and provide comment on the metallurgical and mineralogical testwork completed on the various BrazIron projects. Mr Smith has 28 years experience. He is a member of the AusIMM and has the appropriate relevant qualifications, experience, competence and independence to be considered as a 'Specialist' under the definition provided in the Valmin Code.

Neither Coffey Mining nor the authors of this report have, or have had previously, any material interest in BrazIron or the mineral properties in which BrazIron has, or is earning, an interest. Our relationship with BrazIron is solely one of professional association between client and independent consultant. This report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

For and on behalf of Coffey Mining Pty Ltd


Rick Yeates BSC (Geology) MAIG, AusIMM
Associate Senior Principal Consultant

DOCUMENT INFORMATION

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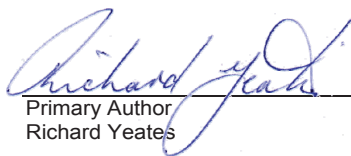
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Document Review and Sign Off


 Primary Author
 Richard Yeates


 Supervising Principal
 Paul Mazzone

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EXECUTIVE SUMMARY

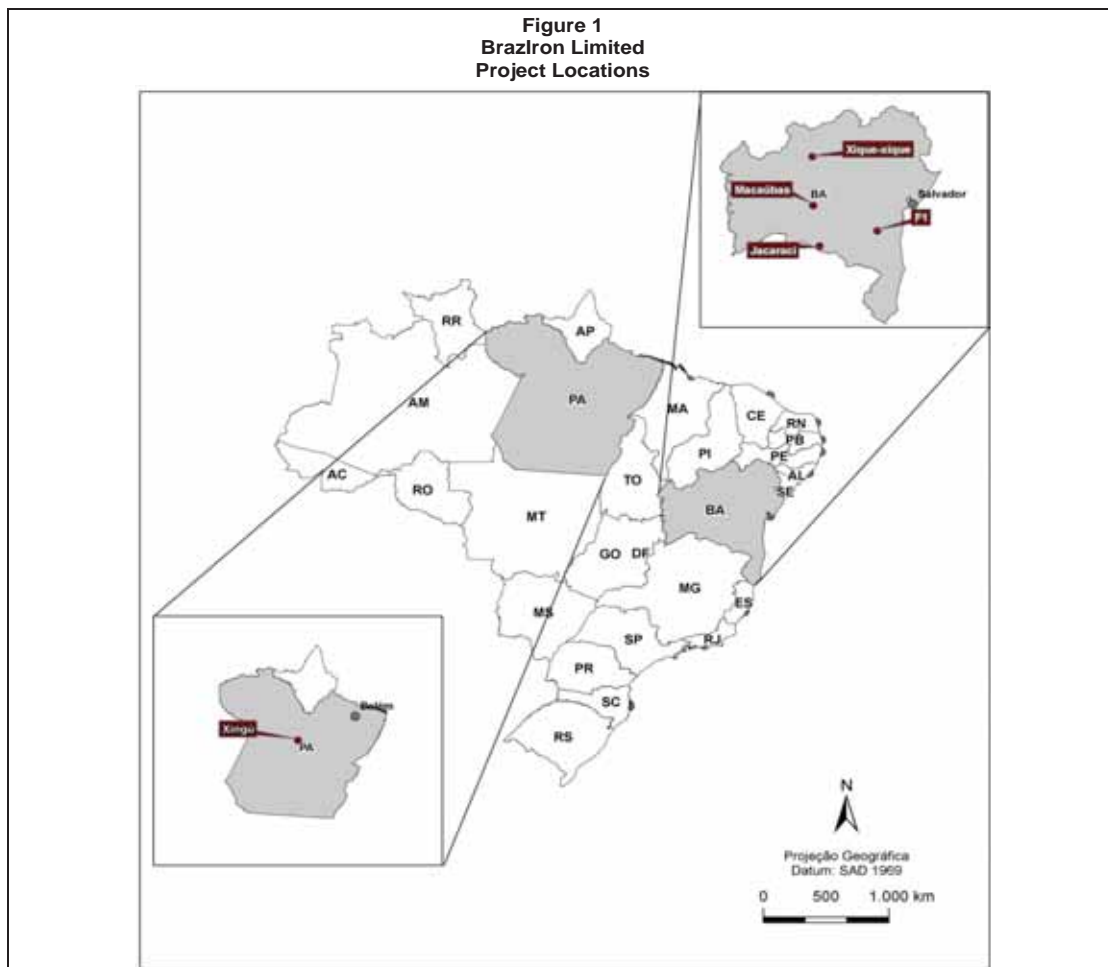
Introduction

Coffey Mining Pty Ltd (Coffey Mining) has been commissioned by BrazIron Limited (BrazIron) to prepare an Independent Geologist's Report on the company's mineral properties located in the South American country of Brazil, pursuant to the listing of BrazIron on the Australian Securities Exchange.

The BrazIron Brazil projects represent a total of five separate projects covering 66.65km² of mineral permits, located in Para and Bahia States of Brazil. The projects are prospective for iron. The most advanced project is the Xique-Xique project located in Bahia, which has had preliminary drilling and metallurgical testwork completed.

Location, Access, Physiography and Infrastructure

The five projects are located mainly in the state of Bahia with the Xingu project being located in Para state, Brazil (Figure 1 below).



» **INDEPENDENT GEOLOGIST'S REPORT CONT.**

Coffey Mining Pty Ltd

The physiography of the project areas varies from the Xingu Project in Para State with incised lateritic plateaux to the southern Bahia projects which are dominated by a series of small steep hills, in close proximity to the rugged Espiñhaço mountain range.

Vegetation comprises dense savannah and tropical forest but has mostly been cleared for farming.

All projects are located within relatively close proximity to bitumen roads and grid power, and water is available in numerous river systems. Commercial goods and services are readily available at the regional administrative centres.

In the case of the Xique Xique Project, the permits cover part of the São Francisco River which is navigable by barge for a distance of 360km downstream to the port and rail head of Juazeiro.

Tenure

The BrazIron mineral permits collectively comprise 30 Prospecting Permits covering an area of approximately 66.65km². BrazIron holds a majority interest in the properties. The legal status associated with the tenure of the properties and associated agreements is understood to be the subject of a separate Solicitor's Report and Coffey Mining has not independently verified these matters.

Xique Xique Project

The Xique Xique Project comprises 12 granted Prospecting Permits covering an area of 21.6km². It is located 70km north of the township of the same name in central-northern Bahia state, approximately 615km west-northwest of the state capital of Salvador. The town and project respectively lie adjacent to and straddle the São Francisco River.

The Xique Xique Complex is deformed into a series of anticlines and synclines, with dips ranging from sub-horizontal to steeply dipping. The magnetite-rich quartzites (itabirites) are extensive covering the majority of the permits.

Exploration by BrazIron has included satellite image interpretation, detailed mapping, outcrop sampling, ground magnetic surveying and drilling. BrazIron has completed 10 vertical diamond core (DC) holes for 1,004m which are located along the main BIF mineralisation over approximately 3.5km. All holes drilled returned similar results with the top 30m returning between 25% and 35% Fe and then grading into 10% to 30% Fe until the bottom of the holes. Most holes were drilled to around 80m in depth.

The drilling indicates that there is potential to define a very large tonnage iron ore deposit at between 25% and 35% Fe.

The Project is also favourably located with respect to infrastructure, straddling the São Francisco River, which is navigable to barges with up to a 1,400t capacity.

This tonnage potential already indicates that Xique Xique warrants further work, including additional resource definition drilling, to enable a scoping level economic assessment to be undertaken.

Macaúbas Project

The Macaúbas Project is located 10km north of the township of the same name in central Bahia state, approximately 675km west of the state capital of Salvador and 298km south of the Xique Xique Project. The Project comprises seven Prospecting Permits (including one extension application) covering a contiguous area of 6.3km².

The Macaúbas Project lies within an extensive belt of Lower Proterozoic sediments, dominated by quartzites that comprise the Espinhaço Supergroup or equivalents. Iron mineralisation is associated with a series of stacked magnetite quartzite (itabirite) units.

Exploration by BrazIron has included satellite image interpretation, detailed mapping, outcrop sampling, ground magnetic surveying and drilling. Six bore holes were drilled in the main deposits, Gameleira and Campo Grande for a total of 572m.

The results to date have identified the potential for moderate tonnage low grade iron mineralisation. The preliminary metallurgy results indicate that the material displays good beneficiation potential.

Jacarací Project

The Jacarací Project is located 10km west of the small township of the same name (~13,000 inhabitants) in central-southern Bahia State. The Project comprises five contiguous Prospecting Permits (three under application and two with extension applications submitted) covering an aggregate area of 4.5km².

Iron mineralisation at the Jacaraci Project is hosted by broadly folded quartzite units within the Borda-Lest Group of the Espinhaço Supergroup. Mineralisation within the itabirites comprises both magnetite and haematite, but is clearly dominated by the latter.

Exploration completed by BrazIron has comprised satellite image interpretation, reconnaissance mapping and sampling, along with initial metallurgical testwork. The metallurgical results indicate that the material displays good beneficiation potential.

Xingu Project

The Xingu Project (located in Para state) comprises seven Prospecting Permits (one granted, three under partial extensions and three under application) covering an aggregate area of 34km², located along the southern margin of the east-west trending Amazon Basin rift. The mineral potential of the Amazon Basin is essentially unknown, with only limited government surveys and extremely limited exploration having been completed. This document is one of the first to publicly recognise that iron mineralisation exists within this region.

Mineralisation is associated with magnetite iron formations that overlie Jurassic dolerites and gabbros up to 800m in thickness that have variously been interpreted as extrusive volcanics or intrusive sills. The shallowly north dipping iron formations range from 2m to 10m in thickness and persist along strike in an east-northeast orientation for at least 15km to 20km, and possibly up to 40km or more.

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BrazIron have completed preliminary pitting, trenching and drilling which has defined narrow intervals between 3m to 10m at between 50% and 55% Fe.

The Xingu Project is at a relatively early stage of exploration, with limited systematic sampling or drilling having been undertaken.

F1 Project

The F1 Project is located 10km southwest of the small township of Itagi and 40km south of the city of Jeque in the southeast of Bahia state. The Project comprises two granted Prospecting Permits covering an aggregate area of 0.87km².

Iron mineralisation at the Spa Prospect is hosted by a shallow dipping tabular quartzite unit. Mineralisation comprises both magnetite and martite, but is dominated by the latter at surface. The martite has been mapped over 900m in strike and up to 250m in width. The depth extension is unknown.

The F1 Project is at an extremely early stage of exploration, with no systematic sampling or drilling having been undertaken.

Conclusions

The Xique-Xique Project represents the most advanced project for BrazIron in Brazil. Preliminary drilling has identified a very large tonnage potential at around 25% to 35% Fe. This large tonnage potential already defined indicates Xique Xique warrants further work including additional resource definition drilling which may lead to a scoping level economic assessment being undertaken.

The remaining four projects are predominantly early stage iron exploration projects that have received regional reconnaissance and preliminary scout percussion and diamond core drilling along with preliminary metallurgical testwork.

1 INTRODUCTION

1.1 Terms of Reference

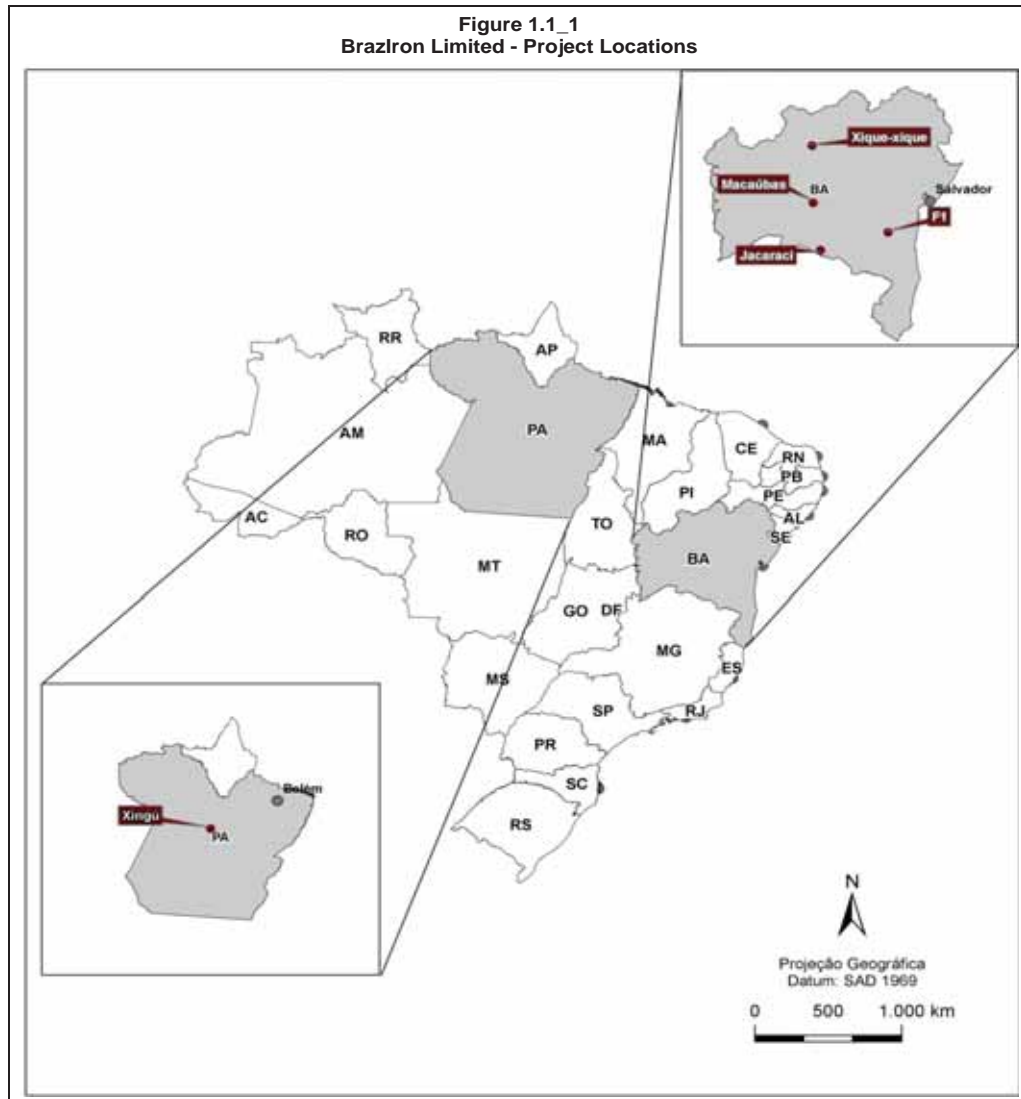
BrazIron Limited (BrazIron) has commissioned Coffey Mining Pty Ltd (Coffey Mining) to prepare an Independent Geologist's Report (IGR) for inclusion in a Prospectus to support the listing of BrazIron on the Australian Securities Exchange (ASX).

The IGR has been prepared in accordance with the Code for the Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (Valmin Code, 2005). Where relevant, the report has also been prepared in accordance with reporting standards and guidelines for the mining industry, developed and maintained by the Joint Ore Reserves Committee (JORC) and referred to as the JORC Code. These Codes are binding upon Members of the Australasian Institute of Mining and Metallurgy (AusIMM), the Australian Institute of Geoscientists (AIG), and the rules and guidelines issued by various international stock exchanges, which pertain to independent expert reports.

The BrazIron assets are understood to comprise a majority interest in all projects. The properties in which BrazIron is understood to have an interest comprise 30 Mineral Claims covering an aggregate area of approximately 66.65km² (Figure 1.1_1 below).

The legal status of the granted Mineral Claims and applications is the subject of a separate disclosure and these matters have not been independently verified by Coffey Mining. The present status of tenements and agreements described in this report is based on information provided by BrazIron, and the report has been prepared on the assumption that the tenements are, or will prove to be, lawfully accessible for evaluation and development.

The Independent Geologist's Report has been prepared on information available up to and including 16 August 2010. The conclusions expressed in this report are therefore only valid for this date and may change with time in response to variations in economic, market, legal or political factors, in addition to on-going exploration results. All monetary figures included in this report are expressed in United States of America dollars (US\$) unless otherwise stated.



1.2 Qualifications, Experience and Independence

Coffey Mining is an integrated mineral industry consulting firm, which has been providing services and advice to international mining companies and financial institutions since 1987.

The authors of this report are Mr Richard Yeates and Mr Beau Nicholls. Mr Yeates is a professional geologist with 28 years experience in the exploration and evaluation of mineral properties internationally. Mr Yeates is an Associate Senior Principal Consultant of Coffey Mining and a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and the Australian Institute of Geosciences (AIG), and has the appropriate relevant qualifications, experience and independence to be considered an Expert as defined in the Valmin Code.

Mr Yeates visited the Xingu Project in February 2006, while the Xique-Xique, Jacaraci and Macaubas properties were visited in April 2008.

Mr Nicholls is a professional geologist with 15 years experience in the exploration and evaluation of mineral properties internationally. Mr Nicholls is an Associate Principal Consultant of Coffey Mining and a Member of the AIG, and has the appropriate relevant qualifications, experience, competence and independence to be considered as an 'Expert' under the definition provided in the VALMIN Code. Mr Nicholls visited the F1 Project in September 2008.

Mr Rod Smith, Senior Principal Metallurgist with Coffey Mining, was engaged as a 'Specialist' to assess and provide comment on the metallurgical and mineralogical testwork completed on the various BrazIron projects. Mr Smith has 28 years' experience. He is a member of the AusIMM and has the appropriate relevant qualifications, experience, competence and independence to be considered as a 'Specialist' under the definition provided in the Valmin Code.

Neither Coffey Mining, nor the author of this report has, or has had previously, any material interest in BrazIron or the mineral properties in which BrazIron has an interest. Our relationship with BrazIron is solely one of professional association between client and independent consultant. This report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

1.3 Principal Sources of Information

The principal sources of information used to compile this report comprise technical and exploration records, along with technical reports and data variously compiled by BrazIron and its consultants, supplemented by discussions with BrazIron technical and corporate management. A listing of the principal sources of information is included in Section 7 of this report.

In addition, site visits were undertaken by the primary author, Richard Yeates, to the Xique-Xique, Macaubas and Jacaraci properties in April 2008, while the Xingu Project was visited by the primary author in February 2006. The F1 Project was visited in September 2008 by the co-author, Beau Nicholls.

All reasonable enquiries have been made to confirm the authenticity and completeness of the technical data upon which this report is based. A final draft of this report was also provided to BrazIron, along with a written request to identify any material errors or omissions prior to lodgement with the Australian Securities and Investments Commission (ASIC).

1.4 Consent and Responsibility

Coffey Mining has provided its consent for the inclusion of this Independent Geologist's Report in the BrazIron Prospectus in the form and context in which the report appears and has not withdrawn that consent prior to lodgement Admission. Coffey Mining confirms that it is responsible for this Independent Geologist's Report and declares that it has taken all reasonable care to ensure that the information contained in the report is, to the best of its knowledge and belief, factually accurate and without omission that would otherwise materially affect the import of the document.

2 BACKGROUND INFORMATION ON BRAZIL

Brazil occupies a land surface area of about 8.5 million square kilometres, slightly larger than Australia. The climate is largely tropical, with more temperate regions in the south. The topography is mostly flat, with rolling lowlands in the north, some plains and a narrow coastal belt. The total population is about 186 million and literacy is about 86%. The official language is Portuguese, while English, Spanish and French are also spoken. The capital city is Brasilia, located in the centre of the country.

Political conditions in Brazil are generally stable. Brazil has been a member of the World Trade Organisation since 1995 and is a founding member of Mercosur, a trade liberalisation program for South America.

The fundamentals of Brazilian macro-economic policy are based primarily on fiscal austerity, the control of inflation and free foreign exchange. The general strength of the world economy and the high level of liquidity in international financial resources have accelerated production, led to more intense global trade, and created favourable conditions for foreign investment and the recovery of the country's economy since 2004.

Brazil has moderately free markets and an inward-oriented economy. Measured by purchasing power parity, its gross domestic product is estimated at \$1.9 trillion, making it the ninth largest economy in the world and the second largest in the Americas, after the United States. The Brazilian economy has been predicted to become one of the five largest economies in the world in the decades ahead, with the GDP per capita following and growing.

2.1 Mineral Legislation

The properties are subject to the Brazil mining code as promulgated in Decree-Law No. 227, dated February 28 1967, as amended several times and in its now definite form under Law No. 9314, dated November 14 1996, which became effective on January 17 1997. The salient points of this code are:

- Ownership of all minerals is vested in the State;
- Mineral title in the form of Licenses is granted by the Minister of Mines and Energy;
- The three types of mineral title relevant to the BrazIron projects are:
 - Prospecting Permits that are issued for three years, renewable for a further period of three years.
 - A Prospecting Permit may have a maximum area of between 2,000 hectares and 10,000 hectares on issue, depending on commodity and State. Application is made to the National Mineral Production Department (DNPM) who will consider the merits of the application, together with possible conflicts with prior permits or applications, before grant and publication in the Official Gazette of the Federal Executive (DOU).
 - In the case of partial interference with prior claims, or inadequate prospecting plans, an order will be issued that certain requirements are to be met; the

applicant will then have 60 days to meet the requirements, or the application lapses.

- On completion of prospecting, the holder must submit a Prospecting Report that will detail the 'Reserves' and 'Content' of the mineral substance in the area. If the report is accepted by DNPM, the holder will have the right to apply for a Mining Concession. If the report is denied or shelved, the area may be opened to other companies for prospecting; however this does not cancel any other outstanding obligations of the Prospecting Permit. If there is a request to stay a decision on the report, DNPM may defer making a final decision for up to three years; this deferral is reserved for sub-economic properties in current markets at the time of application.
- **Mining Concessions** may be granted to Brazilian companies that have acceptably reported on their prospecting for as long as the company operates within the applicable law, or until the mineral is exhausted.
 - Application by the Prospecting Permit holder, together with the approved Prospecting Report and a Plan for Commercial Exploitation of Deposit, or Feasibility Study (PAE), is made to DNPM. If approved, the Minister will make a grant and publish the order in DOU.
 - An environmental permitting process must be followed in parallel with the Application for a Mining Concession.
 - Within 90 days, the concession holder will apply for a Writ of Entry to the property and will pay all the necessary fees. An announcement will be published in the DOU and other formal procedures will be completed.
 - Within six months, the mining works must commence. During the life of the mine, Financial Considerations and other mining matters must be fulfilled. Mine Closure reports will be required for environmental and other issues as prescribed.
- The current fees are:
 - Prospecting Permits: 1.9 Reais per hectare
 - Mining Licenses: No area charge.
- **Financial Consideration for Exploitation of Minerals (CFEM or Royalties)** are fixed in law at no more than 2% of net sales for most minerals. Of this amount, 65% is paid to the municipalities where production takes place, 23% to the States or the Federal District, and 12% to DNPM. The latter, in turn, must allocate 2% to environmental protection, through IBAMA. A further royalty, equivalent to 50% of the amount of CFEM, is paid to the land owner in the event this is not the concession holder. Other financial matters are required under the Tax Act or other legislation.

3 XINGU PROJECT

3.1 Introduction

The Xingu iron ore Project straddles the Trans-Amazonica development road, which extends from west to east across the southern Amazon Basin, approximately 170km south of and parallel to the Amazon River. The project area is centred on the township of Medicilândia, situated approximately 80km due west of the regional service centre of Altamira within central-north Pará State. Altamira is accessible by commercial jet aircraft services from the more significant centres of Belém and Manaus.

The principal mineralised horizon is accessed to the west from Altamira on the sealed and formed gravel Trans-Amazonica development road for a distance of 85km to the town of Medicilândia, thence northwards on a series of spur development roads spaced at 5km intervals along the Trans-Amazonica.

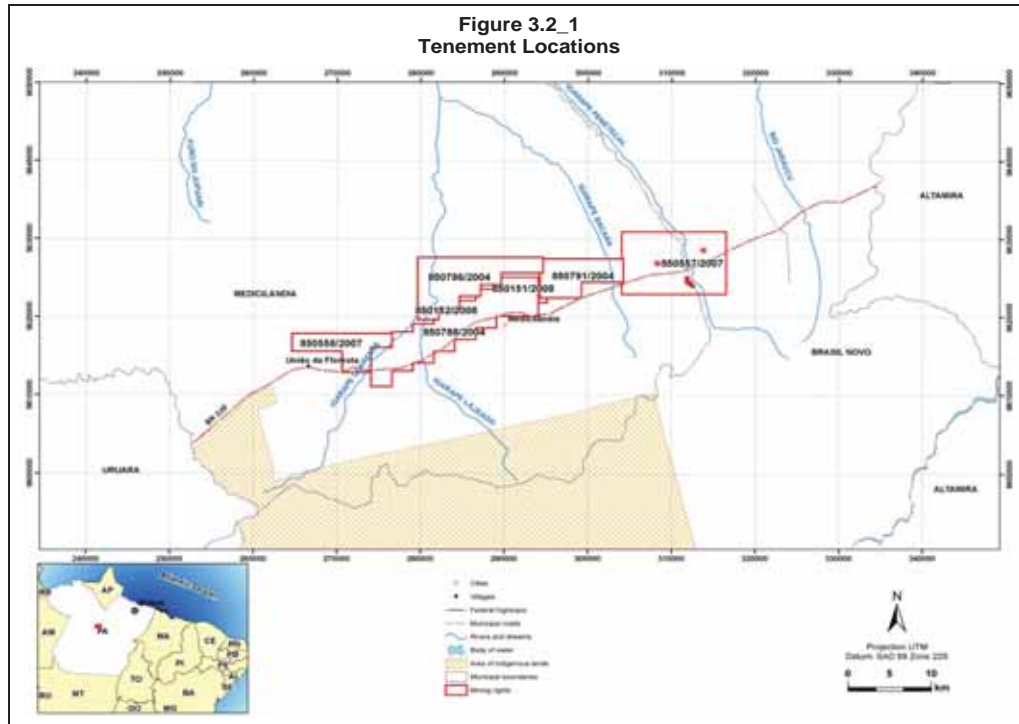
The physiography of the project area comprises incised lateritic plateaux that have been largely cleared of tropical forest to make way for beef cattle grazing and cash cropping enterprises. The climate is tropical monsoonal, experiencing approximately 1,300mm to 3,000mm of rain annually, which predominantly falls between the months of January and May.

Basic infrastructure is reasonably well developed, with abundant water, reasonable road access, grid power extending through the project area, and a major powerline situated within 5km of the property. There is no rail link, however the Xingu River, a major southern tributary of the Amazon, is navigable via barge to the sea-ports of Macapá and Belém, located to the north and south of the Amazon river-mouth respectively. A barge-loading facility is located at the port of Vitória on the Xingu River, 10km downstream from Altamira and some 130km by road east of the project area. The river distance from Vitória to Belém and Macapá is 560km and 236km respectively, which is navigable by barge with a maximum draft of 1.5m.

3.2 Tenure

The Xingu Project comprises seven Prospecting Permits (one granted, three under partial extensions and three under application) covering an aggregate area of 34km² as shown in Table 3.2_1 and Figure 3.2_1 below

Licence No.	Registered Holder	Equity (%)	Issue Date	Expiry Date	Area (ha)
850151/2008	Octa Ferro SA	100%	Application		368.04
850152/2008	Octa Ferro SA	100%	Application		105.02
850557/2007	Octa Ferro SA	100%	Application		9,853.14
850558/2007	Octa Ferro SA	100%		2/04/2012	3,541.95
850786/2004	Octa Ferro SA	100%	Extension		6,750.00
850788/2004	Octa Ferro SA	100%	Extension		9,776.60
850791/2004	Octa Ferro SA	100%	Extension		3,928.75
Total					34,323.50



The tenements are held 100% by Octa Ferro SA, a Brazilian subsidiary of BrazIron.

3.3 Geology

3.3.1 Regional Setting

The Xingu iron ore project is located along the southern margin of the east-west trending Amazon Basin, formed following initiation of rifting in the late Proterozoic, and through which the Amazon River now flows. The basin comprises a series of disconformable Palaeozoic marine sedimentary successions, variously of Ordovician to Silurian, Devonian and Carboniferous age. The upper portion of the latter succession is comprised of at least 10 extensive evaporite horizons of up to 2,000m in stratigraphic thickness termed the Nova Olinda Group. The majority of the Palaeozoic formations are only known from deep oil exploration drilling within the central portion of the basin.

The Palaeozoic stratigraphy is overlain by broadly conformable, tholeiitic Jurassic dolerites and gabbros up to 800m in thickness that have variously been interpreted as extrusive volcanics and intrusive sills. The basic igneous rocks exhibit a medium to coarse grained texture of welded interlocking grains and contain disseminated interstitial magnetite. The complex grades into anorthosite and differentiates towards the base, strongly suggestive of an intrusive origin. However, there is no clear evidence of intrusive textures or thermal metamorphism at the upper contact, suggesting that the mafic body may represent a massive extrusive. Growth faulting along the basin margins and more localised block faulting continued at least until the Jurassic, and possible beyond.

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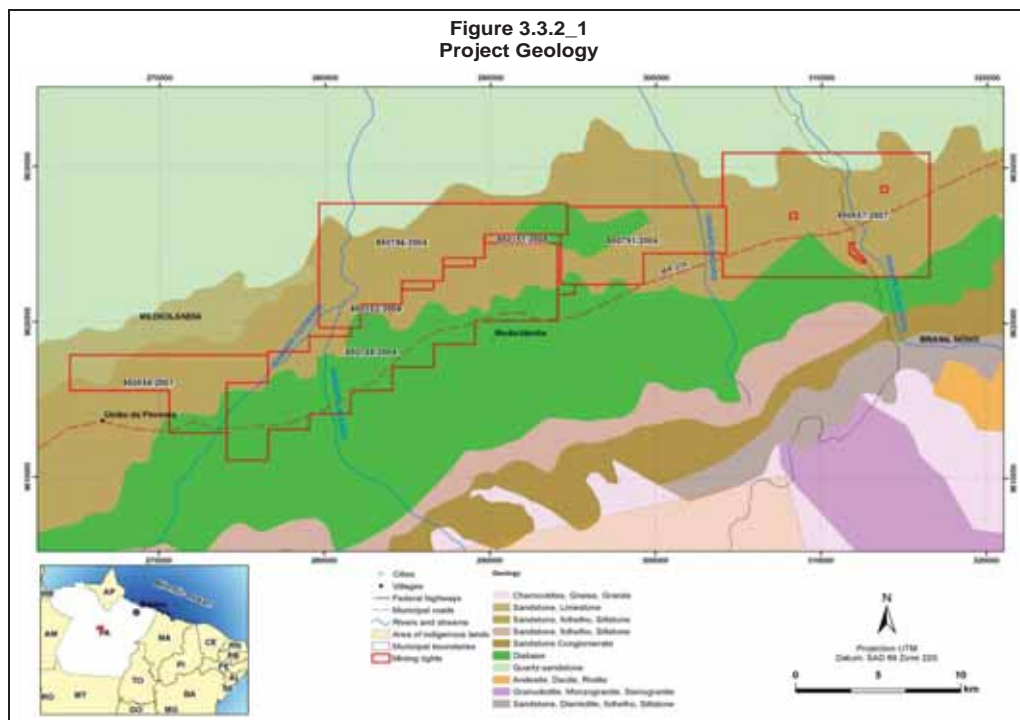
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The Jurassic basic igneous complex is overlain by an extensive sequence of Cretaceous fluvial, variably ferruginous, clastic sediments described as 'red beds' of the Alter do Chão Formation, which are well represented throughout the Amazon Basin. The entire stratigraphic succession dips gently (~4°) northwards towards the basin depocentre, however orientations locally demonstrate considerable undulation and disruption due to minor post-depositional faulting.

3.3.2 Project Geology and Mineralisation

The Xingu iron occurrence appears to comprise the base of the Cretaceous 'red bed' ferruginous sandstones that overlie the basic igneous complex, but is (at least locally) stratigraphically separated from the basic rocks by 10m to 15m thick succession of siltstones and conglomerates.

The iron-rich horizons range from magnetite sandstones at the top to massive magnetite iron formations towards the base, which have been locally modified by oxidation and weathering to a magnetite-haematite (martite) composition. Although exposure is intermittent and formal mapping virtually non-existent, it appears that the more massive iron formations are represented by two horizons, separated by magnetite sandstone, that each range from 2m to 40m in thickness. Given the distribution of exposures, however, the second iron formation may relate to localised block faulting of a single horizon. The iron formation appears to persist along strike in an east-northeast orientation for at least 15km to 20km, and possibly up to 40km or more (Figure 3.3.2_1).



The iron formations are suggested to be of the Algoma type, characterised by a sedimentary origin formed by the deposition of iron and silica in reducing to oxidising environments associated with mafic volcanism and clastic to pelagic sedimentation. Their characteristic association with major faults in a rift environment is also consistent with the Xingu occurrences. While only oxide facies have been identified at Xingu to date, the iron formations may grade laterally into carbonate or sulphide facies beyond the limit of exploration. The presence of magnetite within dolerites comprising the upper portion of the basic complex strongly suggests that magmatism is intimately related to deposition of the overlying iron formations.

Due to their shallow southerly dip and resistant nature, the iron formations are interpreted to have an extensive surface expression, comprising dissected lateritised plateaux, the surfaces of which have gentle dip slopes. While this interpretation cannot be confirmed due to the poor exposure, the concept provides substantial shallow tonnage potential and the opportunity for secondary enrichment of both in-situ and detrital iron accumulations. This concept is supported by extensive surficial goethite accumulations in a gravel quarry, located some 4km to the north of the principal escarpment in which the iron formations are exposed. These secondary iron accumulations appear to have resulted from the deflation and lateritisation of magnetite sandstones providing evidence of potential secondary ore sources.

3.4 Exploration History

Previous geological, geophysical and geochemical work completed within the Amazon Basin is strongly biased towards oil exploration, the majority completed by the state-owned oil and gas company Petrobras.

During the 1970s and 1980s, however, portions of the northern and southern basin margins were assessed via government programs of geological mapping and stream sediment sampling. These were undertaken by the Geological Survey of Brazil (CPRM) and Nuclebras, the latter being the state-owned nuclear energy authority. The area now covered by the Xingu Project tenements was first assessed by CPRM in 1978, although no reference is made to iron formations in the literature. As part of this program, a low density (2km line spacing) airborne magnetic survey was completed by Prospec, on behalf of CPRM.

During the 1990s, the region was selected by Globalconsult (a Brazilian-based geological consulting and contracting entity) under contract to Rio Tinto as a likely target for sedimentary exhalative (Sedex) zinc deposits. The subsequent program identified a large low grade zinc deposit associated with the Devonian sedimentary succession. It was during this program that Globalconsult first recorded the iron formations, however these have never been formally documented. The Globalconsult principals now comprise the technical management team of BrazIron.

3.5 Exploration

Since the project was acquired by Octa Mineração Ltda (at the time a subsidiary of Globalconsult) in October 2004, exploration has been confined to mapping, preliminary drilling, pitting and a ground magnetic survey. The tenements were transferred to Octa Ferro on 24 July 2009.

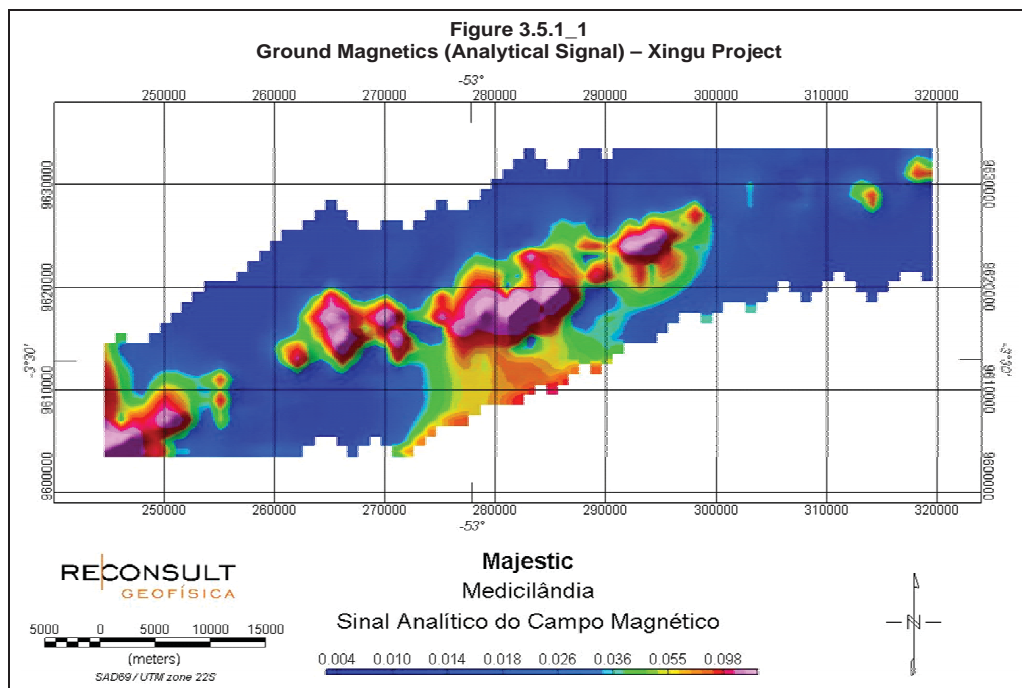
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A total of 15 selective surface samples of massive iron formation and magnetite sandstone were submitted for assay to the ALS Chemex laboratory in Brasilia. Once the four magnetite sandstone samples are removed, the results average 61% Fe, with individual values ranging from 57.7% to 62.8% Fe, while the average values for other critical species include 0.21% P, 4.02% Al₂O₃, 3.26% SiO₂ and 3.32% loss on ignition (LOI). Sulphur does not appear to have been assayed.

3.5.1 Ground Magnetics

Over 150 line-km of ground magnetic survey has been carried out by BrazIron over the strike length of known mineralisation. The figure below shows the east north east trend of the magnetite mineralization over a 50km strike.



3.5.2 Pitting and Trenching

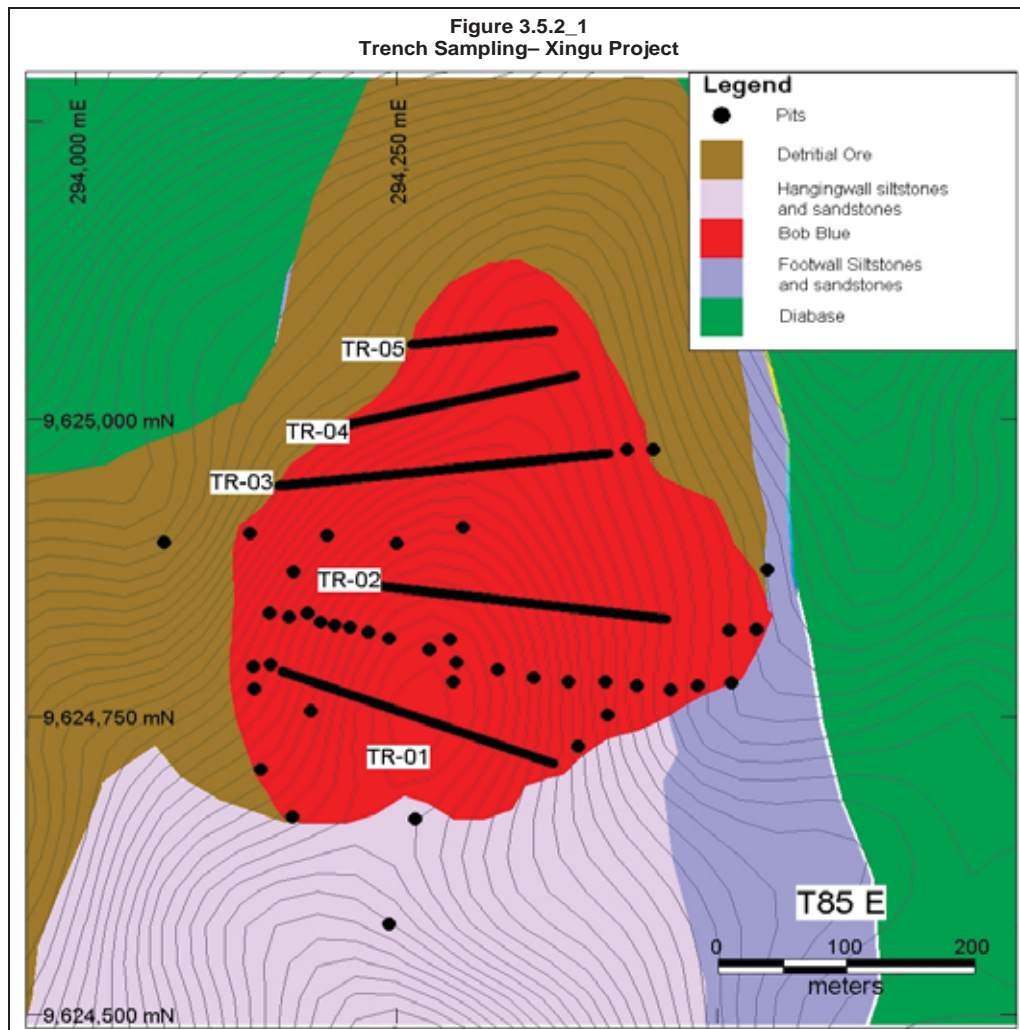
1,310m of trenches have been completed along with over 60 vertical pits to test the colluvial and alluvial mineralisation.

Sampling was done over 5m composites (not channel sampling) but by selectively taking the lump material. Coffey Mining would consider that this method would produce a positive bias and as such would not utilise these results in resource estimation.

Taking into account the positive bias due to the sampling methodology, the average of 242 lump samples from five trenches averaged 63.5% Fe. No other elements have been analysed with this sampling.

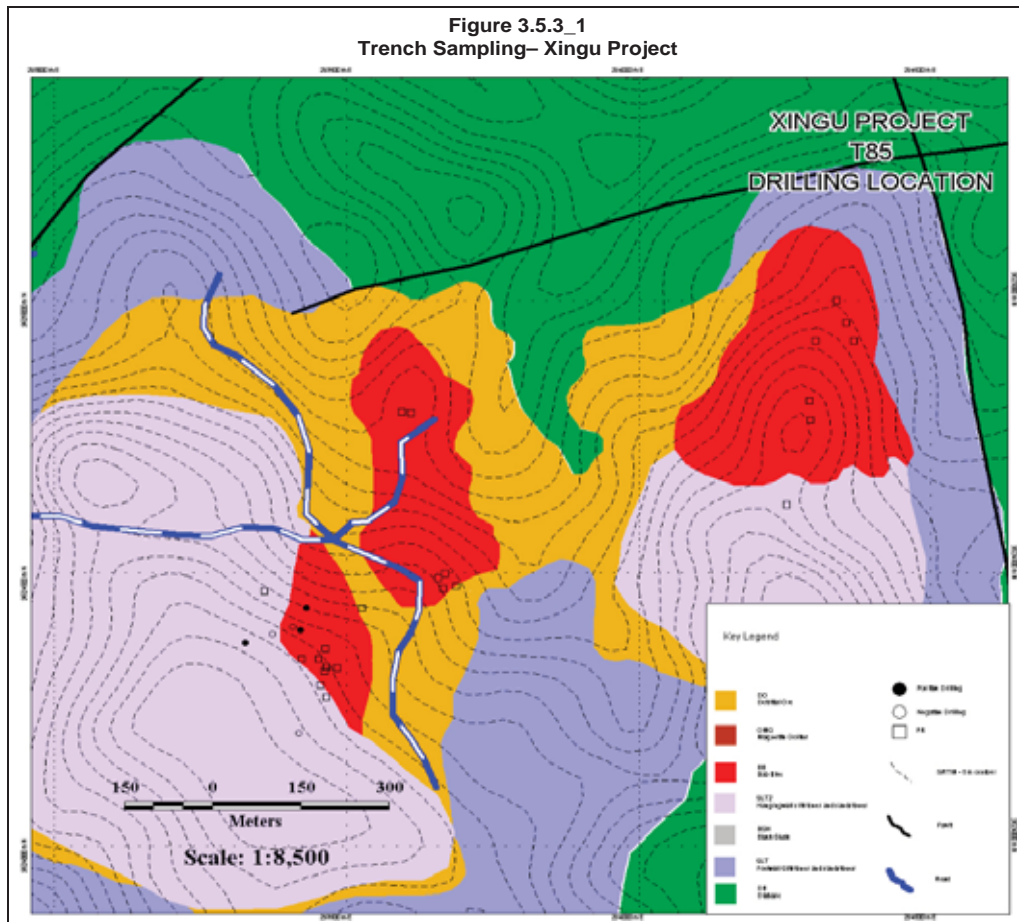
Although this sampling indicates that the colluvial and alluvial material has the potential to be economic (reportedly <2m in thickness) the lump sampling method makes it difficult to estimate a true in situ grade for the material and no other elements have been analysed.

Coffey Mining would recommend a continuous channel sample or regular vertical channel samples are undertaken. Figure 3.5.2_1 below shows the locations of trenches 1 to 5 in the T85E target.



3.5.3 Drilling

To date 1,293m of open hole percussion and 222m of diamond core drilling have been completed in a limited number of targets. Most drilling is relatively short with holes normally less than 30m in depth.



The percussion drilling used by BrazIron is open hole and results in downhole contamination, and as such is not usable in resource estimation. BrazIron used this method due to accessibility of drilling equipment and as a first pass exploration tool.

The samples of the percussion drilling were sent to Nomos laboratory and assayed for Fe by the Titration method and also umpire samples were sent to the University of Sao Paulo (USP) for analysis by XRF. Coffey Mining has not verified the quality of either of these laboratories. They have no official certification and as such would require an independent laboratory audit by Coffey Mining before the results could be formally adopted.

Generally the percussion drilling returned intervals between 3m and 10m at between 50% and 55% Fe.

An additional 10 diamond core (DC) holes were drilled for a total of 222m to help qualify the percussion drilling. These samples were taken according to the lithology and assayed via Nomos Titration with umpire samples at USP or ALS Chemex.

Generally these short holes returned grades between 25% and 35% Fe but were used to calibrate the percussion drilling. All drilling was completed after the site visit, and Coffey Mining has not reviewed the comparative drilling techniques in a useable format and cannot comment on the quality of this drilling.

On review of the geological logs available in a number of excel spreadsheets, it appears that the majority of diamond holes were terminated as they entered into un-mineralised footwall material, suggesting that the tonnage potential is limited to the top 30m.

3.6 Metallurgical Testwork

The majority of metallurgical testwork programs were undertaken by Nomos Laboratory. The main aim of the programs was to determine the nature of the samples, and where appropriate, the key parameters for product beneficiation as well as potential flowsheet options.

The main source of samples for metallurgical testwork was drillholes XD-02 (T100W) and XD-07(T85C). The deposits are discontinuous along strike and mineralisation tends to be restricted to zones that have survived erosion or are structurally controlled. Drillhole XD-02 is described as a typical target in the deposit, whilst drillhole XD-07 is located in an area where the lump type material is defined as a bluish compact magnetite. Given the level of the study, the drillhole samples are considered adequate and representative of the target zones within the deposit.

In addition to the above, surface and trench samples have been utilised for metallurgical testwork and assay programs. The exact source and therefore representativeness of those samples is not known.

More detailed studies should source testwork samples based on a weighted proportion with respect to the deposit tonnage and grade, and account for any mineralogical or metallurgical domains that exist.

3.6.1 Mineralogy

The material tested was originally pure magnetite oolites that have now been altered to magnetite-martite-haematite.

Alumina and phosphorous are enclosed within the nuclei of the oolites but are reported to have an estimated liberation grain size of 100µm (~140 mesh).

3.6.2 Metallurgical Testwork

The majority of the metallurgical testwork programs were conducted by Nomos Laboratory. The aim of the testwork programs was to establish the key parameters for product beneficiation, where required, at a scoping level. The results generally displayed good beneficiation potential for all deposits.

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Complete assays results on concentrate and head assays were not available for all of the deposits, however those that were tested generally achieved reasonable iron upgrade and final assay levels. Based on the results of the samples tested and with an improved understanding of the mineralogy for each deposit, it would be expected that the production of a marketable iron concentrate for sinter or pellet feed should be feasible.

Crushing and beneficiation testwork was conducted on samples by Nomos Laboratory and Inbras-Eriez and subsequently reported by Octa Ferro SA in their memorandum of September 2009.

The results can be summarised as follows:

Fines Mineralisation (magnetite-martite)

- Liberation of key contaminants was achieved at minus 106µm (150 mesh) provided that the samples were well 'scrubbed' to liberate free particles.
- Testwork was completed on magnetite-martite fines material after grinding and scrubbing with an aim to decrease the alumina and phosphorous contents. The levels of both contaminants were lowered, however phosphorous did not reach marketable levels. The option may still exist in Brazil, however, to process such material using dephosphorisation technology in the iron making process.
- The grind size target was 106µm (150 mesh)
- Beneficiation testwork results were positive via conventional magnetic separation after grinding and scrubbing.

Lump Mineralisation

- Lump samples were ground to 106µm (150 mesh), scrubbed and then subjected to three stages of magnetic separation. Improvements were achieved in iron grade and as indicated in mineralogical examination, the phosphorous reported to the non-magnetic fraction or ultra-fines.
 - The average results for the three samples were:
 - an iron content of 63.4% (lower intensity magnetic separation improved to 66% iron)
 - an iron recovery 95.23%
 - a mass recovery 94.3%
- Lump samples were crushed to 20mm and screened at 6.3mm. The lump to fines ratio varied for different samples with an upper average of 58% from the area of T85 and a lower average of 50% in the area of T100W.
- Lump samples sourced from trenches consistently averaged >63% iron with alumina at 3.5% and phosphorous at 0.35%, whilst some drill samples had a lump to fines ratio of 50% at iron grades of 60%.

The metallurgical testwork programs were not fully optimised, as would be expected at this level of study. Testwork results and mineralogical information indicates that Xingu has potential to produce a final iron ore concentrate (lump and fines). Further testwork is required to optimise the value of the concentrate achievable from this deposit. Alternatives, including blending, may also be beneficial in decreasing contaminant levels in any final saleable product.

3.7 Exploration and Development Potential

The mineral potential of the Amazon Basin is essentially unknown, with only limited government surveys and extremely limited exploration having been completed. Presentation of the Xingu occurrence in this document is the first public acknowledgement that iron mineralisation exists within this region.

The project is at a very early stage of exploration, with minimal sampling or drilling having been undertaken. On the basis of the site visit, however, there is little doubt that the project has tonnage potential, with the iron formation having been encountered in four consecutive road cuttings located at 5km intervals through the central portion of the project area.

The drilling to date has indicated that high grade iron mineralisation can be expected although only narrow intervals of less than 10m have been intercepted by the drilling to date. All percussion drilling reviewed by Coffey Mining has been terminated in low grade Fe, nominally <20% Fe, and all diamond holes never exceeded 30m in depth having entered un-mineralised footwall material.

The region is still relatively unexplored and potential exists to define a significant iron ore resource. While sources of water and grid power are available within close proximity to the project, and the site is readily accessible by road, the infrastructure required for optimising ore transport will require significant study. Shipping ore by barge to either Belém or Macapá from the port of Vitória, located 90km in a direct line to the east of the project, appears to represent the most appropriate option.

3.8 Exploration Strategy

BrazIron has provided Coffey Mining with a comprehensive exploration strategy for the Xingu iron ore project to cover an initial two year period following listing.

Additional RAB drilling will continue to identify the lateral extent of the identified mineralisation which is hidden by soil cover.

During the second year further ground geophysics, drilling and laboratory testwork will identify areas underlying the plateau that indicate the presence of ore-grade and metallurgically favourable horizons with thicknesses amenable to mining.

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BrazIron has also provided Coffey Mining with an exploration budget for the Xingu iron ore project covering the initial two year period as summarised in Table 3.8_1 below.

Table 3.8_1 Xingu Project Proposed Exploration Expenditure		
Item/Activity	Year 1 (US\$)	Year 2 (US\$)
Geology & Geophysics	100,000	100,000
RC Drilling & Sampling	150,000	100,000
Diamond Drilling & Sampling	50,000	100,000
Feasibility Studies	50,000	150,000-
Project Development	-	-
Total	US\$350,000	US\$450,000

The proposed expenditure of US\$350,000 and US\$450,000 in Year 1 and Year 2 respectively is considered to be consistent with the potential of the Xingu Project and is adequate to cover the costs of the proposed program.

4 XIQUE XIQUE PROJECT

4.1 Introduction

The Xique Xique Project is located 70km north of the township of the same name in central-northern Bahia state, approximately 615km west-northwest of the state capital of Salvador. The town and project respectively lie adjacent to and straddle the São Francisco River.

The project is accessed by road from Salvador via the sealed and well-maintained Federal Highway BR-324, thence via the sealed and variably maintained State Road BA-052. Salvador can be accessed via domestic and international commercial air services, and a small airstrip suitable for charter aircraft is located near Xique Xique township. The southern project tenements are accessed north from the township along the east bank of the São Francisco River to the irrigation project construction settlement of Boa Vista. The principal prospects are then accessed via the new canal development road along the eastern edge of the flood plain.

The region experiences a tropical continental climatic regime, characterised by hot wet summers and dry mild winters. Vegetation comprises dense to open savannah, dominated by acacia and bauhinia shrubs, interspersed with annual grasslands. Land use is dominated by extensive cattle, sheep and goat raising, with irrigated cash crops and pastures prevalent along the São Francisco floodplain.

The township of Xique Xique is a river port on the São Francisco located at an altitude of 402m ASL, with a population of approximately 45,000 inhabitants. The town is well serviced with power, fuel, communications, schools, hospital, banks and a police station. Grid power extends to a point immediately adjacent to the project itself, recently constructed to service a massive irrigation scheme being developed at Boa Vista along the east bank of the São Francisco River.

The São Francisco River is navigable by barge for a distance of 360km downstream to the port and rail head of Juazeiro. The journey traverses the Sobradinho lock system, restricting vessels to 7,200t capacity, 240m in length, 16m width and with a maximum draft of 2.5m. Transport is restricted to daylight hours only and the maximum draft may be reduced to only 1.8m during the dry season.

4.2 Tenure

The Xique Xique Project comprises 12 granted Prospecting Permits covering an area of 21.6km² as shown in Figure 4.2_1 and Table 4.2_1 below.

The tenements are held 100% by BR Ferro Mineração S.A. (BRF), a company 51% owned by Octa Ferro SA, a Brazilian subsidiary of BrazIron.

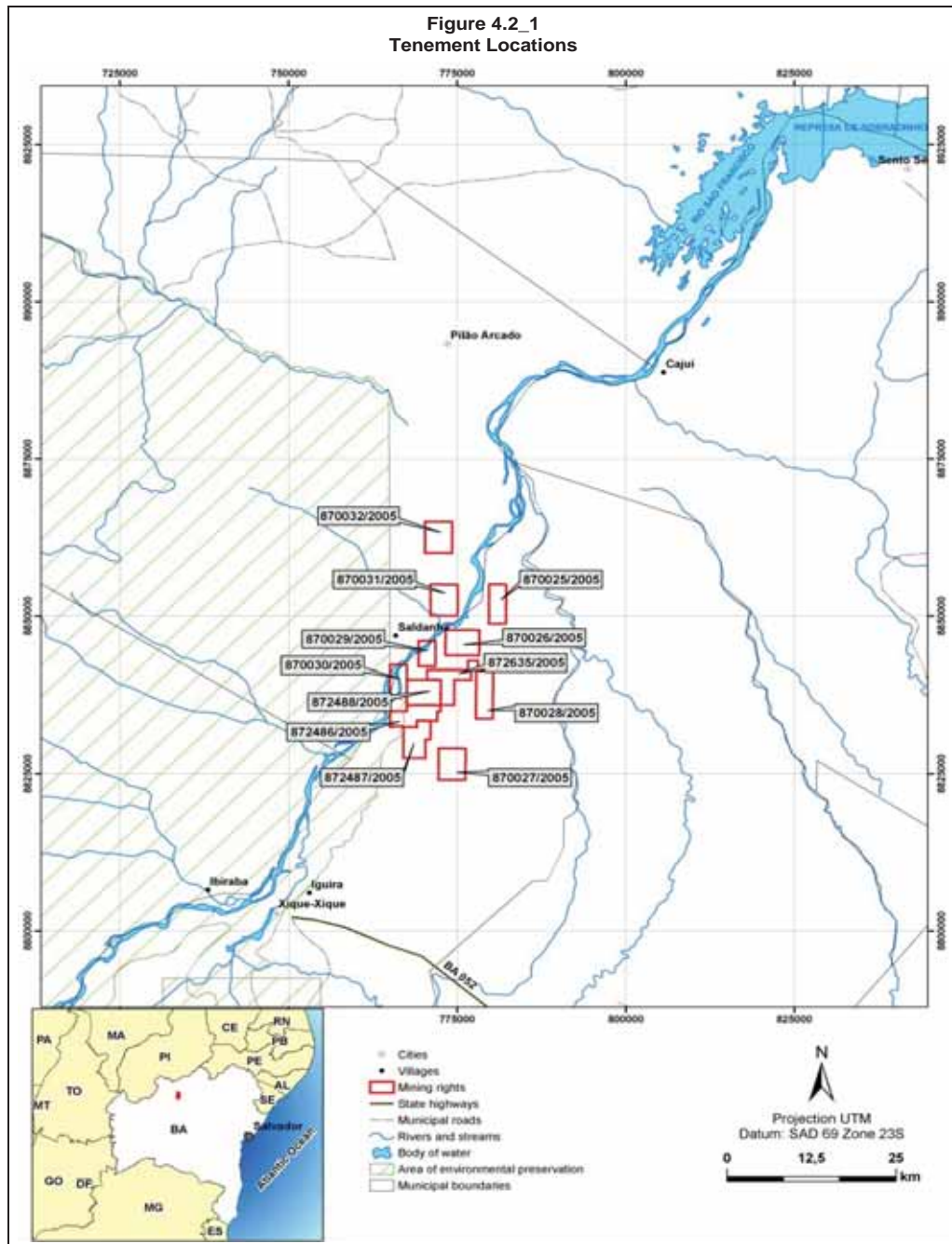


Table 4.2_1 Xique Xique Project Tenement Schedule					
Licence No.	Registered Holder	Equity (%)	Issue Date	Expiry Date	Area (ha)
870025/2005	BR Ferro Mineração S.A.	100%	13/06/2008	13/06/2011	1,562.50
870026/2005	BR Ferro Mineração S.A.	100%	13/06/2008	13/06/2011	2,000.00
870027/2005	BR Ferro Mineração S.A.	100%	13/06/2008	13/06/2011	2,000.00
870028/2005	BR Ferro Mineração S.A.	100%	13/06/2008	13/06/2011	1,875.00
870029/2005	BR Ferro Mineração S.A.	100%	13/06/2008	13/06/2011	1,000.00
870030/2005	BR Ferro Mineração S.A.	100%	13/06/2008	13/06/2011	1,250.00
870031/2005	BR Ferro Mineração S.A.	100%	13/06/2008	13/06/2011	2,000.00
870032/2005	BR Ferro Mineração S.A.	100%	13/06/2008	13/06/2011	2,000.00
872486/2005	BR Ferro Mineração S.A.	100%	5/02/2009	5/02/2012	1,930.27
872487/2005	BR Ferro Mineração S.A.	100%	5/02/2009	5/02/2012	1,983.07
872488/2005	BR Ferro Mineração S.A.	100%	5/02/2009	5/02/2012	2,000.00
872635/2005	BR Ferro Mineração S.A.	100%	5/02/2009	5/02/2012	1,998.26
Total					21,599.10

4.3 Geology

4.3.1 Regional Setting

The Xique Xique Project lies within an extensive belt of Lower Proterozoic sediments, dominated by quartzites that comprise the Espinhaço Supergroup or equivalents. This belt extends from the Quadrilátero Ferrífero (or Iron Quadrilateral), host to major iron deposits in Minas Gerais state to the south, to Rio Grande do Norte in the northeast of Brazil.

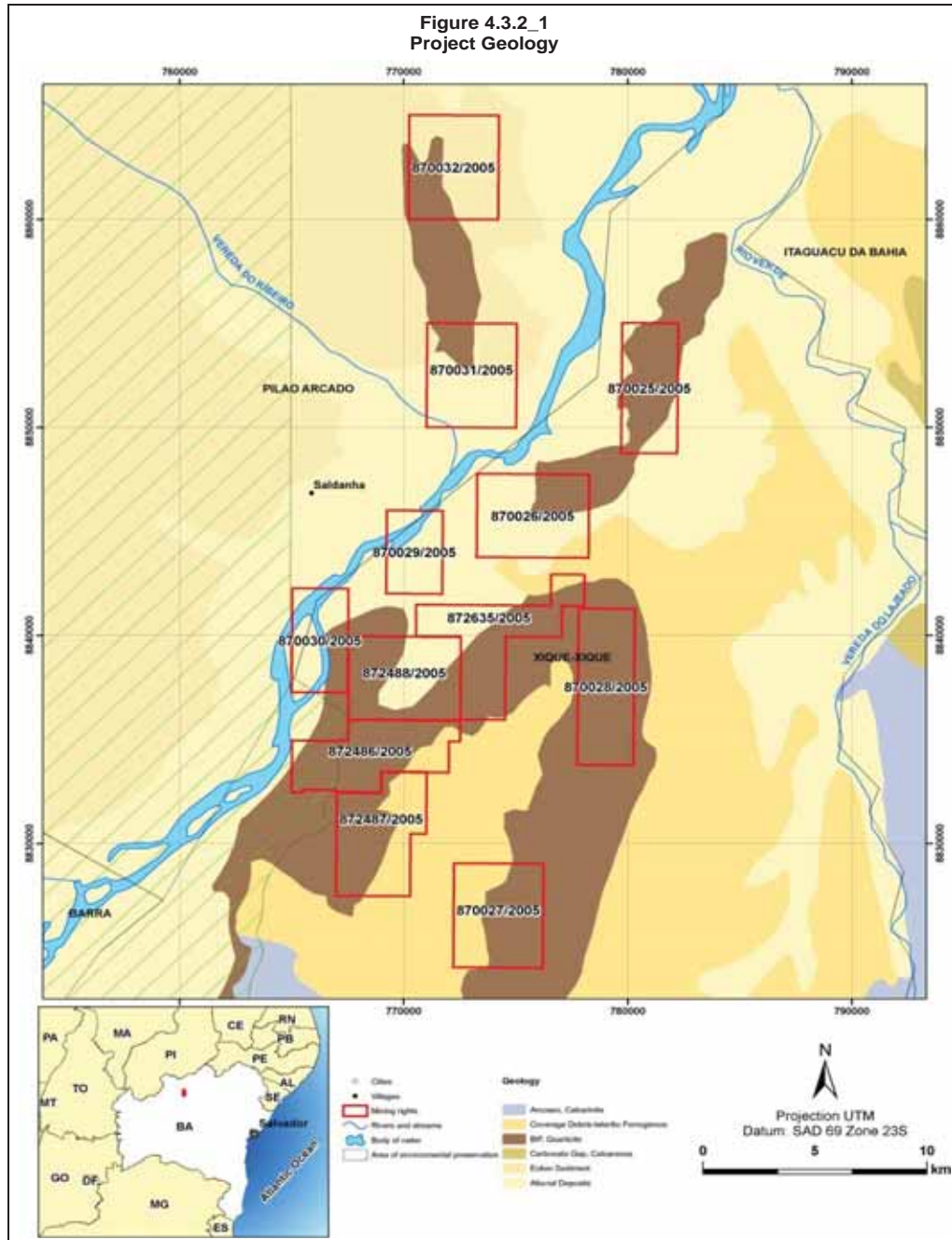
4.3.2 Project Geology

The oldest rocks within the project area comprise Lower Proterozoic quartzites of the Xique Xique Complex, which incorporate siliceous iron formations (or magnetite quartzites) locally termed itabirites. The quartzites and associated ironstones are generally fine grained and ripple marks clearly confirm a relatively quiescent shallow marine (or sub-aqueous) depositional environment.

The Xique Xique Complex is deformed into a series of anticlines and synclines, with dips ranging from sub-horizontal to steep. The magnetite-rich quartzites (itabirites) tend to be more resistant to erosion, forming isolated, more prominent ridges and elevated plateaux that straddle the São Francisco River with an overall northerly trend.

The only other basement lithology represented in the vicinity of the Xique Xique Project (well to the east of the tenements) are exposures of calcareous sandstones, siltstones and mudstones of the Upper Proterozoic Salitre Formation, which comprise part of the São Francisco Supergroup.

The remainder of the project area is veneered by Tertiary to recent sediments representing talus deposits, clastic and calcareous riverine deposits associated with the São Francisco floodplain, and an extensive aeolian dune system extending along and westward from the São Francisco River.



4.3.3 Mineralisation

Iron mineralisation comprises one or more banded magnetite-rich quartzite (itabirite) horizons within the Xique Xique Complex, exposed through a veneer of superficial sediments in all four project tenements. These individual prospect areas, from north to south, are referred to as Areão Nord, Areão Sul, Urubu and Meia Lua.

The Areão prospects cover the northern and southern extremities of two parallel itabirite ridges that trend due north and lie immediately west of the São Francisco River. LandSat imagery indicates that the horizons are intermittently exposed over a 3.5km to 5km strike length within each tenement. No detailed mapping and only limited sampling have been completed, as prospects west of the river are considerably more difficult to access.

The Meia Lua (Half Moon) Prospect lies within the southern-most tenement and is located east of the São Francisco River, 7km south of Boa Vista. Mineralisation comprises three itabirite horizons, each 15m to 20m wide, which are exposed over a 2.7km strike length. The zones trend north-south and, unlike the Urubu Prospect to the north, are steeply dipping. As this tenement has been relatively recently acquired, only reconnaissance exploration has been completed to date.

The Urubu Prospect is located between the Areão and Meia Lua prospects on the eastern side of the São Francisco River and represents the principal target within the project area. Mineralisation caps a series of low plateaux and ridges lying above the São Francisco floodplain, dissected by erosion (and possible faulting) into four distinct lobes. These lobes extend over an aggregate distance of some 6km and, from north to south, are referred to as Urubu North, Morro Alto, Fundo East and Fundo West. Detailed mapping, sampling and ground magnetic surveys have been completed on all four lobes, and the first diamond drillhole was being collared at Fundo West at the time of the site visit.

The Fundo East and West lobes represent limbs of a broad shallowly northwest plunging anticline that has been dissected by erosion along the axis to leave adjacent ironstone capped plateaux. Internally the fine grained (100um) magnetite banding within the itabirites is more strongly deformed, with local development of isoclinal folding and dips ranging from sub-vertical to sub-horizontal. Notwithstanding this, the absence of a secondary fabric and limited magnetite recrystallisation are indicative of weak deformation and a lower relative metamorphic grade. Silica and pyroxene represent the principal gangue minerals. The itabirites are well exposed at surface, with only limited superficial development of secondary martite and haematite.

The Morro Alto lobe lies immediately north of the Fundo lobes and field relationships suggest it is separated from the latter by block faulting. The Morro Alto lobe is also mapped as a shallowly north-northwest plunging anticline, however observed exposures appeared to dip consistently ~60° to the south. The itabirites are broadly similar in grain size to those at Fundo, however superficially appear to be of lower grade, having a higher silica content. A secondary shear fabric observed at Morro Alto appears to represent a zone of higher strain through the central portion of the lobe that trends 305° and dips steeply to the southwest. This zone is characterised by marginally coarser magnetite (as a result of local recrystallisation) and more abundant martite-haematite development.

The northernmost Urubu North lobe is very different in character, comprising a prominent (20m high) steeply west-dipping ridge that extends north-northeast for up to 2km. The width of the mineralised unit is difficult to determine due to extensive talus, however it superficially appears to be some 150m to 200m wide. The itabirites are moderately to strongly sheared, and characterised by a moderate foliation, conformable quartz veining, abundant haematite development (specular and massive varieties) and coarse recrystallised magnetite. It is possible that the observed orientation of the Urubu itabirite reflects the secondary shear fabric, rather than the primary bedding.

4.4 Exploration History

The itabirites comprising the Xique Xique Project were identified by BR Ferro Mineração SA (BRF) geologists in 2006. The team was commissioned to assess the prospective corridor of quartzites comprising the Espinhaço Supergroup, which extends through central Bahia. The iron mineralisation discovery followed extensive research indicating strong stratigraphic, geochronological and tectonic similarities with successions hosting deposits of the Iron Quadrilateral within Minas Gerais state to the south.

4.5 Exploration

Exploration by BrazIron has included satellite image interpretation, detailed mapping, channel and trench sampling, pitting and outcrop sampling, ground magnetic surveying and drilling.

The main target identified by BrazIron is the Urubu Prospect.

4.5.1 Ground Magnetics

BrazIron has undertaken extensive ground magnetic surveys in the area with 53 line-km of 100m spaced lines completed at the Urubu Prospect. The itabirite mineralisation is well defined by this work as shown in the Figure 4.5.1_1 below.

4.5.2 Drilling

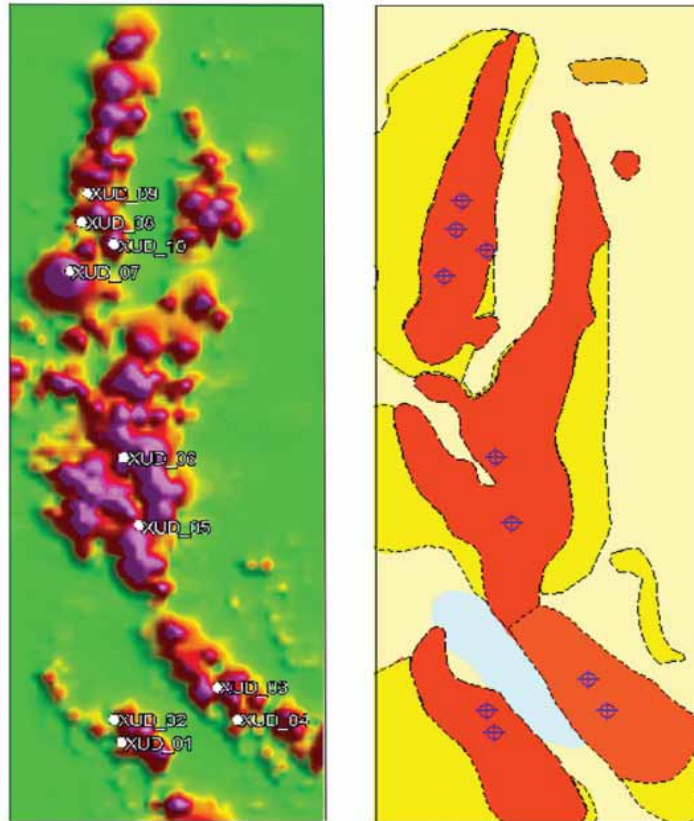
The Urubu drilling program included 10 vertical diamond core holes with 1,004m drilled. Drilling started in early April 2008 at Fundo West and Fundo East where the itabirite beds are shallow dipping and were tested by holes XUD-01 to 04. Morro Alto and Urubu North were tested with holes XUD-5 to 10.

Figure 4.5.2_1 below shows the drillhole locations along the main BIF mineralisation over approximately 3.5km.

All holes drilled returned similar results with the top 30m returning around 25% to 35% Fe and then grading into 10% to 30% Fe until the bottom of the holes. Most holes were drilled to around 80m in depth.

The drilling indicates that there is potential to define a large tonnage iron ore deposit at around 25% to 35% Fe.

Figure 4.5.1_1
Urubu Prospect -Magnetic Image- Geology and Drillholes



Legend

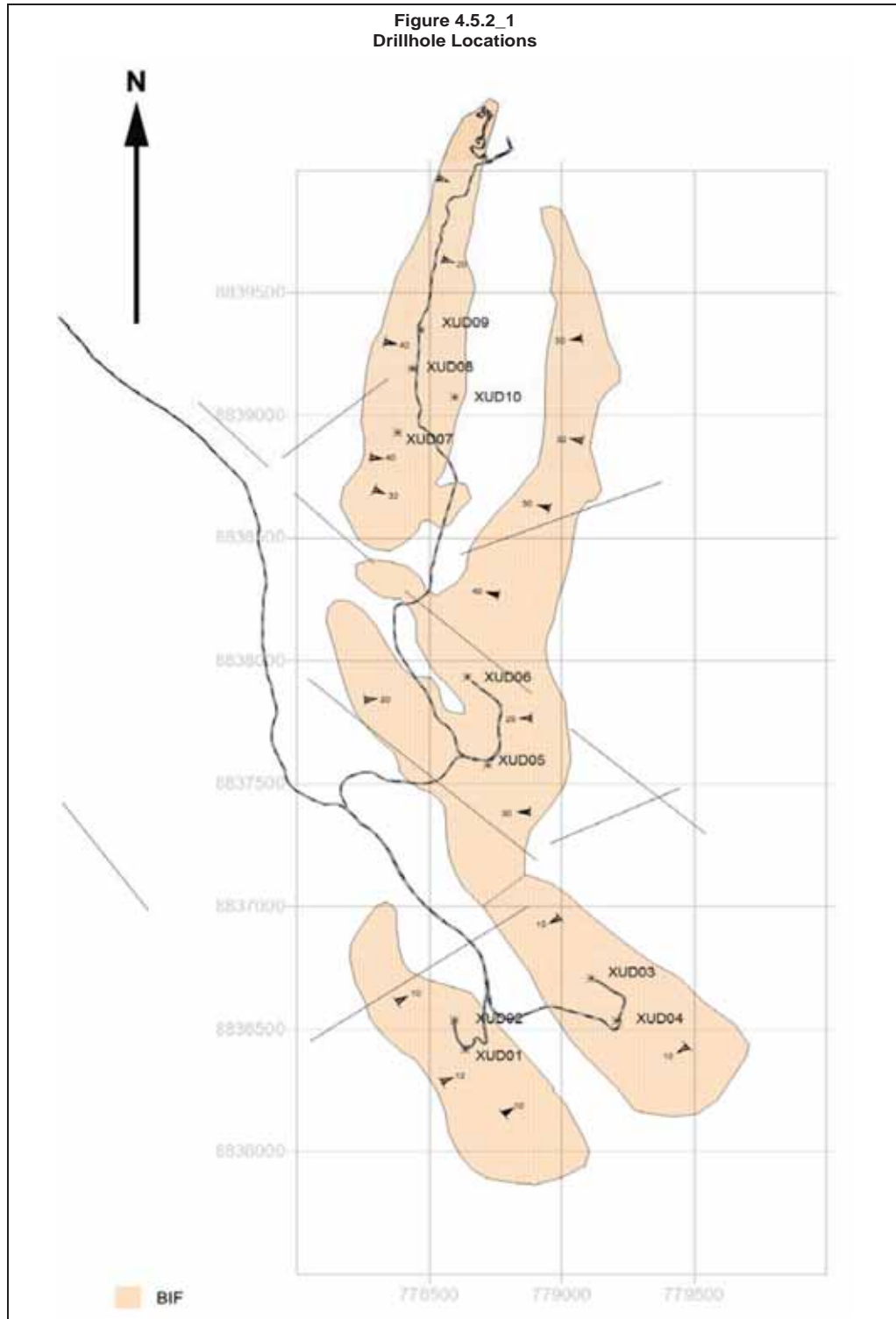
- Sand Cover
- Canga - Hard crust cementing BIF blocks
- Detritals - Richer closer to the Urubu Hills
- Quartzite
- BIF - Fine grained grey on top grading to red jaspilite
Footwall: green quartzite and amphibolite



Kilometers
Scale: 1:25,000

**XX IRON ORE PROJECT
Geology and Magnetics**

Figure 4.5.2_1
Drillhole Locations



4.6 Metallurgical Testwork

The Urubu Prospect represents the most advanced of the BrazIron projects in terms of metallurgical understanding and the potential to proceed to more detailed levels of study and ultimately production of saleable iron ore.

Given the preliminary nature of testwork on this deposit, the exact source and representativeness of samples from the Areão Prospect should be viewed as indicative only.

4.6.1 Mineralogy

The Urubu Prospect consists of magnetite mineralisation with alternating quartz bands. The magnetite colour varies from grey BIF to an intense red BIF. Lithological information indicates medium to fine-grained BIF with a limited presence of specular hematite. In the north sector, boulders of enriched hematite with lump potential were identified.

The Areão Prospect displays magnetite BIF style mineralisation. Mineralogy defined a black-grey magnetite, quartz rock with amphibole as a brown band. No other contaminants or deleterious minerals were reported to be present in the samples.

4.6.2 Metallurgical Testwork

The majority of the metallurgical testwork programs were conducted by Nomos Laboratory. The aim of the testwork programs was to establish the key parameters for product beneficiation, where required, at a scoping level. The results generally indicate good beneficiation potential for all prospects.

Complete assays results on concentrate and head assays were not available for all of the Prospects, however those that were tested generally achieved reasonable iron upgrade and final assay levels. Based on the results of the samples tested and with an improved understanding of the mineralogy for each deposit, it would be expected that the production of a marketable iron concentrate for sinter or pellet feed should be feasible.

An initial beneficiation programme was conducted on surface samples while the majority of the work was done on selected intervals of diamond core from the Urubu Prospect. The selected testwork program comprised grinding to 106µm (150 mesh), with desliming at 10µm (600 mesh), followed by beneficiation processing using a standard shaking table (Wilfley). A second testwork programme targeting the magnetite mineralisation was then commenced. The programme included grinding to 106µm (150 mesh) followed by wet high intensity magnetic separation (WHIMS) at levels of 5,000 to 15,000 gauss. The testwork results indicated better beneficiation at the lowest gauss intensities. A final concentrate with a similar iron content to that achieved with tabling (65%) was produced, but at a higher iron recovery of approximately 65% and a corresponding improvement in mass recovery to approximately 44%.

A number of other testwork programs were completed on different samples from the deposit. The results showed potential for treatment of lower feed grade materials ranging from 21% to 30% iron. This series of testwork programs focussed on similar grind size targets of 106µm (150 mesh), but with finer desliming targets. Some improved performances were evidenced using low intensity magnetite separation, producing concentrates at 67% iron content.

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Despite the fact that the testwork programs were not fully optimised and tended to be preliminary in nature, these results indicate good potential for iron beneficiation to enable the production of a marketable product.

Further testwork at a more detailed level is now required to determine the full potential of the project. Such testwork should focus on mineralogy and the nature of any differing domains within the deposit so that representative composite and variability samples can be selected for optimisation testwork.

4.7 Exploration and Development Potential

Exploration completed to date at the Xique Xique Project suggests the potential for a considerable tonnage of magnetite (and some haematite) mineralisation at grades around 25% to 35% Fe. Assessment of the satellite imagery indicates the presence of numerous other occurrences throughout and adjacent to the project area.

The itabirites are readily exposed as plateaux at surface or as prominent ridgelines. Should economic resources be defined, the morphology and location of the itabirites is such that stripping ratios are likely to be relatively low. The itabirites form solitary broad zones at each prospect making them amenable to bulk mining.

Drilling to date over 3.5km of strike has defined relatively continuous mineralisation with around 25% to 35% Fe in the top 30m from surface. This large tonnage potential already defined, combined with the positive preliminary metallurgical results indicates Xique Xique warrants further work. This should include resource definition drilling and metallurgical studies to enable a scoping level economic assessment to be undertaken.

The project is also favourably located with respect to infrastructure, straddling the São Francisco River, which is navigable to barges with up to a 1,400t capacity and providing ample process water. The project also has reasonable access to cheap grid power.

4.8 Exploration Strategy

BrazIron has provided Coffey Mining with a comprehensive exploration strategy for the Xique Xique Project to cover the initial two year period following listing.

Table 4.8_1 Xique Xique Project Proposed Exploration Expenditure		
Item/Activity	Year 1 (US\$)	Year 2 (US\$)
Geology & Geophysics	100,000	100,000
RC Drilling & Sampling	1,000,000	1,000,000
Diamond Drilling & Sampling	500,000	2,000,000
Feasibility Studies	250,000	500,000-
Project Development	200,000	1,000,000
Total	US\$2,050,000	US\$4,600,000

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Year 1 will see BrazIron complete additional drilling and surveying work to enable an inferred resource to be estimated, along with scoping level studies.

Year 2 will include additional resource definition to increase the resource confidence along with more detailed feasibility studies.

The proposed expenditure of US\$2,050,000 and US\$4,600,000 in Year 1 and Year 2 respectively is considered to be consistent with the potential of the Xique Xique Project and is adequate to cover the costs of the proposed program.

5 MACAÚBAS PROJECT

5.1 Introduction

The Macaúbas Project is located 10km north of the township of the same name in central Bahia state, approximately 675km west of the state capital of Salvador and 298km south of the Xique Xique Project.

The project is accessed from Salvador via the sealed and well-maintained Federal Highway BR-324, thence via the sealed and variably maintained State roads BA-052, BA-130 and BA-407. Salvador can be accessed via domestic and international commercial air services, and airstrips suitable for light charter aircraft are located at Boquira, 20km north of Macaúbas, and the port town of Bom Jesus da Lapa, located on the São Francisco River 60km via unpaved road to the west.

The terrain within the project area is dominated by a series of small steep hills, separating the broad valley of the Paramirim River to the east from the rugged line of the Espiñhaço Range to the west. The region experiences a tropical continental climatic regime, characterised by hot wet summers and dry mild winters. Vegetation comprises dense savannah, which has largely been cleared for moderately intensive cattle grazing and cash cropping activities.

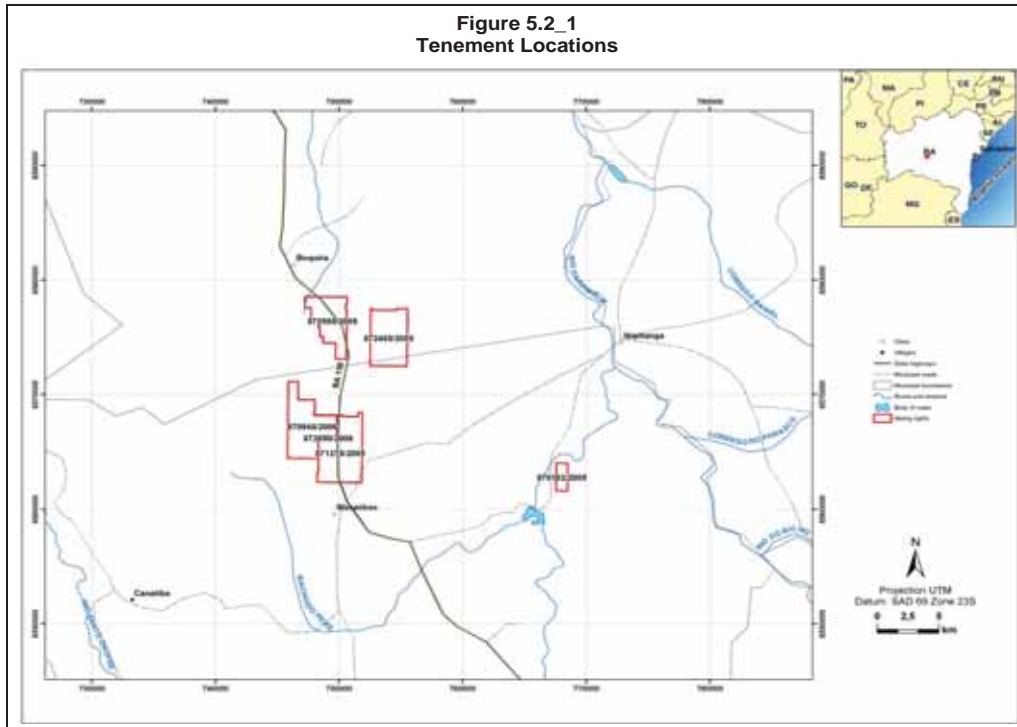
The township of Macaúbas has a population of approximately 45,000 inhabitants, and is well serviced with power, fuel, communications, schools, hospital, banks and a police station. Grid power extends to a point immediately adjacent to the project itself, however no immediate supplies of water are available. The São Francisco River is understood to be navigable (both upstream and downstream) from the nearby port of Bom Jesus da Lapa, potentially linking the Macaúbas Project and the rail head at Juazeiro.

5.2 Tenure

The Macaúbas Project comprises six Prospecting Permits (including one extension application) covering an area of 6.3km² as shown in Table 5.2_1 and Figure 5.2_1 below.

Licence No.	Registered Holder	Equity (%)	Issue Date	Expiry Date	Area (ha)
870102/2005	BR Ferro Mineração S.A.	100%	21/07/2009	20/07/2012	221.18
870948/2006	BR Ferro Mineração S.A.	100%	4/08/2009	3/08/2012	1,613.91
871275/2005	BR Ferro Mineração S.A.	100%	12/11/2008	12/11/2011	1,751.37
872485/2005	BR Ferro Mineração S.A.	100%	21/07/2009	20/07/2012	1,463.03
872580/2005	BR Ferro Mineração S.A.	100%	5/02/2009	5/02/2012	1,171.02
872890/2006	BR Ferro Mineração S.A.	100%	Extension		53.92
Total					6,274.43

Figure 5.2_1
Tenement Locations



The tenements are held 100% by BR Ferro Mineração S.A. (BRF), a company 51% owned by Octa Ferro SA, a Brazilian subsidiary of BrazIron.

5.3 Geology

5.3.1 Regional Setting

The Macaúbas Project lies within an extensive belt of Lower Proterozoic sediments, dominated by quartzites that comprise the Espinhaço Supergroup or equivalents. This belt extends from the Quadrilátero Ferrífero (or Iron Quadrilateral), host to major iron deposits in Minas Gerais state to the south, to Rio Grande do Norte in the northeast of Brazil.

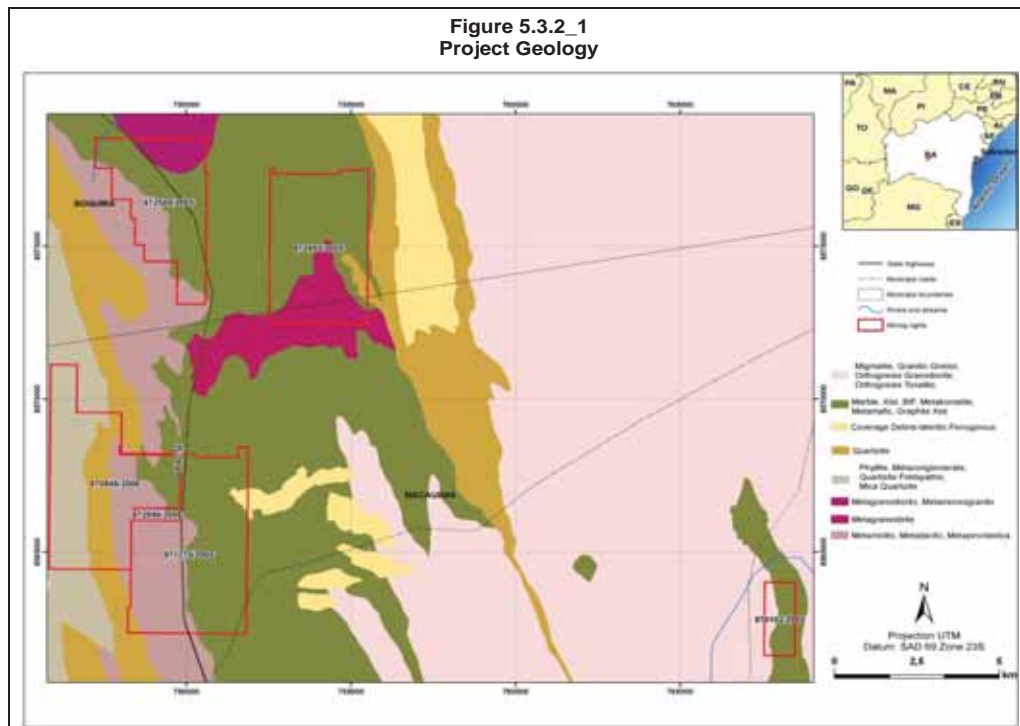
5.3.2 Project Geology

The eastern portion of the project area is dominated by an extensive Upper Archaean mafic-ultramafic complex, variously including peridotites, dunites, serpentinites, pyroxenites, gabbros, dolerites and komatiites. This complex in turn overlies migmatites of similar age to the east of the project tenements.

The western half of the project comprises a succession of Mid Proterozoic sediments comprising the Borda-Leste Group of the Espinhaço Supergroup. The basal portion of this succession is the Pajeú Formation, comprising feldspathic quartzites and conglomerates, along with intercalated quartzites, itabirites and gneisses. The Pajeú Formation directly overlies the adjacent Archaean mafic-ultramafic intrusive complex to the east.

The Pajeú Formation is successively overlain by the Riacho do Bento and Bom Retiro formations, respectively comprising feldspathic (and locally sericitic) quartzites and a more monotonous sequence of clean quartzites. The Bom Retiro Formation quartzites form the impressive Espinhaço Range along the western margin of the project tenements.

Although relatively undeformed, the lithologies are metamorphosed to amphibolite facies and offset by a series of northwest trending faults.



5.3.3 Mineralisation

Iron mineralisation is associated with a series of stacked magnetite quartzite (itabirite) units hosted within the basal Pajeú Formation of the Espinhaço Supergroup. The exposed and more resistant iron formations comprise the axis and dip slope of three steep adjacent hills. From west to east, these are termed the Gameleira, Campo Grande and Preguiça prospects.

The Gameleira Prospect comprises approximately four stacked itabirite units that dip consistently to the east at between 30° and 85°. The lower most unit forms the axis of the hill, while the remainder are exposed along the eastern flank (dip slope). The iron formations are hosted by a sequence of schists and quartzites, with biotite-sericite schists and gneisses (possibly silicified conglomerates) comprising the footwall to mineralisation, and more distinctive quartzites representing the hangingwall. The mineralisation itself comprises units of medium grained magnetite-grunerite quartzite, with intercalations of sericite and biotite schist. The individual iron formations range from 4m to 20m in thickness, with the broader units superficially having a higher proportion of intercalated schist and being of lower grade. The itabirites are extremely friable, especially in lower grade zones. Assessment of diamond

core indicates that this characteristic persists with depth, resulting in extremely poor core recoveries. A coarse-grained, massive, unmetamorphosed granite has been exposed in two locations on the hill slope, however its origin and extent are unknown. Although suspected to have a stock-like morphology, a similar rock type intersected in drilling only occurs as thin foliated intercalations.

The Campo Grande Prospect is located 750m to the east-southeast of Gameleira and comprises four more substantial units of itabirite that also strike in a northerly direction and dip consistently to the east. The various units have been mapped over semi-continuous strike lengths from 600m to 1,600m, partially based on float distribution. Although individually of similar width (4m to 20m) to the iron formations at Gameleira, the Campo Grande itabirites are far more distinct, higher grade and more persistent along strike, but are more widely separated. The principal host to iron formations is a mildly sericitic quartzite, consistent with that observed in the footwall at Gameleira.

From west to east, the Campo Grande itabirites are referred to as Zones 1 to 4. Zone 1, which comprises the axis of the hill, is more silicified than the other units, and is characterised by the presence of quartz veining, veins of coarse recrystallised magnetite, pegmatoid veins and pseudo-gneissic textures. The reason for this difference is unclear, however it may relate to the possible proximity of a granitoid intrusion, similar to that observed at Gameleira. Zones 2 and 4 are less well exposed, but appear to represent broader, lower grade quartz-magnetite horizons, with little associated amphibole. Zone 3 comprises a relatively thin horizon of high grade, medium-grained and friable magnetite, with little or no included bands of gangue material.

The less significant Preguiça Prospect lies approximately 1.3km east-southeast of Campo Grande and comprises a series of three (or possibly four) thin, low grade itabirites that have again been mapped over a small prominent hill.

5.4 Exploration History

The vicinity of the Macaúbas Project has been extensively explored for Sedex-type lead-zinc mineralisation during the 1970s and 1980s. Although the iron formations were previously recognised, interest primarily centred on the possibility they reflected a peripheral oxide facies of Sedex lead-zinc occurrences.

As with the Xique Xique Project, the potential economic significance of the itabirites was recognised by BR Ferro Mineração SA (BRF) geologists in 2006. The team was commissioned to assess the prospective corridor of quartzites comprising the Espinhaço Supergroup, which extends through central Bahia. Recognition followed extensive research indicating strong stratigraphic, geochronological and tectonic similarities with successions hosting deposits of the Iron Quadrilateral in Minas Gerais state to the south.

» INDEPENDENT GEOLOGIST'S REPORT CONT.

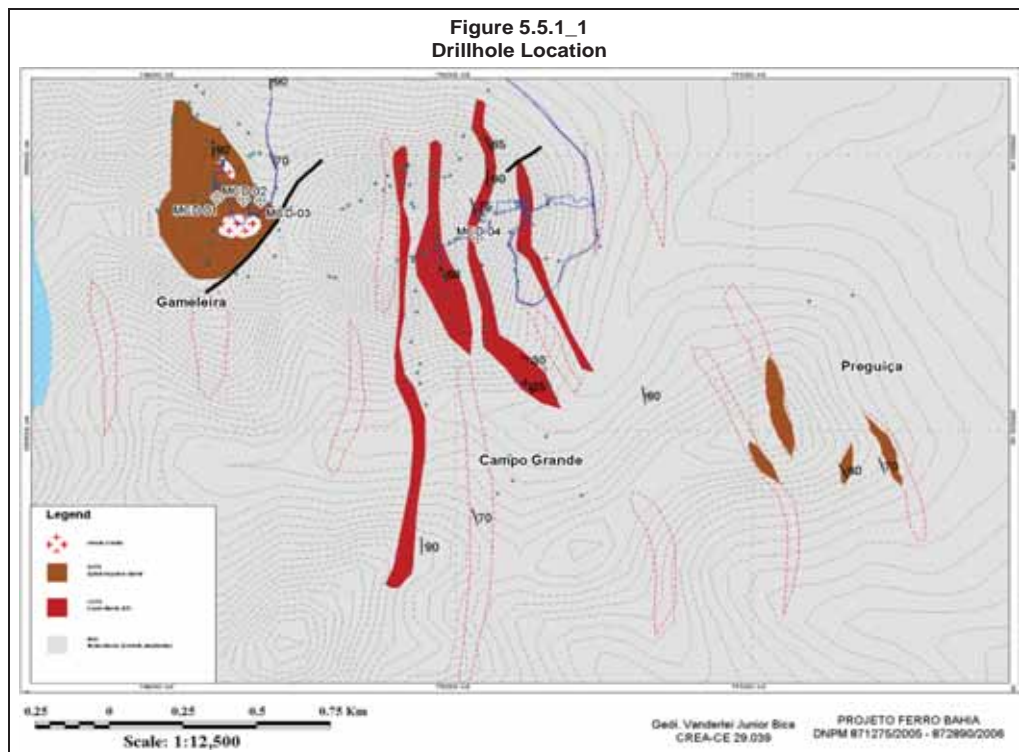
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5.5 Exploration

Exploration by BrazIron has included satellite image interpretation, detailed mapping, outcrop sampling, ground magnetic surveying and drilling. Samples were variously analysed by ALS-Chemex in Belo Horizonte and at the University of São Paulo. The ground magnetic data was reported by BrazIron to indicate the presence of numerous extensions and repetitions of the mapped itabirites throughout the project area. This data has not been reviewed by Coffey Mining.

5.5.1 Drilling

Six bore holes were drilled in the main deposits, Gameleira and Campo Grande, for a total of 572m (Figure 5.5.1_1 below).



Two HQ diamond holes had been completed at the Gameleira Prospect and a third had commenced at the time of the site visit. Coffey Mining noted extremely poor core recoveries had been experienced due to the friable nature of the material, and this characteristic appears to persist to depth.

Three diamond holes angled 65 degrees to the west were drilled at Gameleira being MCD01 to 03. The holes were drilled from the hanging wall through aplitic granites and into the biotite gneiss footwall. Hole MCD03 failed to encounter mineralization and BrazIron concluded that the itabirite lens is canoe shaped with a sectional area of 150m by 35m striking for 700m.

An additional three DC holes were subsequently drilled at Campo Grande.

The results to date have identified the potential for moderate tonnage, low grade iron mineralisation.

5.6 Metallurgical Testwork

The metallurgical testwork on this prospect should be viewed as indicative only. The exact source of and therefore representativeness of test samples has not been established.

5.6.1 Mineralogy

Mineralogy results indicate that the BIF is composed of medium to coarse grained magnetite with an estimated liberation grain size of 212µm (~65 mesh). Specular hematite was also present in lesser amounts.

5.6.2 Metallurgical Testwork

The majority of the metallurgical testwork programs were conducted by Nomos Laboratory. The aim of the testwork programs was to establish the key parameters for product beneficiation, where required, at a scoping level. The results generally displayed good beneficiation potential.

The samples tested were crushed and then ground to 212 µm (65 mesh) and concentrated with a shaking table.

The results can be summarised as follow:

- Liberation was reached at 212 µm (65 mesh)
- From the tabling results, the iron head grade was calculated at 38% and 44%
- Two different concentrates were produced with:
 - a final iron grade over 65.5%
 - an iron recovery averaging 87%
 - a mass recovery averaging 54%
- Chemicals assays were completed on the head samples and the final concentrate. These results indicate that no major contaminants are present in a 66% iron grade concentrate.

The results indicated that these samples display good beneficiation potential and should be capable of producing a marketable concentrate.

5.7 Exploration and Development Potential

Exploration completed to date within the Macaúbas Project suggests the potential for a modest tonnage of magnetite mineralisation at grades below 30% Fe. The ultimate tonnage potential will be very dependent on the distribution of the granitoid identified at Gameleira (and possibly Campo Grande), which is likely to increase the density of drilling required for resource definition purposes. The friable nature of the itabirites and associated poor core recoveries suggest that the magnetite will be readily liberated, however the deposit will require additional drilling (preferably RC due to the friable nature) for resource definition purposes.

The itabirites lie along the eastern flank of a hill, often forming a dip-slope, at each prospect. Should economic resources be defined, the morphology and location of the itabirites is such that stripping ratios are likely to be relatively low. The Campo Grande Prospect generally appears to be higher grade than Gameleira, and it is likely that it can be mined more selectively. Gameleira on the other hand, comprises broader, lower grade and less distinct zones that will almost certainly require a bulk, non-selective approach to mining.

The preliminary metallurgy results indicated that these samples display good beneficiation potential.

The project tenements extend north-south for some 13km, however mapping and ground magnetic surveys have only been completed over the central portion. It is reasonable to assume that the larger and more resistant higher grade zones would logically be better exposed on hill tops and ridgelines. Thus, additional unexposed zones are likely to be thinner (or more friable) and lower grade.

5.8 Exploration Strategy

BrazIron has provided Coffey Mining with a comprehensive exploration strategy for the Macaúbas Project to cover an initial two year period following listing.

The strategy focuses on defining the itabirite mineralisation via additional geology and geophysical surveys in the first year along with follow-up RC drilling. These targets will then be tested by additional RC drilling in the second year in order to define a JORC compliant Mineral Resource.

BrazIron has also provided Coffey Mining with an exploration budget for the Macaúbas Project covering the initial two year period as summarised in Table 5.8_1 below.

The proposed expenditure of US\$200,000 and US\$250,000 in Year 1 and Year 2 respectively is considered to be consistent with the potential of the Macaúbas Project and is adequate to cover the costs of the proposed program.

Table 5.8_1
Macaúbas Project
Proposed Exploration Expenditure

Item/Activity	Year 1 (US\$)	Year 2 (US\$)
Geology & Geophysics	50,000	50,000
RC Drilling & Sampling	150,000	50,000
Diamond Drilling & Sampling	-	50,000
Feasibility Studies	-	100,000
Project Development	50,000	-
Total	US\$200,000	US\$250,000

» **INDEPENDENT
GEOLOGIST'S REPORT CONT.**

Coffey Mining Pty Ltd

6 JACARACÍ PROJECT

6.1 Introduction

The Jacarací Project is located 10km west of the small township of the same name (~13,000 inhabitants) in central-southern Bahia state, close to the border with Minas Gerais state. The project is situated approximately 795km by road west-southwest of the state capital of Salvador and 255km south of the Macaúbas Project.

The project is accessed from Salvador via the sealed and well-maintained Federal Highway BR-324, thence via the sealed and variably maintained State roads. Salvador can be accessed via domestic and international commercial air services. The project area is accessed via formed and unformed gravel roads; however access to the principal prospects is presently on foot via livestock tracks.

The terrain within the project area is dominated by a steep high range, which immediately adjoins quartzite ridges of the principal Espiñhaço Range to the west. The region experiences a tropical continental climatic regime, characterised by hot wet summers and dry mild winters. Vegetation comprises moderate to dense savannah scrub, dominantly utilised for extensive livestock grazing.

The Jacarací Project lies 24km southeast of Urandí, a major (FCA) rail terminal on the border of Minas Gerais state. The rail line connects to ports at Aratú and Salvador, a distance of some 795km. Alternatively, the port of Ilheus is located 447km to the east of the project area and is accessed via numerous paved and unpaved roads. Grid power extends to a point adjacent to the project, however no supply of water is immediately available.

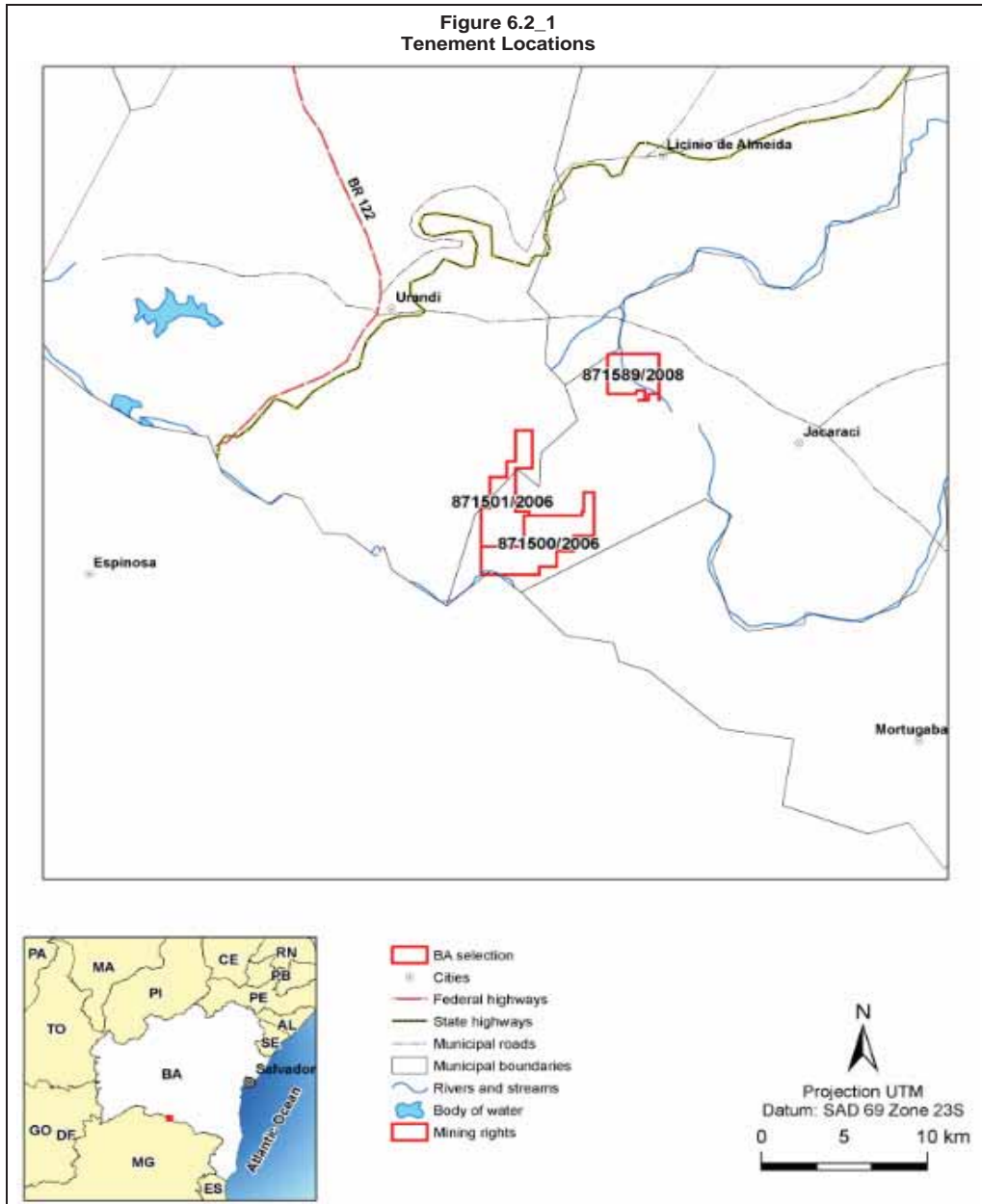
6.2 Tenure

The Jacarací Project comprises three Prospecting Permits (one under application and two with extension applications submitted) covering an aggregate area of 3.6km² as shown in Table 6.2_1 and Figure 6.2_1 below.

Table 6.2_1 Jacarací Project Tenement Schedule					
Licence No.	Registered Holder	Equity (%)	Issue Date	Expiry Date	Area (ha)
871589/2008	BR Ferro Mineração SA	100%	application		772.03
871500/2006	BR Ferro Mineração S.A.	100%	extension		1,600.93
871501/2006	BR Ferro Mineração S.A.	100%	extension		1,213.32
Total					3,586.28

The tenements are held 100% by BR Ferro Mineração S.A. (BRF), a Company 51% owned by Octa Ferro SA, a Brazilian subsidiary of BrazIron.

**Figure 6.2_1
Tenement Locations**



6.3 Geology

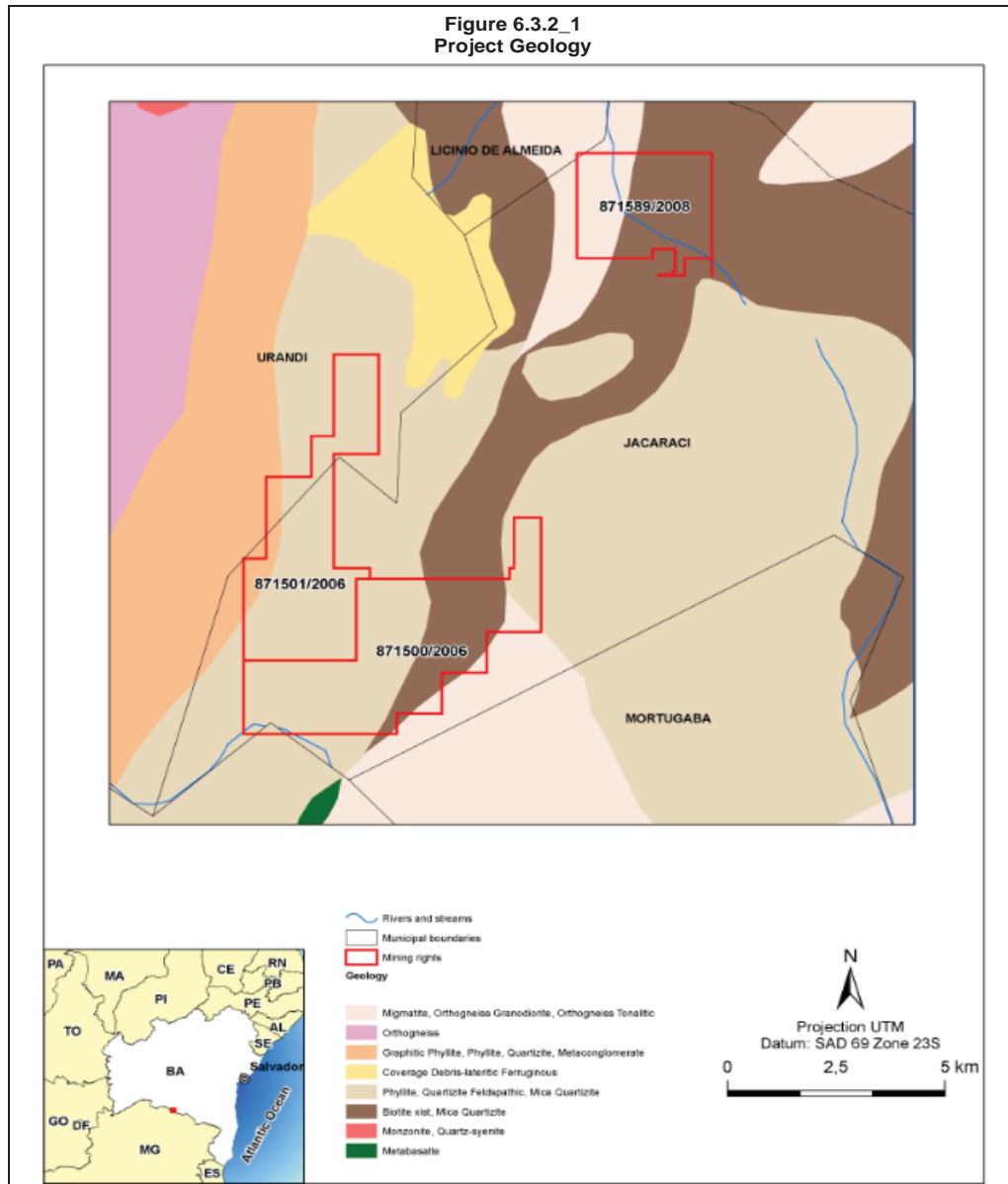
6.3.1 Regional Setting

The Jacaraci Project lies within an extensive belt of Lower Proterozoic sediments, dominated by quartzites that comprise the Espinhaço Supergroup or equivalents. This belt extends from the Quadrilatero Ferrífero (or Iron Quadrilateral), host to major iron deposits in Minas Gerais state to the south, to Rio Grande do Norte in the northeast of Brazil.

6.3.2 Project Geology

The oldest rocks in the project area comprise early Archaean tonalites, trondjemites, granodiorites and gneisses of the Gavião Migmatite Complex. These rocks are well exposed in the central portion of the project, and are traversed when accessing the principal mineralised itabirites.

**Figure 6.3.2_1
Project Geology**



The basement is unconformably overlain by and structurally juxtaposed with granitic and graphitic schists, along with intercalated quartzites of the Mid Proterozoic Mosquito Formation. The quartzites incorporate iron and manganese horizons of economic significance. These

rocks form part of the Borda-Lest Group of the Espinhaço Supergroup and are direct equivalents of the Pajeú Formation at the Macaúbas Project.

Quartz-feldspar schists and quartzites of the Fazendinha Formation appear to surround and overlie the Mosquito Formation. These rocks, which comprise part of the Sao Francisco Province, are dated as Early Proterozoic and are thereby theoretically older than the Mosquito Group. Field relationships, however, superficially suggest they are in fact younger. Alternatively, the apparent semi-conformable contact between the two may be represented by a thrust.

To the west of the project area, the Proterozoic succession is completed by semi-conformable sericite schists and laminated siltstones of the Mid Proterozoic Santo Onofre Formation. These rocks represent the Serra Geral Group of the Espinhaco Supergroup.

The degree of deformation and regional metamorphic grade at Jacarací is again higher than that evident at the Macaúbas Project to the south with the metamorphic grade being middle amphibolite facies.

6.3.3 Mineralisation

Iron mineralisation at the Jacarací Project is hosted by broadly folded quartzite units within the Borda-Lest Group of the Espinhaço Supergroup. Mineralisation within the itabirites comprises both magnetite and haematite, but is clearly dominated by the latter. The itabirites are typically schistose in character, comprising fine to medium grained specular haematite, variously associated with quartz and/or amphiboles.

The haematite schists are strongly deformed, invariably exhibiting pronounced crenulation cleavage and meso-scale folding, the latter resulting in localised thickening of the iron formations. The itabirites range from 4m to >20m in thickness, with thinner units generally appearing to be of higher grade. More massive, higher grade haematite is also locally evident where the itabirites are intersected by (or coincident with) shearing. In these circumstances, the itabirites appear to have been 'upgraded' via the remobilisation and selective segregation of iron and silica into massive haematite bands intercalated with conformable (or semi-conformable) quartz veining.

6.4 Exploration History

No previous exploration is known within the Jacarací Project, however a small manganese deposit is excised from the tenement package.

As with the other two Bahia projects, itabirites within the Jacarací Project were identified by BR Ferro Mineração SA (BRF) geologists in 2006. The team was commissioned to assess the prospective corridor of quartzites comprising the Espinhaço Supergroup, which extends through central Bahia. The Jacarací discovery followed extensive research indicating strong stratigraphic, geochronological and tectonic similarities with successions hosting deposits of the Iron Quadrilateral in Minas Gerais state to the south.

6.5 Exploration

Exploration completed by BrazIron has comprised satellite image interpretation, reconnaissance mapping and sampling, along with initial metallurgical testwork.

6.6 Metallurgical Testwork

Surface samples from the project have been utilised for metallurgical testwork. The representativeness of samples has not been established and results of the preliminary test work should be viewed as indicative only.

6.6.1 Mineralogy

The iron formation has been tectonised causing most of the magnetite to be transformed into specular hematite. Individual grains are described as coarse to medium with an average iron content of 37%. Closer to the shear zone, approximately 10% of the material may be considered as a source of lump product.

6.6.2 Metallurgical Testwork

The majority of the metallurgical testwork programs were conducted by Nomos Laboratory. The aim of the testwork programs was to establish the key parameters for product beneficiation, where required, at a scoping level. The results generally displayed good beneficiation potential.

The samples tested were crushed and screened to a size of 6mm prior to mineralogical examination. The subsequent testwork steps involved grinding the sample to a size fraction of 212 μm (65 mesh) for binocular inspection after which they were tested on a shaking table to produce a concentrate.

The results can be summarised as follows:

- Liberation was reached at 212 μm (65 mesh)
- From the tabling results, the iron head grade was calculated at 37% and 42%
- Two different concentrates were produced with:
 - a final iron grade of over 66%
 - an iron recovery averaging 80.8%
 - a mass recovery averaging 48%

The results indicated that these samples display good beneficiation potential and should be capable of producing a marketable concentrate.

Coffey Mining has not been provided the original testwork results from Nomos Laboratory and has relied solely on the description of results provided by BrazIron.

6.7 Exploration and Development Potential

Exploration completed to date with the Jacarací Project suggests the potential for a modest tonnage of haematite dominant mineralisation at grades around 35% Fe, which is likely to be sourced from a number of separate locations throughout the project tenements.

The itabirites are separated by broad stratigraphic intervals within the Borda-Lest Group, with better mineralised exposures being widely dispersed across the northeast facing slope of the Espinhaço Range and adjacent foothills. The higher grade exposures do, however, tend to locally form more resistant ridgelines or prominent spurs where itabirites parallel or traverse the slope respectively. Some of these bodies appear reasonably well oriented with respect to possible future stripping ratio, while in other cases they are poorly oriented, dipping back into the relatively steep range.

The mineralised itabirites are located within an area of considerable relief (~300m to 400m). Considerable work will be required to establish access for equipment and prepare drilling pads. This situation is somewhat exacerbated by the dispersed nature of the mineralised occurrences, necessitating multiple access routes.

Preliminary metallurgical testwork indicates good beneficiation potential.

The geological understanding of the Jacarací Project is still relatively immature, however it is clear that numerous itabirite horizons are present within the project tenements. While the majority of these appear to be relatively thin, they are also extensive along strike and are likely to persist beneath areas of talus cover. Although individual deposits are likely to be relatively modest in size, there is ample opportunity to identify numerous occurrences throughout the project area, with a focus being thicker areas of more intense folding or where upgraded by proximal shear deformation.

6.8 Exploration Strategy

BrazIron has provided Coffey Mining with an exploration strategy and budget for the Jacarací Project covering the initial two year period as summarised in Table 6.8_1 below.

Table 6.8_1 Jacarací Project Proposed Exploration Expenditure		
Item/Activity	Year 1 (US\$)	Year 2 (US\$)
Geology & Geophysics	100,000	50,000
RC Drilling & Sampling	-	150,000
Diamond Drilling & Sampling	-	-
Feasibility Studies	-	-
Project Development	50,000	-
Total	US\$150,000	US\$200,000

» **INDEPENDENT
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The strategy focuses on defining the itabirite mineralisation via additional geology and geophysical surveys in the first year. These targets will then be tested by RC drilling in the second year.

The proposed expenditure of US\$150,000 and US\$200,000 in Year 1 and Year 2 respectively is considered to be consistent with the potential of the Jacarací Project and is adequate to cover the costs of the proposed program

7 F1 PROJECT

7.1 Introduction

The F1 Project is located 10km southwest of the small township of Itagi and 40km south of the city of Jequie in the southeast of Bahia state.

The project is accessed from Salvador via the sealed and well-maintained Federal Highway BR-101. Salvador can be accessed via domestic and international commercial air services. The project area is accessed via formed and unformed gravel roads, however access to the principal prospects is presently on foot via livestock tracks.

The terrain within the project area is dominated by a high north-northeast trending range. The region experiences a humid tropical climate. Annual rainfall varies between 800mm and 1,800mm and averages approximately 1,300mm. There is no well-defined dry season. Monthly average temperatures are above 18°C. The area is characterised by sub-tropical rainforest, although little remains due to deforestation of the area for farming.

The F1 Project is located approximately 150km from the port of Ilheus. Grid power is available in the township of Itagi.

7.2 Tenure

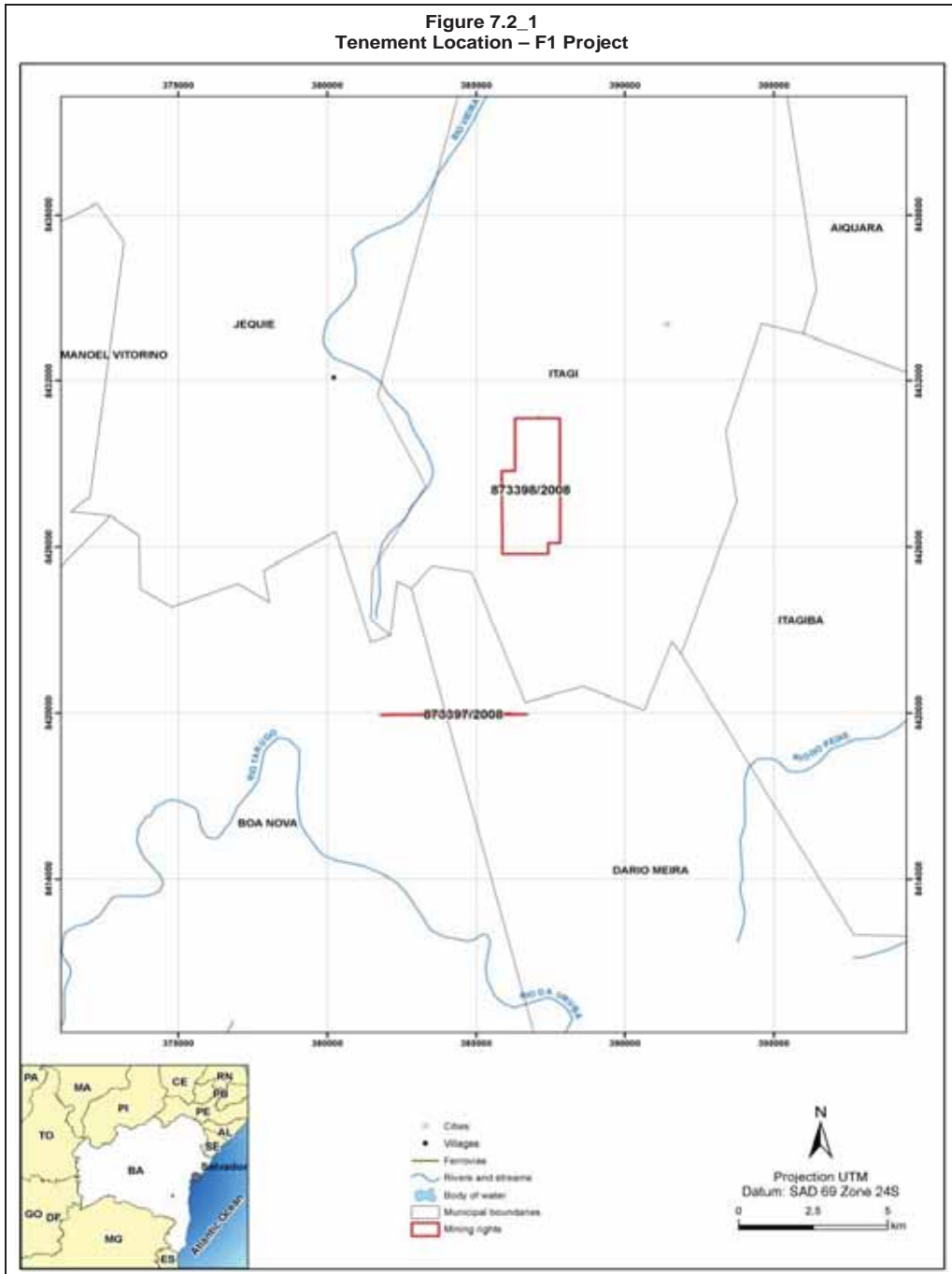
The F1 Project comprises two granted Prospecting Permits covering an aggregate area of 871Ha, as shown in Table 7.2_1 and Figure 7.2_1 below.

Table 7.2_1 F1 Project Tenement Schedule					
Licence No.	Registered Holder	Equity (%)	Issue Date	Expiry Date	Area (ha)
873397/2008	Octa Ferro S.A.	100%	3/10/2008	4/08/2011	17.18
873398/2008	Octa Ferro S.A.	100%	3/10/2008	4/08/2011	853.82
Total					871.00

The tenements are held by Octa Ferro S.A., a Brazilian subsidiary of BrazIron.

Octa Ferro is earning a 75% interest in the tenements from PEGRAM COMÉRCIO DE PEDRAS LTDA by free carrying PEGRAM to a bankable feasibility study (BFS), an acquisition pre-payment of US\$10,000 per month, and the payment of \$0.30 per tonne of Inferred, Indicated and Measured Resource defined and stated in the BFS after the recovery of the prepayments made.

**Figure 7.2_1
Tenement Location – F1 Project**



7.3 Geology

7.3.1 Regional Setting

The F1 Project lies within the Itabuna–Salvador–Curaça belt, close to its western margin with the Jequié block. This belt covers the north-south extent of Bahia state. In the south-southwest, the Archaean Jequié block comprises granulitic migmatites with inclusions of supracrustal rocks, intruded by many charnockite plutons.

7.3.2 Project Geology

The country rocks in the area include a supracrustal succession and orthogneisses, which have equilibrated at granulite facies. The orthogneisses represent deformed charnockite and enderbite. The supracrustals are represented by quartzo-feldspathic gneisses, horizons of fine-grained mafic meta-volcanics, meta-gabbroic sills, silicate-oxide facies banded iron formations and serpentinites.

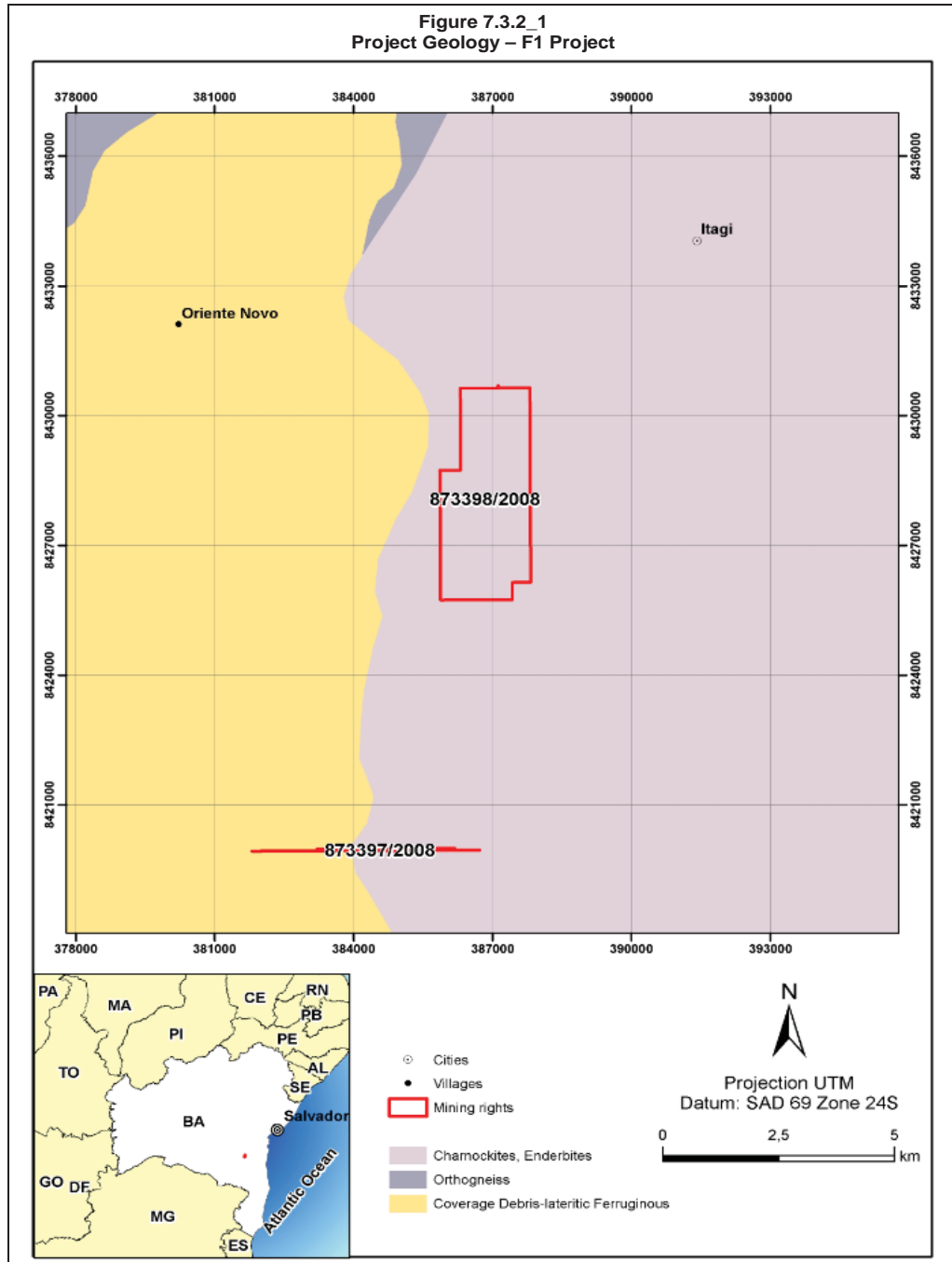
The differentiated mafic-ultramafic intrusives trend in a north-northeast direction. The project geology figure below (Figure 7.3.2_1) is derived from the Companhia de Pesquisa de Recursos Minerais (CPRM) regional database and does not adequately reflect the actual project geology. BrazIron have completed project mapping but as yet have not compiled the data.

7.3.3 Mineralisation

Iron mineralisation at the Spa Prospect is hosted by a shallow dipping tabular quartzite unit. Mineralisation comprises both magnetite and martite (Figure 7.3.3_1), but is dominated by the latter at surface. The martite has been mapped over 900m in strike and up to 250m in width. Additional extensions to this were noted during the site visit and will ultimately be expanded once surface mapping is completed. Minor silica was observed in the martite and initial checks with a handheld XRF analyser confirmed that localised grades over 60% Fe can be expected. The depth of the unit is unknown although the martite outcrop extends from the base of the hill to the top (greater than 50m in RL).

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BrazIron Limited – MINEWPER00607AB
Independent Geologist's Report on Iron Ore Projects in Brazil – 16 August 2010

Figure 7.3.3_1
Martite Mineralisation – Spa Prospect



7.4 Exploration History

CPRM has historically carried out exploration on the magnetite occurrences in this region. They have typically returned high Titanium levels (>10%) which has restricted further development. No previous exploration is known within the F1 Project.

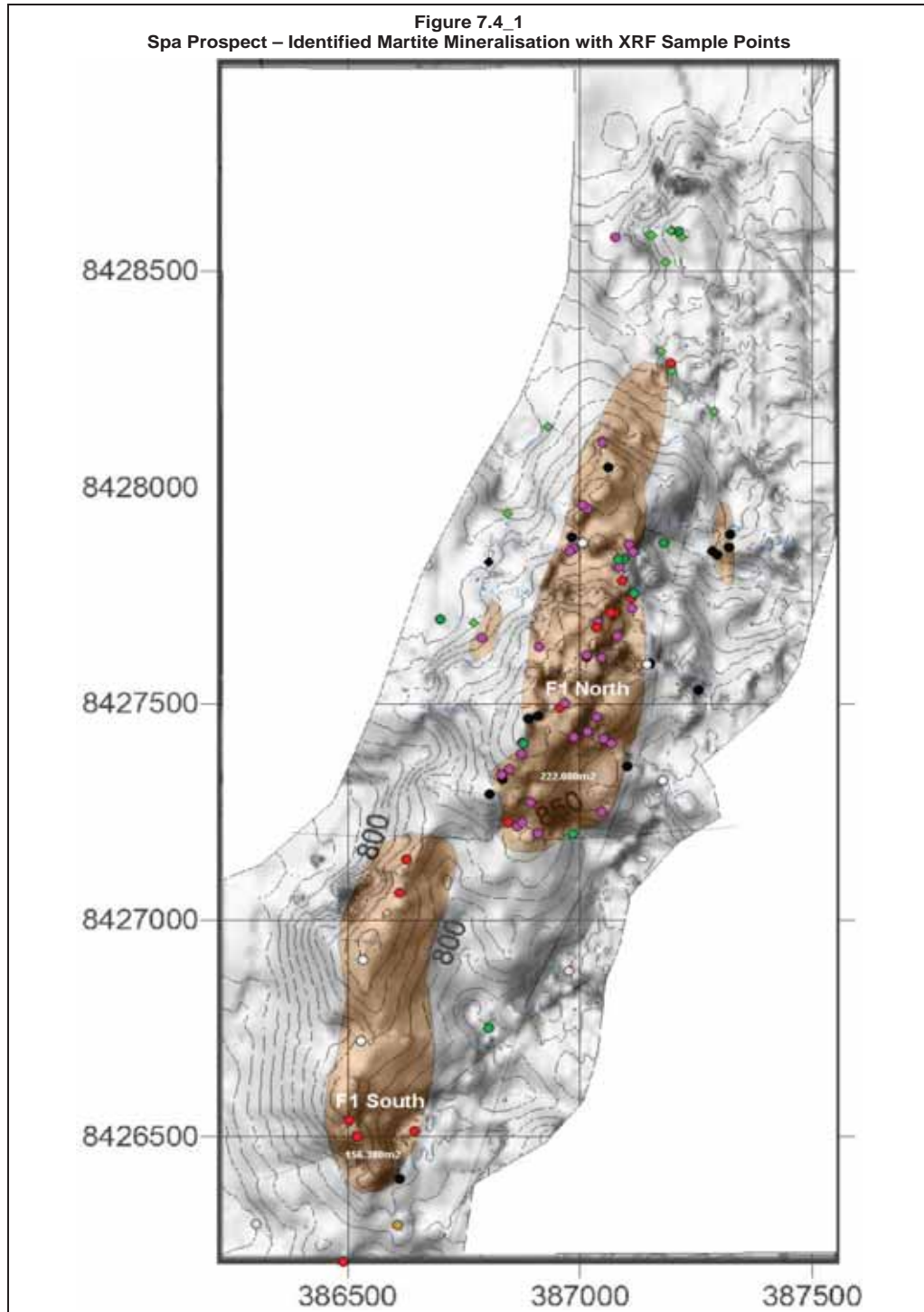
BrazIron has commenced a project scale mapping program and a ground magnetic survey at the Spa Prospect. A handheld XRF analyser (Innov-X unit) returned semi-quantitative results indicating that the Spa magnetite and martite mineralisation has values between 40% and 70% iron and minimal titanium levels. It should be noted that prior to the silicon drift detector implemented by Innov-X, (not used by BrazIron), Fe assay was not recommended by Innov-X. Coffey Mining recommends that these readings be validated with certified laboratory assays.

Figure 7.4_1 shows the XRF samples taken along with the main mineralisation zones in the Spa Prospect. The two areas of martite mineralisation are shown as shaded light brown in the figure. The XRF points are shown as coloured circles with the purple representing readings greater than 60% Fe.

Additional grab samples sent to the Nomos laboratory indicated the presence of good quality direct shipping ore grade (DSO) lump material in certain areas. The iron content was assayed at 62% with silica at 1.35%. The presented results did not identify any problematic levels of contaminants, although the alumina is slightly higher than ideal at 2.33%.

» **INDEPENDENT
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Coffey Mining has not been supplied the locations of these samples or any additional details of the sampling and analytical methodology.

7.5 Metallurgical Testwork

No metallurgical testwork has been completed at the F1 Project.

7.6 Exploration and Development Potential

Exploration completed to date at the F1 Project suggests the potential for a modest tonnage of martite dominant mineralisation at grades around 50% to 55% Fe, which will come mainly from the Spa Prospect. The ultimate tonnage potential will be dependent on the depth extension of the current 900m by 250m surficial martite mineralisation defined on surface. Drilling will be required to determine the depth extension. The mineralisation is reasonably well oriented with respect to possible future stripping ratio, (represented by a prominent hill) but is heavily forested.

The Spa Prospect is located within close proximity to the Ilheus port although the facilities at this port will require significant upgrade and is located in the middle of the city. Alternatively, the project is located within 400km of the Aratu port.

7.7 Exploration Strategy

BrazIron has provided Coffey Mining with a comprehensive exploration strategy for the F1 Project to cover an initial two year period following listing.

The first 12 months program involves regional and detailed mapping, soil geochemical surveys, which will be followed by trenching and geophysical surveys. Drilling will follow based on the results of the prior exploration.

The second year of exploration will be reliant on positive results returned from the previous phase of exploration, but notionally involves extensive drilling, leading to the commencement of preliminary economic studies.

BrazIron has also provided Coffey Mining with an exploration budget for the F1 Project covering the initial two year period as summarised in Table 7.7_1 below.

Table 7.7_1 F1 Project Proposed Exploration Expenditure		
Item/Activity	Year 1 (US\$)	Year 2 (US\$)
Geology & Geophysics	100,000	50,000
RC Drilling & Sampling	-	250,000
Diamond Drilling & Sampling	250,000	150,000
Feasibility Studies	-	100,000
Project Development	150,000	150,000
Total	US\$500,000	US\$700,000

The proposed expenditure of US\$500,000 and US\$700,000 in Year 1 and Year 2 respectively is considered to be consistent with the potential of the F1 Project and is adequate to cover the costs of the proposed program.

» **INDEPENDENT
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Coffey Mining Pty Ltd

8 REFERENCES

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9 GLOSSARY OF TECHNICAL TERMS

<i>%</i>	Percent
<i>Al₂O₃</i>	Chemical formula for aluminium oxide.
<i>Anomaly</i>	An area where results are higher (or sometimes lower) than expected.
<i>Anticline</i>	A convex fold-like structure.
<i>Axial plane</i>	The geometric plane that intersects the crest or trough of a fold, about which the limbs are more or less symmetrically arranged.
<i>Basement</i>	Crust of the earth underlying younger sedimentary deposits.
<i>BIF</i>	Banded iron-formation - an iron-rich (+/- 30% Fe) and siliceous (+/- 50% SiO ₂) sedimentary rock. Host rock for the iron ores
<i>Breccia</i>	Rock comprising angular fragments enclosed in a matrix, usually the result of persistent fracturing by tectonic or hydraulic means.
<i>Bt</i>	Billion metric tonnes (1,000,000,000).
<i>Charnockite</i>	Charnockite is applied to any orthopyroxene-bearing granite, composed mainly of quartz, perthite or antiperthite and orthopyroxene (usually hypersthene), as an end-member of the charnockite series.
<i>Chert</i>	Fine grained sedimentary rock composed of cryptocrystalline silica.
<i>Competent</i>	Refers to a rock, which tends to deform in a brittle, rather than ductile manner when stress is applied.
<i>Composite</i>	A statistical technique wherein all sampled intervals are given the same length or alternatively, combining more than one sample interval or result to provide an average.
<i>Concentrate</i>	In processing, the product which contains a higher concentration.
<i>Cutoff grade</i>	The grade used in grade tonnage reporting wherein only blocks which return a value above the particular cutoff grade are reported.
<i>Deleterious impurities</i>	Elements in concentrates for which a charge is made because the cost of separation during smelting exceeds their sale value.
<i>Diamond drilling</i>	Mineral exploration hole completed using a diamond set or diamond impregnated drill bit for retrieving a cylindrical core of rock.
<i>Dilution</i>	The proportion of material which is planned or inadvertently included during mining operations, and which is generally of a significantly lower grade than the ore zone of interest.
<i>Disseminated</i>	Distributed finely and evenly throughout.
<i>Downhole survey</i>	The electronic or physical measurement of the three dimensional position and orientation of a drillhole, measured by means of lowering instruments down the hole.
<i>Dyke</i>	A tabular body of intrusive igneous rock, crosscutting the host strata at an angle.
<i>Enderbite</i>	Primarily an igneous rock of the charnockite series.
<i>Fe</i>	Chemical symbol for iron.
<i>Geophysical survey</i>	The exploration of an area in which geophysical properties and relationships unique to the area are mapped by one or more geophysical methods.
<i>Geotechnical</i>	Rock quality and structural investigations of rock masses.
<i>Ha</i>	A hectare is a measure of area being 100m by 100m.

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<i>Haematite</i>	An iron oxide mineral Fe ₂ O ₃ .
<i>Indicated Resource</i>	In situ mineral resource calculated with a moderate confidence level, and to which economic parameters have not been applied.
<i>Inferred Resource</i>	In situ mineral resource calculated with a low confidence level, and to which economic parameters cannot be applied.
<i>Isoclinals</i>	Folds with relatively long, parallel limbs.
<i>JORC Code</i>	Guidelines published by the Joint Ore Reserves Committee (JORC), which relate to the requirements and standards applicable to reporting of mineral resources and ore reserves to the Australian Stock Exchange.
<i>Km</i>	Kilometre, a standard metric unit measure of distance.
<i>Km²</i>	Square kilometre, a standard metric unit measure of area.
<i>M</i>	Metre, a standard metric unit measure of distance.
<i>Mafic</i>	Descriptive of rocks composed dominantly of magnesium, iron and calcium-rich minerals.
<i>Martite</i>	The name given for Hematite pseudomorphs after Magnetite crystals.
<i>Mass recovery</i>	weight percent of mineral recovery.
<i>Massive sulphide</i>	Rock containing abundant sulphides that can form close to 100% of the mass.
<i>Mean grade estimate</i>	Average estimated grade of an element or mineral within a deformed block of rock.
<i>Measured Resource</i>	That portion of Mineral Resource of which tonnage or volumes is estimated from dimensions revealed in outcrops, pits, trenches, drillholes or mine workings, supported where appropriate by other exploration techniques. The sites used for inspection, sampling and measurement are so spaced that the geological character, continuity, grades and nature of the material are so well defined that the physical character, size, shape, quality and mineral content are established with a high degree of certainty.
<i>Metallurgical recovery</i>	Proportion of a metal or mineral of economic interest recovered during processing.
<i>Metallurgical test work</i>	The testing of ore samples in order to define the metallurgical characteristics of the ore.
<i>Metamorphosed</i>	Alteration of rock and changes in mineral composition due to the effects of pressure, temperature and fluids.
<i>Mineral Resource</i>	A concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.
<i>Mn</i>	Chemical symbol for manganese.
<i>Mt</i>	Million metric tonnes (1,000,000).
<i>Ore Reserve</i>	That part of the resource that meets minimum physical and chemical criteria related to specified mining and production practices, including those of grade, quality, thickness and depth, and can be reasonably assumed to be economically and legally extractable or producible at the time of determination. The feasibility of the specified mining and production practices must have been demonstrated or can be reasonably assumed on the basis of tests and measurements.
<i>P</i>	Chemical symbol for phosphorous.
<i>Process plant</i>	Referring to the plant and equipment associated with the crushing and extraction

	of metals or minerals from ore, and disposal of waste.
<i>Quartzite</i>	A sandstone composed predominantly of grains of quartz.
<i>Resources</i>	In situ mineral occurrence from which valuable or useful minerals may be recovered.
<i>Reverse Circulation (RC)</i>	A drilling method in which the fragmented sample is brought to the surface inside the drill rods, thereby reducing contamination. Commonly used with a percussion hammer bit.
<i>Shale</i>	A fine grained, laminated sedimentary rock formed from clay, mud and silt.
<i>SiO₂</i>	Chemical formula for silica.
<i>Stratigraphic horizon</i>	Horizon defined by a single sedimentary layer.
<i>Sulphide</i>	A general term to cover minerals containing sulphur and commonly associated with mineralisation.
<i>Thrusts</i>	A reverse fault or shear that has a low angle inclination to the horizontal.
<i>Ultramafic</i>	Igneous rocks consisting essentially of ferromagnesium minerals with trace quartz and feldspar.
<i>Wireframe</i>	A computer technique to form a surface, or enclose a volume, with an imaginary, continuous array of two dimensional shapes.

8 » INVESTIGATING ACCOUNTANT'S REPORT

Stantons International Pty Ltd trading as

Stantons International Securities

ABN 41 103 088 697

AFS Licence No. 319600

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16 August 2010

The Directors
BrazIron Limited
Unit B2, Tempo Office
413 Roberts Road
SUBIACO WA 6008

Dear Sirs

RE: INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

This report has been prepared at the request of the Directors of BrazIron Limited ("BrazIron" or "the Company") for inclusion in a Prospectus to be dated on or around 16 August 2010 ("the Prospectus") relating to the proposed issue by BrazIron of 75,000,000 shares to be issued at a price of A20 cents per share to raise A\$15,000,000. The minimum subscription is to be 50,000,000 shares at A20 cents each to raise A\$10,000,000 before capital raising costs. Unless otherwise stated all amounts are in US dollars as the presentation currency of the Company is US dollars. The Australian dollars and cents are expressed as A\$ (dollars) or A cents respectively. The exchange rate used has been AUS\$1 equals US\$0.88.

2. Basis of Preparation

This report has been prepared to provide investors with information on historical results, the statement of financial position (balance sheet) of BrazIron and the pro-forma consolidated statement of financial position of BrazIron as noted in Appendix 2. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports in accordance with the Corporation Act 2001. This report does not address the rights attaching to the securities to be issued in accordance with the Prospectus, nor the risks associated with the investment. Stantons International Securities has not been requested to consider the prospects for the BrazIron Group, the securities on offer and related pricing issues, nor the merits and risks associated with becoming a shareholder and accordingly, has not done so, nor purports to do so. Stantons International Securities accordingly takes no responsibility for those matters or for any matter or omission in the Prospectus, other than responsibility for this report. Risk factors are set out in Section 10 of the Prospectus.

3. Background

BrazIron was incorporated on 27 September 2007 in Bermuda with an issued capital of 30,000 founder shares with a paid up capital of US\$30. The Company was incorporated to confirm/prove the presence of mineralisation on the Brazilian iron ore tenements held wholly or jointly by Majestic Diamonds & Minerals Inc ("Majestic"). Majestic shareholders include inter-alia Walt Guidice a director of BrazIron, Pedro Jacobi a technical adviser to BrazIron and now a director of BrazIron since 14 July 2010 and Neil O'Loughlin a director of BrazIron. During the period to 31 December 2008, the Company issued 43,800,000 shares at US10 cents each to seed investors to raise US\$4,380,000. In December 2009, the Company issued a further 5,000,000 shares at US 10 cents each to raise a further US\$500,000. Between March and May 2010, the Company issued a further 10,000,000 shares at US10 cents each to seed investors to raise a further US\$1,000,000. In August 2010, a total of 7,000,000 share options were exercised at US10 cents each to raise US\$700,000.

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BrazIron (or nominees) held an option to secure a joint venture interest in a parcel of exploration licences prospective for iron ore in the Bahia State of Brazil ("Option 1"). The joint venture interest that was to be acquired from Majestic's subsidiary Octa Mineracao Prospeccao Exploracao E Beneficamento De Minerais Ltda ("Octa") pursuant to the exercise of Option 1 was the right to earn an initial 25.5% interest in the joint venture company BR Ferro Mineracao S.A. ("BR Ferro") by spending 2,150,000 Brazilian Reals within 2 years of 29 January 2007 and the right to purchase Octa's right, title and interest in the Bahia Association and Agreements Contact of 29 January 2007 between Octa and Messrs CR Vedovato and AG Coelho ("other joint venture parties"). Octa had the right to increase the joint venture interest by obtaining an additional 25.5% in BR Ferro through the payment of an additional 2,150,000 Brazilian Reals to other joint venture parties by 1 August 2008 (this was earned). Octa had the right to earn an additional 9% in the joint venture company (BR Ferro) with payment for such interest calculated by reference to the reserves found. The additional cost will be calculated by multiplying the quantity of iron ore in tonnes (JORC compliant reserves) by US\$0.9 cents. The Option 1 Agreement (as subsequently amended) states that if exercised, BrazIron will issue 75,320,000 shares. This Option 1 (as amended) was exercised on 6 July 2010 and a Share Sale Agreement Executed and BrazIron issued 75,320,000 shares at a deemed fair value of US\$7,532,000. Octa and Majestic agreed to interpose Octa Ferro S.A (refer below) as the company that owned the 51% of BR Ferro so that the issue of the 75,320,000 shares by BrazIron was part consideration to acquire 100% of the issued capital of Octa Ferro who has as one of its assets a 51% shareholding interest in BR Ferro.

BrazIron (or nominees) also held an option with Majestic and Octa to secure eight exploration licences in the Xingu-Medicilandia region of Brazil ("Option 2"). Under the Option 2 Agreement (as subsequently amended), if Option 2 was to be exercised BrazIron would issue 100,000,000 BrazIron shares. The Option 2 (as amended) was exercised on 6 July 2010 and a Tenement Sale Agreement executed and BrazIron has issued the 100,000,000 shares (at a deemed fair value of US\$10,000,000). Royalties are payable to Majestic on the production of iron ore from the Xingu tenements and further details are outlined in the material contracts section 11.6 of the Prospectus. Octa and Majestic agreed to interpose Octa Ferro S.A as the company that owns the Xingu tenements so that the issue of the 100,000,000 shares by BrazIron was part consideration to acquire the issued capital (refer below) of Octa Ferro who has as one of its assets, the mineral interests of Xingu.

Approximately 90% of the 175,320,000 shares issued to Majestic have been distributed to the shareholders of Majestic via an in-specie distribution (return) of capital undertaken by Majestic in July 2010.

BrazIron has incorporated three limited liability corporations in the USA and all are wholly owned subsidiaries of BrazIron. They are BSADS, LLC, Charter International, LLC ("Charter") and Good Hands Investment Group, LLC (collectively known as the LLC's"). BrazIron also owns 100% of the issued capital of BrazIron Corporate Services Pty Ltd, an Australian incorporated company. Charter has been interposed and owns nearly 100% of Octa Prime Participacoes S.A ("Octa Prime"). Charter owns 8,020,321 shares out of 8,020,322 on issue - one share is held for Brazilian legal requirements by Octa, a Brazilian registered company). Octa Prime now owns nearly 100% of Octa Ferro (Octa Prime owns 115,499 shares out of 115,500 on issue) and Octa Ferro owns 51% of BR Ferro which has an effective 100% interest in the Bahia Projects. In addition the Xingu Project is now held in Octa Ferro S.A and Octa Ferro is 100% held by Octa Prime.

Octa Ferro is earning a 75% interest in two mining tenements, known as the F1 Project from Pegran Comercio De Pedras Ltda ("Pedras") by free carrying Pedras to a bankable feasibility study ("BFS"), an acquisition prepayment of US\$10,000 per month and the payment of a US\$30 cent per tonne of JORC compliant inferred, indicated and measured resource defined and stated in the BFS after the recovery of the prepayments made. To 6 July 2010, Octa Ferro has incurred costs of approximately US\$4,734,873. Majestic who was funding the earn in on the F1 Project (on behalf of Octa Ferro) was funded from advances made by BrazIron as part of the advances totalling US\$4,734,873 made by BrazIron pertaining to the Bahia and Xingu agreements.

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The Company in July 2010 entered into an employment letter contract with Robert Brierley to act as the Managing Director of the Company with effect from 1 July 2010 for an initial period of one year. The basic terms are a salary of \$20,000 per month, inclusive of statutory superannuation. Depending on the circumstances, the Company may give either two weeks or three months notice to terminate the employment.

The Company in August 2010 entered an executive employment contract with a company that will provide the services of Elpidio dos Reis Filho ("Elpidio Reis") as a General Manger. The basic terms that are effective from 1 September 2010 through to 31 August 2011 are to be a salary of 30,000 Brazilian Reals per month along with the use of a 4 wheel drive car to the value of 5,000 Brazilian Reals per month and health insurance costs not to exceed US\$1,000 per month. In addition, Elpidio Reis is entitled to receive 1,500,000 share options in BrazIron exercisable at A25 cents each expiring on 31 December 2012. The options will vest over a six month period with 50% vesting on execution of the agreement and 50% six months later. The value of these options has been assessed at a fair value of \$112,000.

The non-executive directors are to be paid at the rate of AUS\$52,000 per annum and additional consulting fees may be paid at the rate of AUS\$850 per day.

Potential investors should read the Prospectus in full that includes an Independent Geologist's Report and a Solicitor's Report on Tenements. We make no comments as to ownership or values of the current and proposed mineral tenement interests of the BrazIron Group. Further details on all significant contracts entered into by the Company since incorporation are referred to in the Material Contracts Section 11.2 of the Prospectus.

4. Scope of Examination

You have requested Stantons International Securities to prepare an Independent Accountant's Report on:

- a) The consolidated results (statement of comprehensive income) of BrazIron from 1 January 2009 to 31 December 2009 and from 1 January 2010 to 30 June 2010;
- b) The consolidated statement of financial position of BrazIron as at 30 June 2010; and
- c) The consolidated pro-forma statement of financial position of BrazIron at 30 June 2010 adjusted to include funds to be raised by the Prospectus and the completion of transactions referred to in note 2 of Appendix 3.

All of the financial information referred to above has not been audited (other than for the statement of comprehensive income for the year ended 31 December 2009 as this was audited by Stantons International Pty Ltd) however has been subject to audit review. The directors of BrazIron are responsible for the preparation and presentation of the historical and pro-forma financial information, including the determination of the pro-forma transactions. We have however examined the financial statements and other relevant information and made such enquiries, as we considered necessary for the purposes of this report. The scope of our examination was substantially less than an audit examination conducted in accordance with Australian Auditing Standards and accordingly, we do not express such an opinion. Our examination included:

- a) discussions with directors and other key management of BrazIron;
- b) review of contractual arrangements;
- c) a review of publicly available information; and
- d) a review of work papers, accounting records and other documents.

5. Opinion

In our opinion, the pro-forma consolidated balance sheet as set out in Appendix 2 presents fairly, the pro-forma consolidated statement of financial position of BrazIron as at 30 June 2010 in accordance with the accounting methodologies required by Australian Accounting Standards on the basis of assumptions and transactions set out in Appendix 3. No opinion is expressed on the historical results (statements of comprehensive income) and statements of financial position, as

shown in Appendix 1, except to state that nothing has come to our attention which would require any further modification to the financial information in order for it to present fairly, the balance sheets as at 30 June 2010 and the results of the period identified.

To the best of our knowledge and belief, there have been no other material items, transactions or events subsequent to 30 June 2010 that have come to our attention during the course of our review which would cause the information included in this report to be misleading.

6. Other Matters

At the date of this report, Stantons International Securities or Stantons International Pty Ltd do not have any material interest in Brazlron either directly or indirectly, or in the outcome of the offer. Stantons International Pty Ltd, a firm that owns the business name of Stantons International Securities were appointed as auditors of Brazlron in 2009. Stantons International Securities and Stantons International Pty Ltd were not involved in the preparation of any other part of the Prospectus, and accordingly, make no representations or warranties as to the completeness and accuracy of any information contained in any other part of the Prospectus. Stantons International Securities consents to the inclusion of this report (including Appendices 1 to 3) in the Prospectus in the form and content in which it is included. At the date of this report, this consent has not been withdrawn.

Yours faithfully

**STANTONS INTERNATIONAL PTY LTD
(Trading as Stantons International Securities)**



**J P Van Dieren – FCA
Director**

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INVESTIGATING ACCOUNTANT'S REPORT

**APPENDIX 1- CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME**

	BrazIron Consolidated Year ended 31 December 2009 US\$	BrazIron Consolidated 1 January 2010 to 30 June 2010 US\$
Interest income	40	56
Legal and consultancy costs	(45,888)	(79,834)
Travel and accommodation	-	(44,172)
Depreciation	(8,287)	(8,287)
Employee and director costs	(4,222)	(47,250)
Exploration costs written off/impaired	(20,000)	(748,947)
Other costs	(1,175)	(6,416)
Net (loss) before tax	(79,532)	(934,850)
Income tax expense attributable to net loss	-	-
Net (loss) after tax	(79,532)	(934,850)

**APPENDIX 2 – UNAUDITED CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION**

	Note	BrazIron Consolidated 30 June 2010 US\$	Pro-forma BrazIron Consolidated 30 June 2010 US\$
Current Assets			
Cash assets	3	578,200	13,330,159
Total Current Assets		578,200	13,330,159
Non Current Assets			
Capitalised acquisition costs	4	-	19,061,208
Investments	5	-	-
Fixed assets		8,038	8,038
Total Non Current Assets		8,038	19,069,246
Total Assets		586,238	32,399,405
Current Liabilities			
Trade and other payables	6	81,168	-
Total Current Liabilities		91,168	-
Non Current Liabilities			
Owing to BrazIron	5	-	-
Total Non Current Liabilities		-	-
Total Liabilities		81,168	-
Net Assets		505,070	32,399,405
Equity			
Issued capital	7	5,880,030	36,512,030
Option reserve	8	21,110	121,110
Translation reserve		-	-
Accumulated losses	9	(5,396,070)	(5,762,943)
		505,070	30,870,197
Minority interests	13	-	1,529,208
Total Equity		505,070	32,399,405

Notes forming part of the unaudited statements of comprehensive income and unaudited statements of financial position are set out in Appendix 3.

INVESTIGATING ACCOUNTANT'S REPORT – APPENDIX 3

**NOTES TO THE UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME AND
STATEMENTS OF FINANCIAL POSITION**

1. Statement of Significant Accounting Policies

(a) **Basis of Accounting**

The consolidated Statements of Comprehensive Income and unaudited consolidated Statements of Financial Position have been prepared in accordance with applicable accounting standards, the Corporations Act 2001 and mandatory professional reporting requirements in Australia (including the Australian equivalents of International Financial Reporting Standards) and we have made such disclosures as considered necessary. They have also been prepared on the basis of historical cost and do not take into account changing money values. The accounting policies have been consistently applied, unless otherwise stated. The financial statements have been prepared on a going concern basis that is dependent on the IPO being successful and/or the Company raising additional seed capital to continue in business.

(b) **Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted as at balance date. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxation profit or loss. Deferred income tax assets are recognised to the extent that it is probable that the future tax profits will be available against which deductible temporary differences will be utilised. The amount of the benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in the income taxation legislation and the anticipation that the economic unit will derive sufficient future assessable income to enable the benefits to be realised and comply with the conditions of deductibility imposed by law. No company income tax is payable in Bermuda.

(c) **Exploration, Evaluation and Development Expenditure**

Exploration and evaluation expenditure and acquisition costs on areas of interest will normally be expensed but will be assessed on a case by case basis and may be capitalised to areas of interest and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future. Where projects have advanced to the stage that directors have made a decision to mine, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of the cost of production or written off where production has not commenced.

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(d) Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value, less where applicable, any accumulated depreciation and impairment losses. The carrying amount of the plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employed and their subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. The asset's residual value and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying value is greater than the estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(e) Trade and other accounts payable

Trade and other accounts payable represent the principal amounts outstanding at balance date, plus, where applicable, any accrued interest.

(f) Recoverable Amount of Non Current Assets

The carrying amounts of non-current assets are reviewed annually by directors to ensure they are not in excess of the recoverable amounts from those assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets employed and subsequent disposal. The expected net cash flows have been or will be discounted to present values in determining recoverable amounts.

(g) Operating Revenue

Revenue represents interest received and reimbursements of exploration expenditures.

(h) Issued Capital

Ordinary Shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(i) Principles of Consolidation

The consolidated financial statements comprise the financial statements of BrazIron Limited and its subsidiaries ("the Group"). The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include

the results for the part of the reporting period during which BrazIron Limited has control.

- (j) **Employee benefits**
Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave. Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.
- (k) **Critical accounting estimates and judgements**
The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.
- (l) **Share Based Payments**
The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using Black-Scholes or Binomial option pricing models.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

- (m) **Critical accounting estimates & judgements**
In preparing this Financial Report, the Company has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Capitalisation of exploration and evaluation expenditure

The Group has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful

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development (or alternatively sale) of the Areas of Interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Company decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices. At 30 June 2010, the carrying value of capitalised exploration and evaluation expenditure is \$nil.

(n) Investments and other financial assets

The Company classifies its investments in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value

through profit or loss are initially recognised at fair value and transaction costs are expensed to the statement of financial performance. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

When securities are classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of financial performance as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within other income or other expenses in the period in which they arise.

Income from financial assets at fair value through profit and loss is recognised in the income statement as part of income from continuing operations when the Company's right to receive payment is established.

Fair value

The fair values of quoted investments are based on last trade prices. If the market for financial assets is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques.

(o) **Foreign currencies**

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States dollars, which is BrazIron's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(p) **Restoration, rehabilitation and environmental expenditure**

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

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2. Actual and Proposed Transactions to Arrive at Pro-forma Unaudited Consolidated Statement of Financial Position

Actual and proposed transactions adjusting the 30 June 2010 unaudited Statement of Financial Position of BrazIron in the pro-forma consolidated Statement of Financial Position of BrazIron are as follows:

- (a) the issue of 7,000,000 shares at US10 cents (raising US\$700,000) as a result of the exercise of 7,000,000 share options held by two parties;
- (b) the exercise of Option 1 and the signing of a Share Sale Agreement and the issue of 75,320,000 shares in BrazIron at a deemed issue price of US10 cents each as part payment relating to the indirect acquisition of nearly 100% of Octa Ferro who in turn has a 51% shareholding interest in BR Ferro (deemed acquisition cost of US\$7,532,000);
- (c) the exercise of Option 2 and the signing of a share sale agreement and the issue of 100,000,000 shares in BrazIron at a deemed issue price of US10 cents each as part payment relating to the acquisition of nearly 100% of Octa Ferro who in turn has the Xingu Iron Tenements and earning a 75% interest in the F1 tenements (deemed cost US\$10,000,000);
- (d) the issue of 75,000,000 shares at A20 cents each to raise a gross A\$15,000,000 (estimated at US\$13,200,000) pursuant to the Prospectus;
- (e) the payment of 30 June 2010 accounts payable of US\$81,168 for BrazIron;
- (f) the payment of expenses of the Prospectus issue totalling an estimated US\$800,000;
- (g) the incurring of additional group administration and other costs of say US\$100,000;
- (h) the payment of a further US\$166,873 to Majestic/Octa to 6 July 2010; and
- (i) the issue of 1,500,000 share options with a fair value of approximately US\$100,000.

	Note 2	Unaudited Consolidated BrazIron 30 June 2010 US\$	Unaudited Consolidated BrazIron Pro-forma 30 June 2010 US\$
3. Cash Assets			
The movements in cash assets are as follows:			
Unaudited 30 June 2010		578,200	578,200
Issue of shares on option conversion	(a)	-	700,000
Issue of shares pursuant to the Prospectus	(d)	-	13,200,000
Payment of payables	(e)	-	(81,168)
Prospectus issue costs	(f)	-	(800,000)
Administration costs	(g)	-	(100,000)
Advance to Majestic/Octa	(h)	-	(166,873)
		578,200	13,330,159
4. Capitalised exploration and evaluation expenditure			
Acquisition cost at deemed values (refer note 13 below)	(c)	-	19,061,208
5. Investments			
Shares in subsidiaries	(b)(c)(h)	3,001	17,535,001
Less: Write down of investments		-	-
		3,001	17,535,001
Less eliminated on consolidation		(3,001)	(17,535,001)
		-	-

Note 2	Unaudited Consolidated BrazIron 30 June 2010 US\$	Unaudited Consolidated BrazIron Pro-forma 30 June 2010 US\$
Loans to subsidiaries	-	3,220,833
Less eliminated on consolidation	-	(3,220,833)
	<u>-</u>	<u>-</u>
Total Investments	<u>-</u>	<u>-</u>

The Company is financing the operations of all subsidiaries including Charter, Octa Prime, Octa Ferro and BR Ferro in Brazil and thus the subsidiaries have or will have unsecured borrowings from BrazIron that are interest free and at call. The ability for the subsidiaries to repay debts due to BrazIron (and other parties) will be dependent on the commercialisation of the mining and other assets owned by the subsidiaries. Losses may be incurred by the subsidiaries and provisions raised against the loans due by the subsidiaries to BrazIron in the books of BrazIron.

6. Trade and other payables

Trade and other payable	81,168	81,168
Owing to Majestic	-	166,873
Less: Payment of trade and other payables	(e) -	(81,168)
Less: Paid to Majestic	(h) -	(166,783)
	<u>81,168</u>	<u>-</u>

**7. Issued Capital
Ordinary Shares**

59,330,000 shares at 30 June 2010	5,880,030	5,880,030
7,000,000 shares on exercise of share options	(a) -	700,000
175,320,000 shares to Majestic	(b)(c) -	17,532,000
75,000,000 shares pursuant to the Prospectus	(d) -	13,200,000
	<u>5,880,030</u>	<u>37,312,030</u>
Less: estimated share issue costs	(f) -	(800,000)
Pro-forma (316,650,000 shares)	<u>5,880,030</u>	<u>36,512,030</u>

The amount raised pursuant to the Prospectus is to be A\$15,000,000. Based on the US/AUS exchange rates over the past several months, the amount to be raised in US dollars may fall in the range of US\$12,000,000 and US\$13,500,000. This report has used an US/AUS exchange rate of A\$1 equals US\$0.88.

In the event that the minimum subscription of A\$10,000,000 is received, the number of shares on issue would decrease to 291,650,000 as 50,000,000 shares (instead of 75,000,000 shares) would be issued under the Prospectus, the issued capital would decrease to US\$32,292,030 (cash capital raising costs would decrease by A\$204,545 (US\$180,000) to A\$704,545 (US\$620,000) and cash at bank would decrease to US\$9,110,159 (assuming A\$1 equals US\$0.88).

» **INVESTIGATING
ACCOUNTANT'S REPORT CONT.**

Stantons International Securities

AFS Licence No. 319600

	Note 2	Unaudited Consolidated BrazIron 30 June 2010 US\$	Unaudited Consolidated BrazIron Pro-forma 30 June 2010 US\$
8. Option Reserve			
Expensing of share options issued		21,110	21,110
New options to be issued	(i)	-	100,000
		<u>21,110</u>	<u>121,110</u>

It is proposed to issue 1,500,000 share options to Elpidio Reis exercisable at AUS 25 cents each, before 31 December 2012. 50% vest on 1 September 2010 and 50% six months within six months.

9. Accumulated Losses

Balance 30 June 2010		5,396,070	5,396,070
Administration costs	(g)	-	100,000
Exploration costs	(h)	-	166,873
Option costs	(i)	-	100,000
		<u>5,396,070</u>	<u>5,762,943</u>

10. Contingent Liabilities and Commitments

Based on discussions with the Directors and legal advisors, to our knowledge, the Company has no other material commitment or contingent liabilities not otherwise disclosed in this Investigating Accountant's Report (refer Background section 3) and in the Prospectus. Investors should read the Solicitor's Report on Tenements, the Independent Geologist's Report and the Material Contract's Section 11.2 of the Prospectus for further possible contingencies and commitments. A number of tenements are subject to royalty payments on production of minerals.

For details on proposed exploration commitments on mineral tenements, refer to the Independent Geologist's Report in the Prospectus and section 3.8 of the Prospectus.

11. Rental Of Premises Commitments

Octa Ferro has an arrangement to sub lease premises from Octa at the rate of approximately R\$6,783 per month for the first 12 months from 20 April 2010 and each year thereafter, rent is increased by CPI. The sub-lease expires on 20 April 2015. BrazIron may seek to rent premises in Australia on achieving an ASX listing.

12. Management Agreements

The Company has entered into an employment letter contract with Robert Brierley as Managing Director and an executive employment contract with Elpidio Reis for the provision of exploration services as a General Manager. A summary of the financial details on the agreements are outlined in the Background Section of this report and/or in the Material Contracts section 11.6 of the Prospectus.

13. Acquisition of 100% of Charter

US\$

Agreed purchase price – shares (175,320,000 shares at a deemed US10 cents each)	17,532,000
Amount payable on completion	<u>17,532,000</u>

Assets and liabilities acquired

The 6 July 2010 unaudited adjusted book values and the values assigned by management of the Company to the assets and liabilities acquired through the indirect acquisition of Octa Ferro, 51% of BR Ferro and a 75% interest in the F1 tenements are as follows:

	Book Values	Deemed Value
Exploration assets	<u>4,734,873</u>	<u>17,532,000</u>
Total assets	4,734,873	17,532,000
Total liabilities	-	-
Net book assets acquired	<u><u>4,734,873</u></u>	<u><u>17,532,000</u></u>

The \$4,734,873 is made up of book costs relating to:

Bahia Tenements	3,120,833
Xingu Tenements	1,215,761
F1 Tenements	<u>398,279</u>
Total value	<u>4,734,873</u>

Of the \$3,120,833, minority interests in BR Ferro have an effective 49% interest (US\$1,529,208) and thus the BrazIron Group's 51% interest is US\$1,591,625. Accordingly, the effective total interest in tenements acquired is US\$3,205,655 and the deemed cost of acquisition is US\$17,532,000 (175,320,000 shares at US10 cents each). Thus, on consolidation, there is an excess of cost (US\$14,326,335) over the book values of the Charter Group. The difference is considered by BrazIron Board and management to relate to the Octa Ferro's interest in various mineral tenements in Brazil. The allocation is US\$5,940,375 to the Bahia tenements (owned by BR Ferro) and US\$8,385,960 to Xingu. The pro-forma carrying value of the tenements (that incorporates the excess of US\$14,326,335 as noted above) is made up of:

Bahia Tenements	9,061,208
Xingu Tenements	9,601,721
F1 Tenements	<u>398,279</u>
Total value	<u>US\$19,061,208</u>

In the year ended 31 December 2008 and the year ended 31 December 2009, BrazIron incurred costs (by way of advances to Majestic who then paid for exploration costs on the Bahia, Xingu and F1 tenements under option and earn in agreements with Brazilian parties) of US\$3,800,000 and US\$20,000 respectively pertaining to BrazIron's options to acquire interests in BR Ferro and Xingu tenements. BrazIron has treated such costs as rights to acquire mineral exploration expenditure and such costs now form part of the accumulated losses of BrazIron. In addition, between 1 January 2010 and 6 July 2010, advances of US\$914,873 have been made by BrazIron to Majestic (who spent the funds on the Bahia, Xingu and F1 tenements) and the advances by BrazIron to 6 July 2010 have also been treated as exploration costs written off.

Advances incurred by BrazIron after the signing of the Share Sale Agreement (to indirectly acquire Octa Ferro who has inter-alia 51% of BR Ferro) and the Tenement Sale Agreement (to acquire the Xingu tenements) will be treated as loans (via Charter and Octa Prime) to Octa Ferro and BR Ferro. All of the Brazilian parties relating to BR Ferro (49% minority interest) and F1 (25% joint venture interest) are free carried to completion of bankable feasibility studies. Between 7 July 2010 and 13 August 2010, US\$100,000 has been advanced to the subsidiaries.

» 9 SOLICITOR'S REPORT ON TENEMENTS



Rio de Janeiro, August 16th, 2010.

The Directors
BrazIron Limited
Clarendon House, 2 Church Street
Hamilton HM11, Bermuda

Ref. Overview on Project Tenure

I. INTRODUCTION

BrazIron has an interest in the following mining projects in the Federal Republic of Brazil:

- (a) a Project for exploration of Iron Ore in the State of Bahia comprising of DNPM licenses 873.397/2008, 873.398/2008, 872.580/2005, 872.485/2005, 871.500/2006, 871.501/2006, 870.025/2005, 870.026/2005, 870.027/2005, 870.028/2005, 870.029/2005, 870.030/2005, 870.031/2005, 870.032/2005, 872.486/2005, 872.487/2005, 872.488/2005, 872.635/2005, , 870.102/2005, 870.948/2006, 871.275/2005, 871.589/2008, 872.890/2006;
- (b) a Project for exploration of Iron Ore in the State of Pará comprising of DNPM licenses 850.151/2008, 850.152/2008, 850.557/2007, 850.558/2007, 850.786/2004, 850.788/2004, and 850.791/2004.

This Project Tenure Overview relates to:

- (a) agreements entered into by Octa Ferro and BR Ferro in relation to the exploration permits and exploration claims (Mineral Properties) in which BrazIron has an interest;
- (b) details of Mineral Properties; and
- (c) a summary of laws applying to the Mineral Properties in Brazil.

On the basis of the searches of the registers and records maintained in Brazil by the National Mineral Production Department (DNPM) conducted on behalf of the Company, the information set out below provides an accurate statement as to the status of the Mineral Properties.

The good standing of the Mineral Properties and the holder's interests therein are subject to the holder's continuing to comply with the terms and conditions of the Mineral Properties under the provisions of Brazilian law.

This Project Tenure Overview does not purport to be an exhaustive review of all laws that may apply to the Company or its subsidiaries in Brazil. This Project Tenure Overview relates only to the laws in force in Brazil at the date of this Prospectus with respect to the tenure of Mineral Properties.



II. MINING PROJECTS

The DNPM licenses related to the Project for exploration of Iron Ore in the State of Bahia are described in the table below:

DNPM No.	HOLDER	GRANT DATE	EXPIRY DATE	AREA (ha)
870025/2005	BR FERRO MINERAÇÃO S.A.	13/6/2008	13/6/2011	1.562,50
870026/2005	BR FERRO MINERAÇÃO S.A.	13/6/2008	13/6/2011	2.000,00
870027/2005	BR FERRO MINERAÇÃO S.A.	13/6/2008	13/6/2011	2.000,00
870028/2005	BR FERRO MINERAÇÃO S.A.	13/6/2008	13/6/2011	1.875,00
870029/2005	BR FERRO MINERAÇÃO S.A.	13/6/2008	13/6/2011	1.000,00
870030/2005	BR FERRO MINERAÇÃO S.A.	13/6/2008	13/6/2011	1.250,00
870031/2005	BR FERRO MINERAÇÃO S.A.	13/6/2008	13/6/2011	2.000,00
870032/2005	BR FERRO MINERAÇÃO S.A.	13/6/2008	13/6/2011	2.000,00
870102/2005	BR FERRO MINERAÇÃO S.A.	21/7/2009	21/7/2012	221,18
870948/2006	BR FERRO MINERAÇÃO S.A.	4/8/2009	4/8/2012	1.613,91
871275/2005	BR FERRO MINERAÇÃO S.A.	12/11/2008	12/11/2011	1.751,37
871500/2006	BR FERRO MINERAÇÃO S.A.	9/3/2010	9/3/2013	1.600,93
871501/2006	BR FERRO MINERAÇÃO S.A.	9/3/2010	9/3/2013	1.213,32
871589/2008	BR FERRO MINERAÇÃO S.A.	24/9/2008	24/9/2011	772,03
872485/2005	BR FERRO MINERAÇÃO S.A.	21/7/2009	21/7/2012	1.463,03
872486/2005	BR FERRO MINERAÇÃO S.A.	5/2/2009	5/2/2012	1.930,27
872487/2005	BR FERRO MINERAÇÃO S.A.	5/2/2009	5/2/2012	1.983,07

» **SOLICITORS REPORT
ON TENEMENTS CONT.**



872488/2005	BR FERRO MINERAÇÃO S.A.	5/2/2009	5/2/2012	2.000,00
872580/2005	BR FERRO MINERAÇÃO S.A.	5/2/2009	5/2/2012	1.171,02
872635/2005	BR FERRO MINERAÇÃO S.A.	5/2/2009	5/2/2012	1.998,26
872890/2006	BR FERRO MINERAÇÃO S.A.	5/6/2007	5/6/2010	53,92
873397/2008	OCTA FERRO S.A.	3/10/2008	3/10/2011	17,18
873398/2008	OCTA FERRO S.A.	3/10/2008	3/10/2011	853,82

The Agreement with Pegran

Octa Ferro has entered into an association agreement with Pegran where Pegran transferred the mineral rights of tenements 873.397/2008 and 873.398/08. According to the agreement signed Pegran will have 25% and Octa Ferro 75% of the project.

If anytime Octa Ferro or Pegran acquire an area within 50 kilometers of the tenements such area will be automatically included into the association agreement. Octa Ferro is solely responsible for conducting the research activities on the tenement.

Under this association agreement Octa Ferro must pay a monthly amount of U\$ 10.000,00 (ten thousand dollars) until an inferred resource report using JORC methods is presented. At this time the equivalent of U\$ 0,30 (thirty cents) per ton of iron ore inferred according to the inferred resource report will be paid by Octa Ferro to Pegran, after deducting the monthly payments already made. In case of trial mining before a JORC resource report is prepared, Octa Ferro shall pay U\$ 0,30 (thirty cents) per ton of iron ore produced and sold.

If any party does not fulfil its obligations, its participation will be reduced proportionally to the missed investment. If the reduction of the participation reaches a minimum of 10%, the party has to transfer its interests to the other party in exchange for a 5% royalty.

The Agreement with Carlos Renato Vedovato and Adriano Gomes Coelho

BR Ferro has entered into an association agreement with Mr. Vedovato and Mr. Coelho where both agreed to transfer the mineral rights of tenements 870.554/01, 870.025/05, 870.026/05, 870.027/05, 870.028/05, 870.029/05, 870.030/05, 870.031/05, 870.032/05, 870.102/05, 871.831/05, 872.485/05, 872.486/05, 872.487/05, 872.488/05, 872.580/05, 872.635/05, 870.626/06, 870.948/06, 871.500/06, 871.501/06, 870.625/06 and 872.890/06.

According to the agreement signed the parties agreed to establish a company (BR Ferro) with capital of R\$ 50.000,00 (fifty thousand reais) in which Mr. Vedovato would hold 48,43% of the shares, Mr. Coelho would hold 26,07% and Octa Ferro would hold 25,5%.

According to this association Octa Ferro should invest in two years the amount of R\$ 2.150.000,00 (two million and one hundred and fifty thousand reais) in research and exploration on

» **SOLICITORS REPORT
ON TENEMENTS CONT.**



the tenements and Mr. Coelho and Mr. Vedovato should transfer the tenements to the company BR Ferro. After an independent audit to determine the amount invested, Octa Ferro shall decide to fully integrate this amount into BR Ferro and keep the same participation of Coelho and Vedovato.

Octa Ferro had an option to acquire additional 25,5% interest until 31/07/2007 through the payment of additional R\$ 2.150.000,00 (two million and one hundred and fifty thousand reais) in 12 monthly installments of R\$ 107.500,00 (one hundred and seven thousand and five hundred reais) with the first payment on August 1st 2007 and one installment of R\$ 860.000,00 (eight hundred and sixty thousand reais) on August 1st 2008. The installments were paid proportionally to Mr. Vedovato and Coelho participation.

Octa Ferro has also an option to acquire an additional 9% interest until 60 (sixty) days of the conclusion of a resource report using JORC methodology. The price to acquire the 9% will be US\$ 0.009 multiplied by the tonnage identified in the JORC report and the price has to be paid within 120 (one hundred and twenty) days of the formal option.

After the longer of the third year of the association or the completion of a JORC compliant resource report, BR Ferro shall be financed by the market and the participation of the shareholders can be reduced proportionally by the issuing of new shares.

The DNPM licenses related to the Project for exploration of Iron Ore in the State of Pará are listed in the table below:

DNPM No.	HOLDER	GRANT DATE	EXPIRY DATE	AREA (ha)
850151/2008	OCTA FERRO S.A.	Alvará to be issued		368,04
850152/2008	OCTA FERRO S.A.	Alvará to be issued		105,02
850557/2007	OCTA FERRO S.A.	Alvará to be issued		9.853,14
850558/2007	OCTA FERRO S.A.	2/4/2009	2/4/2012	3.541,95
850786/2004	OCTA FERRO S.A.	23/6/2005	23/6/2008 (extention report presented)	6.750,00
850788/2004	OCTA FERRO S.A.	23/6/2005	23/6/2008 (extention report presented)	9.776,60
850791/2004	OCTA FERRO S.A.	23/6/2005	23/6/2008 (extention report presented)	3.928,75

There are no agreements related to these areas, as Octa Ferro S.A. is the holder of 100% of these licenses.



III. BRAZILIAN MINE LEGAL SYSTEM

1. MINERAL LEGISLATION

1.1. Applicable legislation

Mining activities in Brazil are regulated by:

- Decree-Law No. 227, dated 28 February 1967 - Mining Code
- Decree No. 62934, dated 2 July 1968 - Mining Code Regulation
- Law No. 6567, dated 24 September 1978
- Law No. 7805, dated 18 July 1989

1.2. Introduction

In Brazil, mineral resources are the property of the Federal Government. The ores and other mineral resources constitute property distinct from the surface property. Exploration and mining activities can be executed by private entities, through an authorization or a concession granted by the Federal Government, thereby offering to the concessionaire the guarantee of ownership of the mining product.

The Mining Code and its Regulation provide for the rights related to mineral resources, the legal regimes for their exploration and development, and also establish the norms on government inspection of the mineral industry. Furthermore, said Code and its Regulation establish, among other things, the concept and classification of mines, exploration, mining, surface owner rights, sanctions, and cancellation.

1.2.1. Legal Regimes for the Exploration and Development of Mineral Substances

Pursuant to the provisions set forth in the Mining Code and its Regulation, the exploration and development regimes of the mineral substances in Brazil are:

(a) **Concession Regime:** This system entails the operations aiming at the industrial development of the deposit, from the extraction of the mineral substance to its processing. Work under the concession regime depends upon an ordinance of the Executive Secretary to the Ministry of Mines and Energy (MME);

(b) Authorization Regime: *This system refers to the work required for the definition of the deposit, its evaluation and the feasibility of economic development. Work under the authorization regime depends upon the issuance of a mineral exploration license granted by the Director of the National Mineral Production Department (DNPM);*

(c) **Licensing Regime:** This system refers to the development of certain mineral substances which will be used immediately in the construction industry, for instance, clay used for the manufacturing of red ceramics and limestone used to correct the soil in agriculture. Work under this regime depends on the issuance of a specific license, to be granted by the authority of the municipality where the deposit is located, as well as on its registration with the DNPM.

(d) Garimpeira (alluvial) Mining Regime: *This system serves for the immediate development of the mineral deposit that in virtue of its nature, dimension, location and economic utilization, can be exploited immediately, independent from previous*



exploration work. Work under this regime depends on a permission to be granted by the Director of the DNPM; and

(e) **Monopoly Regime:** This system results from special laws and implies in direct or indirect execution by the Federal Government.

As to the above indicated five legal regimes for the development of mineral substances, the authorization and concession regimes are applied to the organized and large size mining ventures, respectively aiming at: (i) the exploration work, in the first stage; and (ii) the economic development of the deposit (mining), in the second stage.

It should be mentioned that the legal regimes for the development of mineral substances listed above are not applicable to federal, state and municipal agencies of the direct administration, nor to the independent agencies, for extraction of mineral substances that will be used immediately in the construction industry. In this case, the interested party must arrange for registration of the extraction at the DNPM. The substances explored in such cases must be exclusively used in public works directly executed by such interested party, and its trade is prohibited.

1.3. Exploration Phase

Under Brazilian law, mineral exploration means the performance of the work required for defining and evaluating the deposit, and determining the feasibility of its economic exploitation.

1.3.1. Application

In order to obtain a mineral exploration license, the interested party must present an application addressed to the DNPM, containing the following information and documentation:

(a) individuals: name and proof of Brazilian nationality, marital status, occupation, domicile and number of enrolment with the Individual Taxpayers' Registry of the Ministry of Finance (CPF/MF). Companies: corporate name, number of registration of the company's articles of association/by-laws at the proper commercial registry, head office address and number of enrolment with the National Registry of Legal Entities (CNPJ);

(b) proof that the corresponding fees have been paid;

(c) designation of the substances to be prospected;

(d) indication of the superficial extension of the area the object of the request, expressed in hectares, and the municipality and state where the property is located;

(e) memorandum containing the description of the area the object of the request;

(f) plan of location of the area, indicating the graphic definition and the main cartographic elements of the area; and

(g) prospecting work plan, including the budget and the schedule for the performance of the work.

Non-presentation of the documents listed above will cause prompt dismissal of the application by the DNPM. The applicant will be entitled to complete any missing information or documentation within 60 days from the publishing of the notice to meet such requirements by the DNPM. A fee must be paid by the applicant presenting the application to the DNPM.

1.3.2. Priority Rights

The applicant of a mineral exploration license, whose application is related to an area considered as free, shall be granted the priority in obtaining the respective title. Therefore, the first application presented to the DNPM for a certain area shall constitute, in general, a priority right. The area will be considered as free when:

» SOLICITORS REPORT ON TENEMENTS CONT.



- (i) the area is not bound to any other exploration license, license registration, mining concession, mine manifest, aerial geological recognizance permission, or any extraction registration by the federal, state and municipal agencies of the direct administration or by independent governmental agencies;
- (ii) the area is not the object of a previous application for an exploration license, or in cases where there is a previous application, such previous application is subject to prompt dismissal;
- (iii) the area is not the object of a previous license registration request, or if tied to a license, the registration of such license will be requested within 30 days of its issuance date;
- (iv) the area is not the object of a previous extraction registration request filed by any federal, state and municipal agencies of the direct administration or by independent agencies;
- (v) the area is not tied to a request for renewal of an exploration license, presented in time and pending approval;
- (vi) the area is not tied to an exploration license with a final report presented in time and pending approval; and
- (vii) the area is not bound to an exploration license with a final report approved and the legal right to request the mining concession still in force.

In the event of partial interference in the area requested and provided that exploration in the remaining area will be justified and considered as technically and economically feasible by the DNPM, the applicant shall be previously consulted to determine if said applicant would be interested in readjusting the application for the remaining area. If the request was dismissed due to the unavailability of the requested area, the applicant shall not be entitled to any claim.

1.3.3. Size of Area

The exploration licenses are limited to the following maximum areas:

- (i) 2,000 hectares for deposits of metalliferous mineral substances, mineral fertilizers, coal, diamond, bituminous and pyrobituminous rocks, turf and salt-gem;
- (ii) 50 hectares for deposits of sands, gravels and grits for the immediate use in the construction industry; rocks and mineral substances for paving blocks, curbstones, gutters, posts and the like; clay used to manufacture ceramics; rocks, stamped for immediate use in construction industry and limestone used as soil corrective element in agriculture; mineral waters, bottled and drinking waters; sands for industrial use; feldspar; gems (except diamonds); ornamental stones and micas;
- (iii) 1,000 hectares for deposits of mineral external rocks and other substances not indicated in items (i) and (ii) above;
- (iv) 10,000 hectares for deposits of minerals indicated in item (i) above for areas located in the *Amazônia Legal*; and
- (v) 5 (five) hectares for deposits of mineral substances for the immediate use in the construction industry, which extraction will be carried out by the federal, state and municipal agencies of the direct administration or by independent agencies.

1.3.4. Duration

The mineral exploration license shall be valid and legally in force for a minimum of one year and a maximum of three years from the date of its issuance. Said license can be successively renewed at the discretion of the DNPM, upon the request of the titleholder. The exploration license shall be valid for two years in the cases of prospecting of mineral substances indicated in item 1.3.3 (ii) above. For exploration of other substances, the license shall be valid for three years.

In order to renew the license, the DNPM shall take into consideration the development of the work performed. The request for renewal of the license must be presented 60 days prior to the expiration date of the original license or the previous renewed license. As to the renewal request, a report must be presented of the work already carried out, indicating the results achieved, as well as reasons

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ON TENEMENTS CONT.



justifying continued work. The renewal of the license does not depend on the publication of a new license, but only on the publication of the decision to renew.

1.3.5. Report

The holder of an exploration license must provide any information requested by the DNPM. At the end of the work and within the validity period of the exploration license, the holder must present a final report to the DNPM containing geological and technological studies related to the size of the deposit, as well as demonstrative analysis of the technical and economic feasibility of the exploitation. Such report must be prepared under technical responsibility of a legally qualified professional and must also contain:

- (i) information on the area, means of access and communication;
- (ii) plan of the geological survey;
- (iii) description of the main aspects of the deposit;
- (iv) quality of the mineral substance and definition of the deposit;
- (v) genesis of the deposit, as well as its qualification and comparison to similar deposits;
- (vi) report of the industrialization assays;
- (vii) demonstration of the economic feasibility of the deposit; and
- (viii) necessary information for the calculation of the reserve, such as the density, area, volume and content.

The final exploration report must be presented independent from the results of the work and shall conclude for the feasibility or non-feasibility of the exploitation development, or for the non-existence of the deposit. The holder of an exploration license who does not present a final report within the date established by the regulations will be fined. Nevertheless, the exemption from presentation of the report is permitted in certain cases of license relinquishment by the titleholder. The DNPM must confirm the relinquishment, provided it happened in one of the two following instances:

- (i) at any time, if the titleholder has not been successful at entering the area, despite all the efforts made, including judicial means; or
- (ii) before one-third (1/3) of the term of duration of the exploration license has passed.

1.3.6. Obligations

The titleholder of an exploration license shall be obliged to:

- (i) perform work only within the area specified in the authorization;
- (ii) respect the rights of third parties, indemnifying them for damage and losses caused;
- (iii) communicate to the DNPM the discovery of a mineral substance not included in the authorization;
- (iv) remove the substances extracted from the area object of the license for analysis and industrial experiments only with prior authorization of the DNPM (Utilization Bill) and in accordance with the applicable environmental legislation;
- (v) start the work within 60 days of the date of the publication of the license in the Official Gazette of the Federal Executive or as from the judicial ingress in the area to be explored;
- (vi) not interrupt the work without justification for more than three consecutive months or for more than 120 non-consecutive days;

» SOLICITORS REPORT ON TENEMENTS CONT.



(vii) compensate the surface owner or possessor for the occupation of the land and for damage or loss caused by the work; and
(viii) present a final prospecting report.

Besides the fee to be paid for obtaining the mineral exploration license, the titleholder must also pay to the DNPM an annual fee per each hectare. The fee is established at progressive values, considering the substance, place and size of the area, among other conditions.

1.3.7. Rights

The titleholder of an exploration license may execute the respective work and necessary auxiliary services, as well as work on land of private or public domain included in the area indicated on the exploration title. The titleholder shall be assured the right of free passage on the private property, including the soil and subsoil in the title area, as well as in neighboring areas, for performance of the respective work.

The titleholder of a set of exploration licenses for the same mineral substance in neighboring or close areas shall be entitled and authorized to present a single research plan and final report, involving and covering the whole set.

1.3.8. Transferability

The mineral exploration license is a title that can be assigned, totally or partially, to anyone who is in condition to execute the work under such license in accordance with the applicable legislation. The applications for exploration licenses are also transferable, once the respective priority right is assured. The transfer of the license must be communicated to the DNPM for approval and registration. It will only be legally valid after such procedure is complete.

1.3.9. Sanctions

Failure to comply with the obligations derived from exploration licenses, depending on the seriousness of the infraction, shall result in the following sanctions imposed by the DNPM: warning, fine or forfeiture.

1.3.10. Utilization Bill

It is possible to extract mineral substances before the mining concession is granted, by means of a Utilization Bill. Extraction may only occur if the interested party has obtained a proper environmental license, and has entered into an agreement with the surface owner as to the extraction work.

1.4. Mining Concession

1.4.1. Application

Application for a mining concession is made by the holder of an exploration permit. The application must contain details of:

- (i) the development plan; and
- (ii) finance to conduct the development



The concession will not be granted if mining is considered harmful to the public or if the Government considers that it compromises interests which are more relevant than industrial exploitation. In the latter case, the holder of the exploration license is entitled to be indemnified by the Government for the expenses incurred with prospecting work, if the final report has been approved.

1.4.2. Requirements

The mining concession shall only be granted when:

- (i) the area has already been prospected and mining is considered technically and economically feasible by the DNPM;
- (ii) the respective final prospecting report has already been presented and approved by the DNPM;
- (iii) the mining area to be exploited has been considered technically and economically feasible by the DNPM and adequate for the extraction and processing of the deposits, duly observing the limits of the area indicated in the exploration license; and
- (iv) the competent environmental agency has issued the corresponding environmental license.

1.4.3. Size of Area

The applicant must specify the size of the area required for mining within the area granted for exploration. The DNPM has the unconditional authority and power to establish the size of the mining area.

1.4.4. Duration

Brazilian mineral legislation does not establish the duration of mining concessions. The concessions remain in force until the complete exhaustion of the deposit.

1.4.5 Transferability

The mining concessions are personal titles. They can be assigned, totally or partially, and are granted by the Executive Secretary to the Ministry of Mines and Energy to companies that wish to operate in mineral business activities.

1.4.6. Rights

The holder of a mining concession:

(i) has the exclusive right to execute the mining work for the mineral substances specified and indicated in the concession title and within the authorized area. However, if another substance is found in the authorized area, the titleholder may request an addendum to the concession, so that the new substance is also included in the concession.

(ii) has the right to temporarily suspend mining work.

(iii) may obtain easements on the property where the mine is located, as well as on bordering and neighboring properties, with prior indemnification.

(iv) may divide the concession into 2 or more distinct concessions, provided that it is not harmful to the development of the deposit.

» SOLICITORS REPORT ON TENEMENTS CONT.



1.4.7. Obligations

The titleholder of the mining concession has the following obligations:

- (i) to start the mining work as per the development plan, within six months from the date of the publication of the concession in the Official Gazette of the Republic;
- (ii) to execute the work in accordance with the development plan approved by the DNPM;
- (iii) to extract solely the substances indicated in the concession;
- (iv) to communicate to the DNPM the discovery of a mineral substance not included in the concession title;
- (v) to carry out the work in accordance with regulatory norms;
- (vi) to offer the management of the work to a duly qualified technician;
- (vii) not to make it difficult nor impossible to use and exploit the deposit in the future;
- (viii) to be responsible for the damage and loss caused to third parties, resulting from the mining work;
- (ix) to promote and improve safe and healthy lodgings at the location;
- (x) to avoid deviation of water and to drain the amount that can cause harm and loss to neighbors;
- (xi) to avoid air or water pollution resulting from the mining work;
- (xii) to protect and preserve the water sources, as well as to use them according to the technical instructions and requirements when dealing with mineral water deposits;
- (xiii) to observe and comply with all the provisions of the inspection entities;
- (xiv) not to interrupt the mineral activities without notice to the DNPM;
- (xv) to keep the mine in good condition when temporarily suspending the mining work; and
- (xvi) to restore the areas degraded by the mining work.
- (xvii) advise of the discovery of radioactive minerals.

1.4.8. Sanctions

Failure to comply with requirements may result in warning, fines or forfeiture being imposed by the DNPM. Forfeiture must be precedent by an administrative proceeding. A request for reconsideration can be made to the Executive Secretary to the Ministry of Mines and Energy against the decisions of the Ministry of Mines and Energy or to the courts.

1.4.9. Security of Tenure

After the completion of prospecting work in accordance with the legal provisions and after the approval of the final report by the DNPM, the titleholder shall have the exclusive right to request a mining concession for the area. In this case, the concession can only be refused if the mining work is considered harmful to the public or compromises interests that are more relevant than industrial exploitation.

After the filing of the application for the mining concession and after the approval of the mine's development plan by the DNPM, the mining concession cannot be refused by the Government. Once the mining concession has been granted and all the legal requirements and provisions duly observed, the concession cannot be cancelled.



2. ENVIRONMENTAL PROTECTION LEGISLATION

2.1. Introduction

The Brazilian Federal Constitution reserves a special chapter on environmental protection. The federal, state and municipal governments and also the government of the Federal District of Brazil are empowered and obliged to defend and protect the environment.

Law No. 9605 of February 12, 1998, defines environmental crimes and infractions, as well as establishes liability and applicable sanctions. The main features of such law are:

- (i) the establishment of high monetary penalties;
- (ii) the extension of liability for environmental damage to directors, auditors, managers and attorneys-in-fact;
- (iii) the disregard of the legal entity by a Court of Law whenever it is an obstacle to payment of environmental damages, if agents of the company were aware of criminal conduct and did not attempt to hinder it.

2.2. Mining Requirements

Brazilian environment legislation provides that any mineral activity shall be subject to:

- licensing;
- environment impact assessment; and
- restoration of degraded areas.

Companies which carry on activities considered as potentially polluting or utilizing atural resources, such as mining, shall be registered with Brazilian Environmental and Renewable Natural Resources Institute - IBAMA.

2.3. Licenses

A preliminary license must be obtained prior to the planning stage. An Environmental Impact Assessment (EIA) must be executed, and the respective Environmental Impact Report (RIMA) must also be produced at this time. The EIA/RIMA must be submitted for approval by the competent environmental agency, together with a plan for recovery of degraded areas.

At the development stage, the installation license may only be obtained after an Environmental Control Plan (PCA) is presented to the competent environmental agency.

At the mining stage, another license must be obtained, namely the operation license. It is issued by the competent environmental agency after the satisfactory implementation of the PCA.



3. COMPENSATION AND ROYALTIES

3.1. Rent, Compensation and Participation

3.1.1. Exploration Phase

The holder of an exploration license must pay the surface owner or the squatter of the area object of the exploration license, rent for occupation of the land and compensation for any damage and loss caused or that may be caused as a result of the exploration work.

The payment cannot exceed the maximum net income from the area occupied for exploration. Compensation for damage caused cannot exceed the assessed value of the property actually occupied. However, in the event the damages caused by the exploration activities should turn the land impracticable for agricultural or breeding activities, compensation may reach the assessed value of the property.

3.1.2. Mining Phase

With regard to the concession and licensing regimes, the landowner is assured the right to participate in the results of the mining work. The value of such participation has been set at 50% on the total amount due and payable to the states, municipalities and the Federal District, as royalties for the exploitation of the mineral resources. Therefore, the value is calculated on the net income from the sale of the mineral product obtained after the last stage of processing and before its industrialization. Payment to the surface owner of the percentage in the mining results must be done on a monthly basis pledged separately from the property. The surface owner, however, may waive such participation, as well as assign or pledge the right of receiving installments in the future.

3.2. Royalties (Financial Compensation for the Exploitation of Mineral Resources)

The Federal Constitution has established that the states, municipalities, Federal District and the bodies of the direct administration of the Union (DNPM and IBAMA) are entitled to a percentage of the results of exploitation of mineral resources, or, alternatively, to receive royalties ("financial compensation") for said exploitation.

In light of the above, financial compensation has been created, and deemed to be a public price payable by the titleholders of mining concessions for the exploitation of mineral resources. Said compensation has been set at a maximum of 3% on the net income from the sale proceeds of the mineral product obtained after the last stage of processing and before its industrialization.

When assessing the net sales, the following deductions are permitted:

- Tax on Financial Transactions – IOF is payable on gold as a financial asset;
- Tax on Distribution of Goods and Services – ICMS;
- Social Security Financing Contribution - COFINS, and contribution to the Profit Participation Program – PIS, assessed on income ensuing from sales of the mineral output; and
- insurance and freight charges.

The following different participation percentages have been established for the mineral substances:

- (i) aluminum, manganese, salt-gem and potassium ores - 3%;
- (ii) iron, fertilizers, coal and other mineral substances - 2%;
- (iii) precious colored stones and gems that can be polished, carbonized stones and precious metals - 0.2%; and

» **SOLICITORS REPORT
ON TENEMENTS CONT.**



(iv) gold - 1%, garimpeiros are exempted.

Financial compensation is distributed as follows:

- 23% to the states (or the Federal District) where mining activities are performed;
- 65% to the municipality where mining activities are performed;
- 12% to DNPM, which shall give 2% of its share to IBAMA.

We are practicing law in the Federative Republic of Brazil and do not purport to be experts on the laws of any other jurisdiction and we therefore express no opinion as to the laws of any jurisdiction other than Brazilian law. This opinion is also based upon the laws of the Federative Republic of Brazil in effect at the date hereof and is given only as to the circumstances existing on the date hereof and known to us.

Our opinion is based on, and subject to, the assumptions and qualifications set out below and as otherwise specified elsewhere in this legal opinion. We have relied upon information provided by third parties, including government departments and have relied upon that information being accurate, complete and up to date as at the date of its receipt. We express no opinion on any compliance not disclosed on the face of the searches conducted for the purposes of this Report.

"FFA LEGAL" as being responsible for the preparation of this legal opinion in the form and context in which it is included, is not responsible for any matter included or omitted hereto.

This opinion is addressed to you and is solely for your benefit. It may not be relied upon by any other person without our prior written consent.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Luis Ferraiuoli', is positioned above the name of the signatory.

Luis Mauricio Ferraiuoli de Azevedo
Partner

» 10 RISK FACTORS

10.1 INTRODUCTION

The Shares offered under this Prospectus should be considered speculative because of the nature of the business activities of the Company. Whilst the Directors recommend the Offer, potential investors should consider whether the Shares offered are a suitable investment having regard to their own personal investment objectives and financial circumstances and the risk factors set out below.

There are a number of factors, both specific to BrazIron and of a general nature, which may, either individually or in combination, affect the future operating and financial performance and/or financial position of BrazIron, its prospects, and/or the value of its Shares. Many of the circumstances giving rise to these risks are beyond the control of BrazIron, its Directors and management.

This Section describes what the Directors believe to be the principal risks associated with an investment in BrazIron. Prospective investors should note that this Section is not an exhaustive list of the risks associated with an investment in BrazIron and it should be considered in conjunction with other information disclosed in this Prospectus.

You should carefully consider these risks in light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

10.2 RISKS ASSOCIATED WITH OPERATING IN BRAZIL

The Projects are located in Brazil and the Company will be subject to the risks associated with operating in that country. Such risks can include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, labour relations as well as government control over mineral properties or government regulations.

Changes to Brazil's investment policies and legislation or a shift in political attitude may adversely affect the Company's operations and profitability.

10.3 EXPLORATION SUCCESS

The Tenements of the Company as described in this Prospectus are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.

Investors should note that in relation to its projects, any potential quantity and grade is conceptual in nature and, there has been insufficient exploration to define a mineral resource in respect of the projects at the date of this Prospectus and that it is uncertain that further exploration will result in the determination of a mineral resource. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The exploration costs of the Company described in the Independent Geologist's Report in Section 7 are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability. The exploration Tenements which the Company holds or in which it has an interest may be the subject of applications for extension in the future.

10.4 TITLE RISKS

The Tenements in which the Company has or may acquire an interest in are subject to the applicable local laws and regulations.

Tenements (or applications) in which the Company has an interest are (or, if granted, will be) subject to the relevant conditions applying in Brazil. Failure to comply with these conditions may render the Tenements liable to forfeiture.

All of the Projects in which the Company has an interest will be subject to application for tenement renewal from time to time. Renewal of the term of each tenement is subject to applicable legislation. If a tenement is not renewed for any reason, the Company may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that tenement. However, the Directors are not aware of any reason why renewal of the term of any tenement will not be granted.

» **RISK
FACTORS CONT.**

For more details on the issue of title and an analysis of the status of each Tenement, refer to the Solicitor's Report in Section 9 of this Prospectus.

10.5 JOINT VENTURE PARTIES AND CONTRACTORS

The Company is reliant on the cooperation and compliance of parties to the agreements to which it is a party.

The Directors are unable to predict the risk of the financial failure or default by a participant in any joint venture to which the Company may become a party or insolvency or other managerial failure by any of the contractors used by the Company in its exploration activities.

10.6 CONTRACTUAL RISKS

The Company's interests in some of its Tenements arise by virtue of the Company having a contractual right to acquire rights to those Tenements, such as the F1 Project.

The Company is reliant on the cooperation and compliance of parties to the agreements to which it is a party.

As in any contractual relationship, the ability of the Company to ultimately be registered as a holder of the interests in the Tenements is dependent upon the Company's ability to comply with its obligations, and the relevant counterparty complying with its contractual obligations to deliver title.

10.7 OPERATING RISKS

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits; failure to achieve predicted grades in exploration and mining; operational and technical difficulties encountered in mining; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated metallurgical problems which may affect extraction costs; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

10.8 RESOURCE ESTIMATES

Resource estimates are expressions of judgment based on

knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

10.9 COMMODITY PRICE VOLATILITY AND EXCHANGE RATE RISKS

Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include worldwide and regional supply and demand for the specific commodity, commodity trading on the futures markets, general world economic conditions and the outlook for interest rates, inflation and other economic factors on both a regional and global basis. These factors may have a positive or negative effect on the Company's exploration, project development and production plans and activities, together with the ability to fund those plans and activities.

The US\$, A\$ and BRL cross rates are affected by numerous factors beyond the control of the Company. These factors include Australia's, the USA's and Brazil's economic conditions and the outlook for interest rates, inflation and other economic factors. These factors may have a positive or negative effect on the Company's exploration, project development and production plans and activities, together with the ability to fund those plans and activities.

10.10 MARKET CONDITIONS

The market price of the Shares and Options can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

» RISK FACTORS CONT.

10.11 ECONOMIC RISKS

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) commodity prices;
- (e) changes in investor sentiment toward particular market sectors;
- (f) the demand for, and supply of, capital; and
- (g) terrorism or other hostilities.

10.12 ADDITIONAL REQUIREMENTS FOR CAPITAL

The future capital requirements of the Company will depend on many factors including its business development activities. The Company believes its available cash and the net proceeds of this Offer will be adequate to fund its business development activities, exploration program and other objectives in the short term as stated in this Prospectus.

Should the Company require additional funding there can be no assurance that additional financing will be available on acceptable terms, or at all. Any inability to obtain additional finance, if required, would have a material adverse effect on the Company's business and its financial condition and performance.

10.13 ENVIRONMENTAL RISKS

The operations and proposed activities of the Company are subject to various Brazilian State and Federal laws and regulation concerning the environment. As with most exploration projects and mining operations, the

Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

10.14 BRAZIL LEGAL ENVIRONMENT

Brazil's legal system is less developed than more established countries and this could result in the following risks:

- (a) political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation or in an ownership dispute;
- (b) a higher degree of discretion held by various government officials or agencies;
- (c) the lack of political or administrative guidance on implementing applicable rules and regulations, particularly in relation to taxation and property rights;
- (d) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or
- (e) relative inexperience of the judiciary and court in matters affecting the Company.

10.15 LIMITED HISTORY

The Company was incorporated in September 2007 and its operational and financial historical performance is limited. It should be noted that the Company's directors have between them significant operational experience. No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company is able to realise value from its Projects, it is likely to incur ongoing operating losses.

10.16 RISKS RELATING TO INCORPORATION IN BERMUDA

BrazIron is a Bermuda exempted company and as a result, the rights of holders of Securities will be governed by Bermuda law and BrazIron's Memorandum of Association and bye laws.

» **RISK
FACTORS CONT.**

The laws of Bermuda are different to those of Australia. The Company will not be subject to the Corporations Act. Therefore the rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions.

As a foreign company, BrazIron will be required to comply with the requirements of the Foreign Acquisitions and Takeovers Act when making significant investments in Australian assets.

It should be noted that once listed on ASX, the Company will be subject to ASX Listing Rules. Further, the Bye Laws contain provisions which seek to replicate some of the protections which exist under the Corporations Act such as the prohibition against takeovers in Chapter 6. These provisions will not have the same force of law, but form a contract between the Company and the Shareholders. Significantly, these provisions cannot bind a third party who is not yet a member of the Company and are enforced by the Board of the Company, not an independent regulatory body.

It is doubtful whether courts in Bermuda will enforce judgments obtained in other jurisdictions, including those of Australia, against BrazIron or its Directors or officers under the securities laws of those jurisdictions or entertain actions in Bermuda against BrazIron or BrazIron's Directors or officers under the securities laws of other jurisdictions.

Furthermore the Bye Laws contain a broad waiver by Shareholders of any claim or right of action, both individually and on BrazIron's behalf, against any of BrazIron's officers or Directors. The waiver applies to any action taken by an officer or Director, or the failure of an officer or Director to take any action in the performance of his or her duties, except with respect to any matter involving any fraud or dishonesty on the part of the officer or Director. This waiver limits the right of Shareholders to assert claims against BrazIron's officers and Directors unless the act or failure to act involves fraud or dishonesty.

10.17 CHANGE IN GOVERNMENT POLICY AND LEGISLATION

The Company's business may be affected by new and changing Government of Bermuda policies, including taxation, royalties, environmental regulation, land access and economic regulation relating to the minerals industry.

10.18 RELIANCE ON KEY MANAGEMENT

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

10.19 INVESTMENT SPECULATIVE

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities offered under this Prospectus. Therefore, the securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for securities pursuant to this Prospectus.

» 11 ADDITIONAL INFORMATION

11.1 RIGHTS ATTACHING TO SECURITIES

The rights and liabilities attaching to ownership of Shares arise from a combination of the bye laws, statute, the Listing Rules and applicable laws generally.

A summary of the significant rights attaching to the Shares is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders.

SHARES

Holders of Shares have no pre-emptive, redemption, conversion or sinking fund rights. Holders of Shares are entitled to one vote per Share on all matters submitted to a vote of holders of Shares. Unless a different majority is required by law or by the bye laws, resolutions to be approved by holders of Shares require approval by a simple majority of votes cast at a meeting at which a quorum is present.

In the event of liquidation, dissolution or winding up of the Company, the holders of Shares are entitled to share equally and ratably in the Company's assets, if any, remaining after the payment of all of debts and liabilities of the Company, subject to any liquidation preference on any issued and outstanding preference shares.

DIVIDEND RIGHTS

Under Bermuda law, a company may not declare or pay dividends if there are reasonable grounds for believing that:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) that the realisable value of its assets would thereby be less than the aggregate of its liabilities, its issued share capital and its share premium accounts.

Issued share capital is the aggregate par value of the company's issued shares, and the share premium account is the aggregate amount paid for issued shares over and above their par value. Share premium accounts may be reduced in certain limited circumstances.

Under the bye laws, each Share is entitled to dividends if, as and when dividends are declared by the board of Directors, subject to any preferred dividend right of the holders of any preference shares.

VARIATION OF RIGHTS

If at any time the Company has more than one class of shares, the rights attaching to any class, unless otherwise provided for by the terms of issue of the relevant class, may be varied either:

- (a) with the consent in writing of the holders of 75% of the issued shares of that class; or
- (b) with the sanction of a resolution passed by a majority of the votes cast at a general meeting of the relevant class of Shareholders at which a quorum consisting of at least two persons holding or representing one-third of the issued shares of the relevant class is present.

The bye laws specify that the creation or issue of shares ranking equally with existing shares will not, unless expressly provided by the terms of issue of existing shares, vary the rights attached to existing shares. In addition, the creation or issue of preference shares ranking prior to Shares will not be deemed to vary the rights attached to Shares.

TRANSFER OF SHARES

The board of Directors may in its absolute discretion and without assigning any reason refuse to register the transfer of a Share that it is not fully paid. The board of Directors may also refuse to recognise an instrument of transfer of a Share unless it is accompanied by the relevant share certificate and such other evidence of the transferor's right to make the transfer as the board of Directors shall reasonably require.

Subject to these restrictions, a holder of Shares may transfer the title to all or any of his Shares by completing a form of transfer in the form set out in the bye laws (or as near thereto as circumstances admit) or in such other common form as the board may accept. The instrument of transfer must be signed by the transferor and transferee, although in the case of a fully paid Share the board of directors may accept the instrument signed only by the transferor.

» **ADDITIONAL
INFORMATION CONT.**

MEETINGS OF SHAREHOLDERS

Under Bermuda law, a company is required to convene at least one general meeting of Shareholders each calendar year. Bermuda law provides that a special general meeting of Shareholders may be called by the board of Directors of a company and must be called upon the request of Shareholders holding not less than 10% of the paid-up capital of the company carrying the right to vote at general meetings.

Bermuda law also requires that shareholders be given at least five days' advance notice of a general meeting, but the accidental omission to give notice to any person does not invalidate the proceedings at a meeting. The bye laws provide that the chairman or the board of Directors may convene an annual general meeting or a special general meeting. Under the bye laws, at least 21 days' notice of an annual general meeting or a special general meeting must be given to each shareholder entitled to vote at such meeting. This notice requirement is subject to the ability to hold such meetings on shorter notice if such notice is agreed:

- (a) in the case of an annual general meeting by all of the shareholders entitled to attend and vote at such meeting; or
- (b) in the case of a special general meeting by a majority in number of the Shareholders entitled to attend and vote at the meeting holding not less than 95% in nominal value of the Shares entitled to vote at such meeting.

Under the bye laws, the quorum required for a general meeting of shareholders is three or more Shareholders who are entitled to vote and who are present in person at the start of the meeting and throughout the meeting the Company has.

ACCESS TO BOOKS AND RECORDS AND DISSEMINATION OF INFORMATION

Members of the general public have a right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda. These documents include the company's memorandum of association, including its objects and powers, and certain alterations

to the memorandum of association. The Shareholders have the additional right to inspect the bye laws of the company, minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting.

The register of members of a company is also open to inspection by Shareholders and by members of the general public without charge. The register of members is required to be open for inspection for not less than two hours in any business day (subject to the ability of a company to close the register of members for not more than thirty days in a year).

A company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside of Bermuda. A company is required to keep at its registered office a register of directors and officers that is open for inspection for not less than two hours in any business day by members of the public without charge. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records.

ELECTION AND REMOVAL OF DIRECTORS

The bye laws provide that the board shall consist of not less than two Directors or such greater number as the board and the Shareholders may determine from time to time. The board of Directors will initially consist of five Directors. At least one of the Directors must not be employed by the Company or by any other subsidiary.

A Director may be removed, only with cause, by the Shareholders in general meeting, provided notice of the shareholders meeting convened to remove the Director is given to the Director. The notice must contain a statement of the intention to remove the Director and must be served on the Director not less than fourteen days before the meeting. The director is entitled to attend the meeting and be heard on the motion for his removal.

» **ADDITIONAL INFORMATION CONT.**

PROCEEDINGS OF BOARD OF DIRECTORS

The bye laws provide that the business of the Company is to be managed and conducted by the board of Directors. Bermuda law requires that the Directors be individuals, but there is no requirement in the bye laws or Bermuda law that Directors hold any of our Shares. There is also no requirement in the bye laws or Bermuda law that the Directors must retire at a certain age.

Provided a Director discloses a direct or indirect interest in any contract or arrangement with the Company as required by Bermuda law, such Director is entitled to vote in respect of any such contract or arrangement in which he or she is interested unless he or she is disqualified from voting by the chairman of the relevant board meeting.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 98 of the Companies Act provides generally that a Bermuda company may indemnify its directors, officers and auditors against any liability which by virtue of any rule of law would otherwise be imposed on them in respect of any negligence, default, breach of duty or breach of trust, except in cases where such liability arises from fraud or dishonesty of which such director, officer or auditor may be guilty in relation to the company. Section 98 further provides that a Bermuda company may indemnify its directors, officers and auditors against any liability incurred by them in defending any proceedings, whether civil or criminal, in which judgment is awarded in their favour or in which they are acquitted or granted relief by the Supreme Court of Bermuda pursuant to section 281 of the Companies Act.

The Company has adopted provisions in the bye laws that provide that the Company shall indemnify officers and Directors in respect of their actions and omissions, except in respect of their fraud or dishonesty. The bye laws provide that the Shareholders waive all claims or rights of action that they might have, individually or in right of the Company, against any of the Company's Directors or officers for any act or failure to act in the

performance of such director's or officer's duties, except in respect of any fraud or dishonesty of such Director or officer. Section 98A of the Companies Act permits the Company to purchase and maintain insurance for the benefit of any officer or director in respect of any loss or liability attaching to him in respect of any negligence, default, breach of duty or breach of trust, whether or not the Company may otherwise indemnify such officer or director.

AMENDMENT OF MEMORANDUM OF ASSOCIATION AND BYE LAWS

Bermuda law provides that the memorandum of association of a company may be amended by a resolution passed at a general meeting of shareholders. The bye laws provide that no bye law shall be rescinded, altered or amended, and no new bye law shall be made, unless it shall have been approved by a resolution of the board of Directors and by a resolution of Shareholders.

Under Bermuda law, the holders of an aggregate of not less than 20% in par value of the company's issued share capital or any class thereof have the right to apply to the Supreme Court of Bermuda for an annulment of any amendment of the memorandum of association adopted by shareholders at any general meeting, other than an amendment which alters or reduces a company's share capital as provided in the Companies Act 1981.

Where such an application is made, the amendment becomes effective only to the extent that it is confirmed by the Bermuda court. An application for an annulment of an amendment of the memorandum of association must be made within 21 days after the date on which the resolution altering the company's memorandum of association is passed and may be made on behalf of persons entitled to make the application by one or more of their number as they may appoint in writing for the purpose. No application may be made by Shareholders voting in favour of the amendment.

» **ADDITIONAL
INFORMATION CONT.**

SHAREHOLDER SUITS

Class actions and derivative actions are generally not available to shareholders under Bermuda law. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or illegal, or would result in the violation of the company's memorandum of association or bye laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's Shareholders than that which actually approved it.

When the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Supreme Court of Bermuda, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the Shares of any Shareholders by other Shareholders or by the company.

The bye laws contain a provision by virtue of which the Shareholders waive any claim or right of action that they have, both individually and on the Company's behalf, against any Director or officer in relation to any action or failure to take action by such director or officer, except in respect of any fraud or dishonesty of such director or officer.

CAPITALISATION OF PROFITS AND RESERVES

Pursuant to the bye laws, the Board of Directors may:

- (a) capitalise any part of the amount of the Company's share premium or other reserve accounts or any amount credited to the Company's profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus Shares pro-rata (except in connection with the conversion of Shares) to the shareholders; or

- (b) capitalise any sum standing to the credit of a reserve account or sums otherwise available for dividend or distribution by paying up in full, partly paid or nil paid Shares of those Shareholders who would have been entitled to such sums if they were distributed by way of dividend or distribution.

REGISTRAR OR TRANSFER AGENT

A register of holders of the Shares will be maintained by Codan Services Limited in Bermuda, and a branch register will be maintained in Australia by Computershare, who will serve as branch registrar and transfer agent.

CERTAIN PROVISIONS OF BERMUDA LAW

The Company has been designated by the Bermuda Monetary Authority as a non-resident for Bermuda exchange control purposes. This designation allows us to engage in transactions in currencies other than the Bermuda dollar, and there are no restrictions on the Company's ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to United States residents who are holders of Shares.

The Bermuda Monetary Authority has given its consent for the issue and free transferability of all of the Shares that are the subject of the Offer to and between residents and non-residents of Bermuda for exchange control purposes, provided shares remain listed on an appointed stock exchange, which includes ASX. Approvals or permissions given by the Bermuda Monetary Authority do not constitute a guarantee by the Bermuda Monetary Authority as to the performance or creditworthiness of the Company. Accordingly, in giving such consent or permissions, the Bermuda Monetary Authority shall not be liable for the financial soundness, performance or default of our business or for the correctness of any opinions or statements expressed in this Prospectus. Certain issues and transfers of Shares involving persons deemed resident in Bermuda for exchange control purposes require the specific consent of the Bermuda Monetary Authority.

» ADDITIONAL INFORMATION CONT.

This Prospectus will be filed with the Registrar of Companies in Bermuda pursuant to Part III of the Companies Act 1981 of Bermuda. In accepting this Prospectus for filing, the Registrar of Companies in Bermuda shall not be liable for the financial soundness, performance or default of the business of the Company or for the correctness of any opinions or statements expressed in this Prospectus.

In accordance with Bermuda law, share certificates are only issued in the names of companies, partnerships or individuals. In the case of a Shareholder acting in a special capacity (for example as a trustee), certificates may, at the request of the Shareholder, record the capacity in which the Shareholder is acting. Notwithstanding such recording of any special capacity, the Company is not bound to investigate or see to the execution of any such trust.

11.2 MATERIAL CONTRACTS

Set out below is a summary of the contracts to which the Company is a party which may be material in terms of the Offer or the operation of the business of the Company.

OPTION AGREEMENTS

On 12 November 2007, the Company, Majestic and Majestic's then wholly owned Brazilian incorporated subsidiary, Octa Mineração Prospeção e Beneficiamento de Minerais Ltda (**Octa Mineração**) entered into the Bahia Option Agreement (**Bahia Option Agreement**) and the Xingu Option Agreement (**Xingu Option Agreement**) (the Bahia Option Agreement and the Xingu Option Agreement are collectively referred to as the **Option Agreements**). The Option Agreements were varied on 9 May 2009 and again on 23 March 2010.

Under the Bahia Option Agreement, Octa Mineração agreed to grant to the Company the option to:

- (a) purchase all of Octa Mineração's interests in the issued share capital of BR Ferro Mineração S.A. (**Bahia**) which at the date of this Prospectus is 51% of the issued capital of Bahia (**Bahia Shares**); and

- (b) take assignment of Octa Mineração's interest in the Joint Venture Agreement (summarised below),

(being the **Bahia Option**).

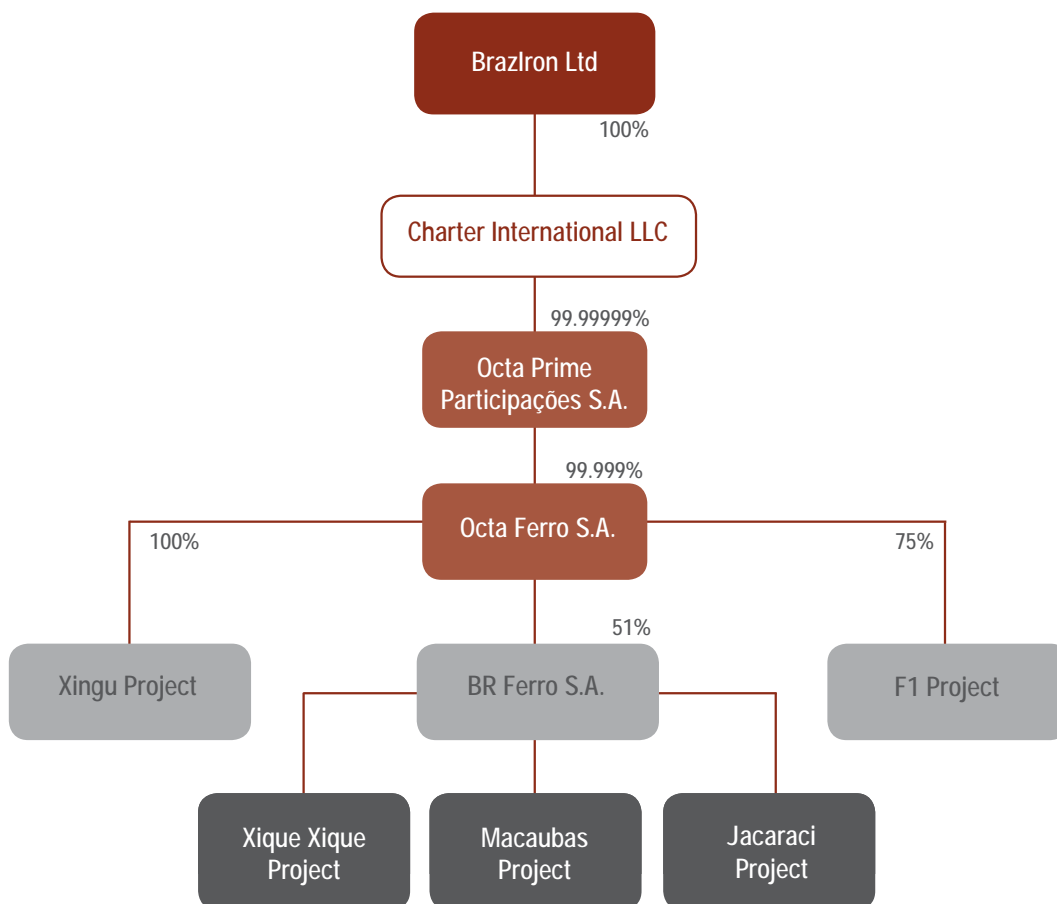
Under the Xingu Option Agreement, Octa Mineração agreed to grant to the Company the option to purchase a number of Tenements (being the **Xingu Tenements**) held by Octa Mineração via its wholly owned subsidiary, Octa Ferro S.A., a company incorporated under the laws of Brazil (**Octa Ferro**) (**Xingu Option**).

During the Option Period, the Company, Majestic, Octa Mineração' and Octa Ferro decided to implement the transactions described above, as follows:

- (a) Majestic incorporated Octa Prime Participações Ltda (**Octa Prime**) as a special purpose spin out company;
- (b) Majestic transferred all of Octa Mineração's (and therefore Majestic's) interests the Tenements the subject of the Bahia Option and Xingu Option described above, and the Tenements comprising F1 Project (refer below) to Octa Prime. This included the transfer of a 99.999% interest in the issued share capital of Octa Ferro, with Octa Mineração retaining a 0.001% interest;
- (c) BrazIron incorporated a wholly owned subsidiary under the laws of the United States of America, Charter International LLC (**Charter**);
- (d) on 14 July 2010, the Company, Majestic, Octa Mineração, Octa Prime and Charter entered into an option exercise and acquisition agreement, pursuant to which, the Company agreed to acquire, from Octa Mineração via Charter, 99.99999% of all of the issued share capital of Octa Prime (including a 99.999% interest in the issued share capital of Octa Ferro and therefore all of the Bahia, Xingu and F1 Project interests).

The corporate structure of the Company following completion of the transactions described above (**Acquisition**) is set out in the table below:

» **ADDITIONAL
INFORMATION CONT.**



In consideration for the Acquisition, the Company has:

- (a) issued to Majestic, or its nominees, a total of 175,320,000 Shares (representing 75,320,000 Shares for the exercise of the Bahia Option and 100,000,000 Shares for the Xingu Tenements). Majestic has distributed 90% of these Shares between its Shareholders in proportion to their holding in Majestic;
- (b) agreed to provide Majestic the Bahia Royalty (summarised below); and
- (c) agreed to provide Majestic the Xingu Royalty (summarised below).

(Bahia Royalty): The Company has also agreed to grant to Majestic a royalty in relation to mineral ore, concentrate or other primary, intermediate and final mineral product from the Bahia Tenements for which payment is received or entitled to be received (**Saleable Product**).

The Bahia Royalty payable in each period is:

- (a) 2.5% of the net return for that Saleable Product produced from the Bahia Tenements; and
- (b) 2.5% of the net return of that Saleable Product produced from any other mining Tenements and mining projects that are introduced to the Company's portfolio of assets immediately prior to the Company's Shares being listed for quotation (**New Bahia Tenements**).

The Bahia Royalty remains payable in perpetuity notwithstanding:

- (a) completion of the Acquisition;
- (b) the sale and purchase of the Bahia Shares; and
- (c) assignment of Octa Ferro's interest in the Joint Venture Agreement.

» **ADDITIONAL INFORMATION CONT.**

If the Company fails to pay an amount of the Bahia Royalty due by the date on which the amount is due, interest will be calculated on the unpaid amount on a daily basis until payment has been made in full at a rate of 10% per annum.

(Xingu Royalty): From the commencement of any mining operations on the Xingu Tenements the Company will pay to Majestic a Xingu Royalty every financial quarter.

The Xingu Royalty is:

- (a) 10% of the net return for the first 300,000 tonnes of Saleable Product produced from the Xingu Tenements; and
- (b) 5% of the net return for 700,000 tonnes (after the first 300,000 tonnes) of Saleable Product produced from the Xingu Tenements;

If the Company fails to pay an amount of the Xingu Royalty due by the date on which the amount is due, interest will be calculated on the unpaid amount on a daily basis until payment has been made in full at a rate of 10% per annum.

The Company will not dispose of any Bahia Tenement, Bahia New Tenement or Xingu Tenement or any interest in a Tenement except:

- (a) if required by Brazilian Mining Law;
- (b) where disposal is by way of surrender of the Tenement where the Tenement will be substituted by another mining tenement in relation to substantially the whole of the land of the Tenement;
- (c) if the Company considers that, having regard to the future economic prospects of the Tenement it is not viable for the Company to retain the Tenement;
- (d) where the disposal is by way of mortgage, charge or other encumbrance granted by the Company for the purposes of obtaining finance for the development of a mining project (to which Majestic must consent); or

- (e) where the assignee of the Tenement agrees in writing to meet the obligations of the Company in relation to the Bahia or Xingu Royalty (as applicable).

JOINT VENTURE AGREEMENT

On 29 January 2007 Carlos Renato Vedovato (**Vedovato**), Adriano Gomes Coelho (**Coelho**) and Octa Mineração (collectively **the Parties**) entered into the "Association and Agreements Contract" (**Joint Venture Agreement**). Octa Mineração subsequently assigned its interest in the Joint Venture Agreement to Octa Ferro. As a result of the Acquisition, described above, Octa Ferro is a subsidiary of the Company.

The Joint Venture Agreement governs the ability of the parties to research develop, mine, process and commercialise the Bahia Project.

As above, Octa Ferro holds a total 51% interest in the capital of Bahia. Octa Ferro has an option to acquire an additional 9% interest in the capital of Bahia which, if exercised, would result in Octa Ferro holding a total 60% interest in Bahia.

Octa Ferro can exercise this option within 60 days of the delivery of a feasibility study by Octa Ferro providing a JORC valuation of the Bahia Tenements. The consideration for the acquisition of the additional 9% is to be calculated by multiplying the number of tonnes comprising the JORC compliant reserve, by US\$0.009.

Should Octa Ferro choose to exercise this option Octa Ferro's holding in Bahia would increase to 60% and Vedovato and Coelho would have a joint holding of 40% held in the following proportions:

- (a) Vedovato – 26%;
- (b) Coelho – 14%.

All decisions and technical deliberations including:

- (a) feasibility studies;
- (b) construction; and
- (c) production startings,

will be undertaken by Octa Ferro.

» **ADDITIONAL
INFORMATION CONT.**

Under the Joint Venture Agreement it was expected that Bahia would be financed by way of:

- (a) market resources; or
- (b) capital contributions of the Parties in proportion to their participation in Bahia.

If any Party does not contribute capital to Bahia beyond the third year, their shareholding would be diluted proportionately.

If any of the parties make or receive an offer to assign its shareholding in Bahia to a third party, the remaining parties have 45 days to exercise a right of first refusal to purchase the shareholding on same terms and conditions as the third-party offer. The right to purchase the shareholding subject to the proposed assignment would be in proportion to the Party's holding in Bahia.

The rules of management of Bahia are governed by the Shareholders Agreement summarised below.

SHAREHOLDERS AGREEMENT

On 29 January 2007, Vedovato, Coelho and Octa Mineração entered into the Shareholders Agreement. The purpose of the Shareholders Agreement is to govern the relationship between parties under the Joint Venture Agreement and the operation and management of Bahia of Octa Mineração's 51% interest in Bahia has been assigned to Octa Ferro (as part of the Acquisition – refer to the Option Agreements).

The Shareholders Agreement reinforces that Octa Ferro will be responsible for the mining operations of Bahia and will undertake any technical decisions and considerations.

If the Parties own less than 10% of Bahia's capital they are entitled to withdraw from Bahia and transfer their shares to the remaining Parties in proportion to their holdings in Bahia.

F1 JV AGREEMENT

On 3 September 2008 an Association Contract (incorporated joint venture agreement) was signed between BrazIron's subsidiary, Octa Ferro S.A and Pegran Comércio de Pedras

Ltda (**Pegran**), known as the F1 JV Agreement. This agreement covers the two Tenements that make up the F1 Project. Pursuant to the F1 JV Agreement BrazIron has acquired 75% equity in the Tenements for:

- (a) payment of US\$10,000 per month until completion of a feasibility study is completed;
- (b) US\$0.30 per tonne of inferred JORC resource estimated by the feasibility study (after deducting monthly payments above); and
- (c) US\$0.30 per tonne royalty on the realisation of an inferred JORC resource on the Tenements comprising the F1 Project.

Pegran will remain 25% free carried until completion of a feasibility study. Any area within 50km of the F1 Project that is acquired by either party during the term of the F1 JV Agreement will automatically be subject to the F1JV Agreement.

Octa Ferro is the manager of the F1 Project and all decisions will be made solely by Octa Ferro. Octa Ferro has rights of first refusal over Pegran's interest in the F1 Project should Pegran wish to dispose of it.

If any minerals other than iron are discovered on the F1 Project, the royalty will be payable to Pegran but as justified by reference to the value of that mineral per tonne compared to the value of iron ore.

ROBERT BRIERLEY EXECUTIVE SERVICES AGREEMENT

The Company and Mr Robert Brierley have entered into an executive services contract for Mr Brierley to provide the services of Managing Director to the Company (**Executive Services Agreement**), in addition to his responsibilities as Chairman.

The Company will pay Mr Brierley a remuneration package of \$20,000 per month.

The Executive Services Agreement will automatically terminate if Mr Brierley:

» ADDITIONAL INFORMATION CONT.

- (a) ceases to be or a director of the Company;
- (b) becomes bankrupt;
- (c) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental health;
- (d) is removed from office by Shareholders under the bye laws; or
- (e) is absent for more than three months, without permission of the Directors, from meetings of the Directors held in that period.

Subject to the Company becoming admitted to the Official List the Company may terminate Mr Brierley's appointment giving three months written notice if:

- (a) the Company deems in its sole and absolute discretion that his performance as Managing Director is inadequate; or
- (b) he has an illness which prevents him from working in excess of three months in any 12 month period.

Prior to listing, the Company may terminate the appointment on the basis that it deems in its sole and absolute discretion that Mr Brierley's performance as Managing Director is inadequate, by giving two weeks written notice.

Mr Brierley may terminate the Executive Services Agreement immediately if there is a breach of the Agreement which is not remedied within 28 days of receipt of notice to do so.

The Executive Services Agreement also contains provisions including confidentiality, duties of the executive and non-competition that are customary in this type of agreement.

ELPIDIO REIS SERVICES AGREEMENT

The Company and Elpidio dos Reis Filho (**Elpidio Reis**) have entered into an executive services agreement (**Elpidio Reis Services Agreement**) under which Elpidio Reis will provide services as General Manager of the Company.

The term of the Elpidio Reis Services Agreement is from 1 September 2010 to 31 August 2011.

Elpidio Reis will be paid remuneration of BRL 30,000 per month for a period of 12 months (September 2010 through August 2011). Included in the remuneration package is the use of a four wheel drive car (valued at BRL 5,000 per month) and a health insurance allowance of up to US\$1,000 per month.

Elpidio Reis is entitled to receive 1,500,000 Options exercisable at A\$0.25 and expiring on 31 December 2012. The Options when issued will vest over a period of six months with 750,000 Options vesting immediately and 750,000 Options vesting six months later.

11.3 DIRECTORS' DEEDS OF INDEMNITY

The Company intends to enter into a deed of indemnity and access with each of its Directors. The deeds also provide for insurance for a period of 7 years and access to Board papers after the Director ceases to be an officer of the Company.

11.4 DISCLOSURE OF INTERESTS

Directors are not required under the Company's bye laws to hold any Shares. As at the date of this Prospectus, the Directors have relevant interests in Securities as set out in the table below:

DIRECTOR	SHARES
Mr Robert Brierley	3,671,935
Mr Neil O'Loughlin	10,034,464
Mr Walt Guidice	33,276,804
Mr Pedro Jacobi	34,844,521
Dr Youzhi Wei	19,246,254

11.5 REMUNERATION

The Company's bye laws provides that the remuneration of non-executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration for non-executive Directors has been set at an amount not to exceed US\$300,000 per annum.

» **ADDITIONAL
INFORMATION CONT.**

The remuneration of executive Directors will be fixed by the Directors and may be paid by way of fixed salary or consultancy fee.

11.6 FEES AND BENEFITS

Other than as set out below or elsewhere in this Prospectus, no:

- (a) Director of the Company;
- (b) person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (c) promoter of the Company; or
- (d) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in the Prospectus as a financial services licensee involved in the issue,

has, or had within 2 years before lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of Shares under this Prospectus; or
- (c) the offer of Shares under this Prospectus,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a Director of the Company or for services rendered in connection with the formation or promotion of the Company or the offer of Shares under this Prospectus.

Stantons International Pty Ltd trading as Stantons International has acted as auditor and Stantons International Pty Ltd trading as Stantons International Securities has prepared an Investigating Accountant's Report which has been included in Section 8 of this Prospectus. The Company estimates it will pay Stantons International a total of \$12,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Stantons International Pty Ltd has not received any other fees from the Company.

Coffey Mining Pty Ltd has acted as the Independent Geologist and has prepared an Independent Geologist's Report which has been included in Section 7 of this Prospectus. The Company estimates that it will pay Coffey Mining Pty Ltd a total of \$60,000 for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Coffey Mining Pty Ltd has not received any other fees from the Company.

Steinepreis Paganin has acted as Australian Solicitors to the Company. The Company estimates that it will pay Steinepreis Paganin a total of \$25,000 for these services. During the 24 months preceding lodgement of this Prospectus Steinepreis Paganin has not received any other fees from the Company.

FFA Legal has acted as the Brazilian solicitors to the Company in relation to the Offer, has prepared a Solicitor's Report on Tenements which has been included in Section 9 of this Prospectus and has been involved in due diligence enquiries on legal matters. The Company estimates it will pay FFA Legal \$15,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus, FFA Legal not received any other fees for legal services.

Conyers Dill & Pearman Limited has acted as Bermudian Solicitors to the Company. The Company estimates that it will pay Conyers Dill & Pearman Limited a total of US\$50,000 for these services. During the 24 months preceding lodgement of this Prospectus Conyers Dill & Pearman Limited received fees of US\$4,596 from the Company for services rendered.

Tacey Goss has acted as USA Solicitors to the Company. The Company estimates that it will pay Tacey Goss a total of US\$4,125 for these services. During the 24 months preceding lodgement of this Prospectus Tacey Goss has not received any other fees from the Company.

Codan Services Limited provides the Company registered office and corporate administration services in Bermuda. The Company pays Codan Services Limited approximately US\$10,500 per year for the services.

» **ADDITIONAL INFORMATION CONT.**

11.7 CONSENTS AND DISCLAIMERS OF RESPONSIBILITY

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Stantons International Pty Ltd has given their written consent to being named as auditor and Investigating Accountant in this Prospectus and to the inclusion of the Independent Accountant's Report in Section 8 in the form and context in which the report is included. Stantons International Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

FFA Legal has given its written consent to being named as the Brazilian Solicitors to the Company in this Prospectus and to the inclusion of the Solicitor's Report on Tenements in Section 9 in the form and context in which the report is included. FFA Legal has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its consent to be named as Australian Solicitors to the Company. Steinepreis Paganin has not withdrawn its consent prior to lodgement of the Prospectus with ASIC.

Coffey Mining Pty Ltd has given its written consent to being named as the Independent Geologist to the Company in this Prospectus and to the inclusion of the Independent Geologist's Report in Section 7 in the form and context in which the report is included. Coffey Mining Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Computershare Investor Services Pty Limited has given its written consent to being named the Company's branch registrar in Australia in this Prospectus and has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Codan Services Limited has given its consent to be named as the registered office of the Company in Bermuda to the Company. Codan Services Limited has not withdrawn its consent prior to lodgement of the Prospectus with ASIC.

Conyers Dill & Pearman Limited has given its consent to be named as Bermudian Solicitors to the Company. Conyers Dill & Pearman Limited has not withdrawn its consent prior to lodgement of the Prospectus with ASIC.

Tacey Goss has given its consent to be named as USA Solicitors to the Company. Tacey Goss has not withdrawn its consent prior to lodgement of the Prospectus with ASIC.

11.8 RESTRICTED SECURITIES

ASX has indicated that certain existing security holders may be required to enter into agreements which restrict dealings in Securities held by them. These agreements will be entered into in accordance with the Listing Rules.

11.9 EXPENSES OF THE OFFER

The total expenses of the Offer are estimated to be approximately \$900,000 and are expected to be applied towards the items set out in the table below:

» **ADDITIONAL
INFORMATION CONT.**

ITEM OF EXPENDITURE	MINIMUM SUBSCRIPTION AMOUNT (\$)	MAXIMUM SUBSCRIPTION AMOUNT (\$)
ASIC and ASX lodgement fees	\$81,000	\$83,000
Legal costs (Australia, Brazil, Bermuda and USA)	\$100,000	\$100,000
Advisers' fees	\$400,000	\$600,000
Printing	\$30,000	\$30,000
Independent Geologists Report	\$60,000	\$60,000
Investigating Accountants Report	\$12,000	\$12,000
Miscellaneous	\$17,000	\$15,000
TOTAL	\$700,000	\$900,000

11.10 LITIGATION

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

11.11 COMPANY TAX STATUS AND FINANCIAL YEAR

The Directors expect the Company will be taxed in Bermuda as a public company. The financial year of the Company ends on 31 December, annually.

11.12 ELECTRONIC PROSPECTUS

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic Prospectus and electronic application form on the basis of a paper Prospectus lodged with the ASIC, and the publication of notices referring to an electronic Prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the relevant application forms. If you have not, please email the Company at braziron@braziron.com and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both. Alternatively, you may obtain a copy of the Prospectus from the Company's website at www.braziron.com.

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement Prospectus or any of those documents were incomplete or altered.

11.13 TAXATION

The acquisition and disposal of Shares in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Securities from a taxation viewpoint and generally.

» **ADDITIONAL INFORMATION CONT.**

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

BERMUDA TAX CONSIDERATIONS

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Company or by its shareholders in respect of our shares. The Company has obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 28, 2016, be applicable to the Company or to any of the Company's operations or to the Company's shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by the Company in respect of real property owned or leased by the Company in Bermuda.

BERMUDA COMPANIES

Under Bermuda law, exempted companies are companies formed for the purpose of conducting business outside Bermuda from a principal place in

Bermuda. As a result, they are exempt from Bermuda laws restricting the percentage of share capital that may be held by non-Bermudians, but they may not participate in certain business transactions, including (1) acquisition or holding of land in Bermuda (except that required for their business and held by way of lease or tenancy of not more than 50 years) without the express authorization of the Bermuda legislature, (2) the taking of mortgage on land in Bermuda to secure an amount in excess of BD\$50,000 without the consent of the Minister of Finance, (3) the acquisition of any bonds or debentures secured by any land in Bermuda, other than certain types of Bermuda government securities or (4) the carrying on of business of any kind in Bermuda, except in furtherance of their business carried on outside Bermuda or under license granted by the Minister of Finance. Also, as an exempted Bermuda Company, the rights of holders of common shares are governed by Bermuda law and the memorandum of association and bye laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions.

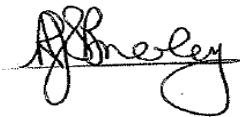
11.14 FORECASTS

The Company is an exploration company with the intention to become an iron ore producer in the medium term. Given the speculative nature of exploration, mineral development and production, there are significant uncertainties associated with forecasting future revenue. On this basis, the Directors believe that reliable forecasts cannot be prepared and accordingly have not included forecasts in this Prospectus.

» **12** **DIRECTORS'** **AUTHORISATION**

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



ROBERT BRIERLEY
DIRECTOR
FOR AND ON BEHALF OF BRAZIRON LIMITED

» 13 GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

A\$ or **\$** means an Australian dollar.

ABN means Australian Business Number.

Allotment means the allotment and transfer of Shares under this Prospectus.

Applicant means a person that lodges an Application Form pursuant this Prospectus.

Application Form means the general offer application form accompanying this Prospectus relating to the Offer.

Application Monies means the monies payable in connection with an Application.

ASIC means Australian Securities & Investments Commission.

ASTC means ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532).

ASTC Settlement Rules means the settlement rules of ASTC.

ASX means ASX Limited (ABN 98 008 624 691).

Board means the board of Directors as constituted from time to time.

BR Ferro means BR Ferro Mineração SA (a company incorporated under the laws of Brazil).

BRL means Brazilian Reais.

BrazIron or **Company** means BrazIron Limited (an exempted company incorporated under the laws of Bermuda).

Broker means any ASX participating organisation.

Business Day means a week day when trading banks are ordinarily open for business in Perth, Western Australia.

Bye Laws means the bye laws of the Company.

Chairman means the Chairman of the Company as at the date of this Prospectus, being Robert Brierley.

CHESS means the Clearing House Electronic Sub-register System, operated by ASTC.

Closing Date means the closing date of the Offer as set out in Section 3.7.

Companies Act means the Companies Act 1981 of Bermuda.

Corporate Directory means the Corporate Directory at the front of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company at the date of this Prospectus.

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus (excluding public holidays), which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

Fe The chemical symbol for Iron.

Foreign Company means an incorporated or an unincorporated body that is formed in an external territory of Australia or outside Australia.

» **GLOSSARY**
CONT.

JORC Resource The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The JORC Code provides minimum standards for public reporting to ensure that investors and their advisers have all the information they would reasonably require for forming a reliable opinion on the results and estimates being reported.

Listing Rules means the official listing rules of ASX.

Majestic means Majestic Diamonds & Metals Inc, a Company incorporated in the United States of America.

Mineral Resource means a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories

Mineralisation is used to describe the deposition of economically important metals in the formation of ore bodies or "lodes".

Octa Ferro means Octa Ferro SA (a company incorporated under the laws of Brazil).

Octa Mineração means Octa Mineração Prospecção e Beneficiamento de Minerais Ltda (a company incorporated under the laws of Brazil).

Octa Prime means Octa Prime Participações Ltda (a company incorporated under the laws of Brazil).

Offer means the offer of Shares pursuant to this Prospectus as outlined in Section 4.

Official List means the Official List of ASX.

Official Quotation means official quotation by ASX in accordance with the Listing Rules.

Option means an option to subscribe for a Share.

Project means one or any of the company's projects comprised by the Tenements.

Prospectus means this Prospectus.

Securities means Shares and/or Options.

Share means a fully paid ordinary or common share (as defined in the bye laws) in the capital of the Company.

Share Registry means Computershare Investor Services Pty Limited

Shareholder means a holder of Shares.

Tenements means tenements set out in the Solicitor's Report on Tenements in Section 9 of this Prospectus.

WST means Western Standard Time, Perth, Western Australia.



ARBN 133 221 084

Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire prospectus carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the prospectus.

Registry Use Only

Broker Code

Adviser Code

A I/we apply for

Number of Shares in BrazIron Limited at A\$0.20 per Share or such lesser number of Shares which may be allocated to me/us

B I/we lodge full Application Money

C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name	Given Name(s)	Surname
<input type="text"/>	<input type="text"/>	<input type="text"/>

Joint Applicant 2 or Account Designation

Title or Company Name	Given Name(s)	Surname
<input type="text"/>	<input type="text"/>	<input type="text"/>

Joint Applicant 3 or Account Designation

Title or Company Name	Given Name(s)	Surname
<input type="text"/>	<input type="text"/>	<input type="text"/>

D Enter your postal address - Include State and Postcode

Unit	Street Number	Street Name or PO Box /Other Information
<input type="text"/>	<input type="text"/>	<input type="text"/>

City / Suburb / Town	State	Postcode
<input type="text"/>	<input type="text"/>	<input type="text"/>

E Enter your contact details

F CHESS Participant

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any securities issued as a result of the IPO will be held on the Issuer Sponsored subregister.

Payment details – Please note that funds are unable to be directly debited from your bank account

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

Make your cheque or bank draft payable to “BrazIron Limited - Share Offer Account”

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this Application form and I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate. I/we agree to be bound by the Constitution of the Company.

BAIA

IPO

See back of form for completion guidelines

How to complete this form

A Shares Applied for

Enter the number of Shares you wish to apply for. The application must be for a minimum of 10,000 Shares. Applications for greater than 10,000 Shares must be in multiples of 1,000 Shares.

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the price per Share.

C Applicant Name(s)

Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F CHES

BrazIron Limited (the Company) will apply to the ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Securities Exchange Limited. In CHES, the company will operate an electronic CHES Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to applicants in respect of Shares allotted. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares allotted to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G Payment

Make your cheque or bank draft payable to BrazIron Limited - Share Offer Account in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B. **Please note that funds are unable to be directly debited from your bank account.**

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.

Before completing the Application Form the applicant(s) should read this prospectus to which this application relates. By lodging the Application Form, the applicant agrees that this application for Shares in BrazIron Limited is upon and subject to the terms of the prospectus and the Constitution of BrazIron Limited, agrees to take any number of Shares that may be allotted to the Applicant(s) pursuant to the prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received by Computershare Investor Services Pty Limited Perth by no later than 5pm WST on 20 September 2010. You should allow sufficient time for this to occur. Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited
GPO Box D182
PERTH WA 6840

Neither CIS nor the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail privacy@computershare.com.au

If you have any enquiries concerning your application, please contact the Computershare Investor Services Pty Limited on 1300 850 505.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

I P O

B A I A

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