



Brazilian Metals Group Limited

ACN 107 118 678

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

ACQUISITION OF NEW MINERAL RIGHTS AND COMMENCEMENT OF DRILLING OPERATIONS AT RIO PARDO

- **New peggings adjoining Rio Pardo North**
 - **Agreement to acquire the Granduvale Project adjoining Rio Pardo East**
 - **Commencement of drilling operations**
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Brazilian Metals Group (BMG or the “Company”) (ASX: BZM) is pleased to announce that following the successful completion of the acquisition of Rio Pardo iron ore project the Company has moved swiftly to consolidate its position in the area and has also expedited its drilling programme.

New Peggings

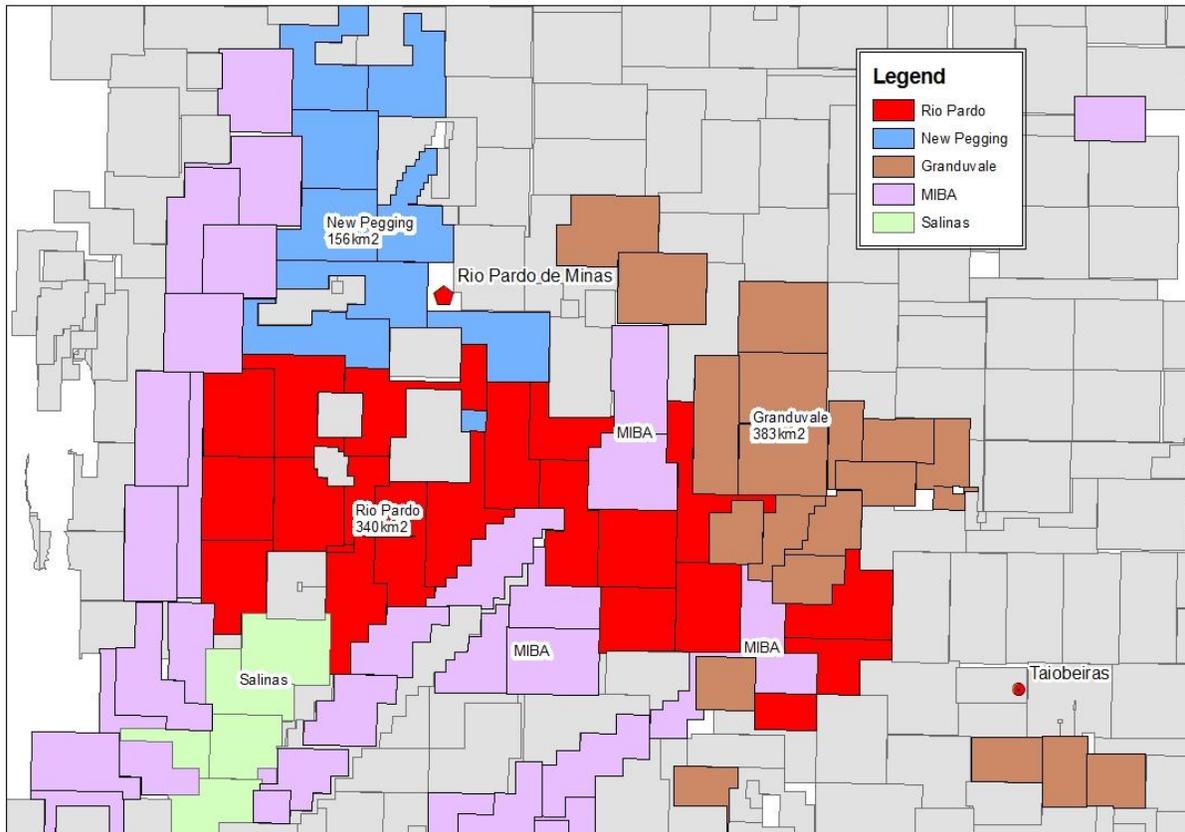
The Company has applied for 11 tenements (158 square kilometres – shown in blue on figure 1) with the bulk of the area covered being adjacent and to the north of Rio Pardo. Broad aeromagnetic anomalies have been identified in the eastern part of the area which will be assessed with RAB drilling next quarter. The applications are expected to be granted in early 2011.

Granduvale

The Company has, subject to due diligence, entered into an agreement to acquire the Granduvale Project (shown in brown on figure 1) comprising 30 tenements (383 square kilometres) including a large block to the east and contiguous with the Rio Pardo tenements. During the due diligence period the Company intends to drill test certain prospects on the Granduvale as part of the current drilling programme. Several strong magnetic trends can be traced from the Rio Pardo project holding through the Granduvale ground. These magnetic trends are believed to be associated with magnetite enrichment.

The Josilene prospect, located on the Granduvale tenements, is an extension of the Pit Bull Prospect (which was successfully tested with RAB drilling earlier in the year). The Josilene prospect is represented by two parallel magnetic trends with a width of 2000 metres. Interpretation of the detailed aeromagnetics is in progress to refine drill positions.

Figure 1 – Rio Pardo, North Minas Gerais, Brazil



Provided BMG is satisfied with its due diligence drilling and other investigations on the Granduvale Project it will acquire a 100% interest in the Granduvale mineral claims subject to paying the vendors US\$1 million in 2011 and further staged payments totaling US\$59 million over the subsequent 6 years with a right to withdraw from the project and any ongoing payment obligations at any time. The Company will also pay a royalty of US\$1 per tonne of iron ore pellets, pellet feed or sinter feed produced over the life of any mine developed on the Granduvale Project.

Drilling Program

A reverse circulation drilling rig has been mobilized and has commenced drilling operations whilst a second drill rig will be in place next week to complete an initial 10,000 metre program. The rigs are capable of 150 metres depth capacity and the program is scheduled for completion in March 2011.

This drilling program will target a magnetic anomaly which has a strike length in excess of 20 kilometres. Three major target areas have been identified within the original Rio Pardo Project block and adjacent parts of the Granduvale Project and these areas will be the focus of initial drilling activities.

Shareholder or media contact:

Anthony Trevisan, Director

Malcolm Castle, Director

Ph: (08) 9424 9390

Email: info@bmgl.com.au

Website: www.bmgl.com.au

Competent Person

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Malcolm Castle, who is a Member of the Australian Institute of Geoscientists. Mr Castle is a director of the Company and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Castle consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.