

**Brazilian Metals Group Limited**

ACN 107 118 678

15 December 2010

Via email: cameron.bill@asx.com.au

Cameron Bill
ASX Compliance Pty Ltd
LB, Exchange Plaza
2 The Esplanade
Perth WA 6000

Dear Cameron

Brazilian Metals Group Ltd ("Company")

We refer to your letter dated 14 December 2010 and respond to your queries adopting the same numbering as in your letter.

1. The Company does not consider the conditional agreement to acquire the Granduvale Project (which provides for an exclusive evaluation period and for the parties to enter into a formal acquisition agreement) to be material to the Company *per se*. The Company has determined in relation to the Granduvale Project to carry out due diligence on the project, including initial exploratory drilling. If the Company is satisfied with the results of its initial exploration and with the other legal and technical due diligence the Company has reasonable basis for being confident its Brazilian subsidiary will in early 2011 be able to enter into a formal agreement to acquire the project by stage payments on the terms set out in the Company's announcement of 13 December 2010. The material aspect of Granduvale project that led to the announcement made 13 December was the decision made on 11 December 2010 to commence exploration on the project and carry out legal due diligence.

Prior to the commencement of exploratory drilling, the agreements in relation to the Granduvale Project were not of themselves material. The Company has now decided to include targets on the Granduvale ground in the current drilling programme. That decision meant there is now both a greater commitment to proceed and a greater cost in relation to the proposed acquisition. There is also the possibility of obtaining results which may be material either in relation to the Granduvale Project itself or, if they provide information relevant to regional neighbouring geology, the Company's existing Rio Pardo Project.

2.1 Since the announcement of 5 July 2010 various intermediaries have been pursuing opportunities on the Company's behalf to increase its interests in Brazil. The pursuit of these various opportunities included negotiations which eventually led to the conditional agreement for the Granduvale Project. The resultant negotiations in relation to a number of opportunities have been on-going. However, with the exception of the Granduvale project, the Company does not consider that these opportunities have yet reached a stage where they are material. The differentiator between the Granduvale Project and others is that the others have as yet failed to reach a point where the Company has determined to pursue them and expend money on due diligence and exploratory drilling. It was particularly the decision to undertake exploration which in the Board's view made the Granduvale Project material, and that decision was disclosed to the market as soon as practicable after it was taken.

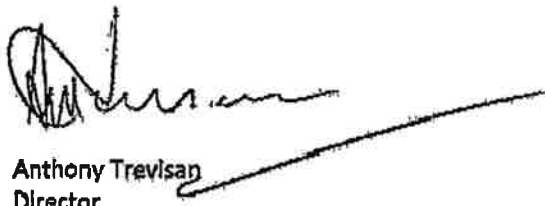
2.2 The Company's subsidiary, Minas Norte Mineracao Ltda, entered into the conditional agreement to acquire the Granduvale Project as approximately 3pm (WST) on 10 December 2010.

3. Not applicable.

4. Refer to the answer to question 1.

5. The Company confirms that it is in compliance with Listing Rule 3.1.

Yours faithfully



Anthony Trevisan
Director



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14 December 2010

Mrs Fleur Hudson
Brazilian Metals Group Limited
14th Floor 191 St Georges Tce
PERTH WA 6000

By Email: fhudson@transrg.com.au

Dear Fleur,

Brazilian Metals Group Limited (the "Company")

We refer to the following:

- (i) The announcement lodged by the Company to ASX Limited ("ASX") and announced on 13 December 2010 at 09:35 AM (E.D.S.T) titled "Acquisition of New Mineral Rights - Commencement of Drilling" ("Announcement") regarding a conditional agreement to acquire the Granduvalle Project ("Proposed Acquisition").
- (ii) The Company's prospectus, pre-quotations disclosure and confirmations lodged between 18 October 2010 and 8 December 2010 to ASX ("Disclosure").

We wish to draw your attention to the definition of "aware" in chapter 19 of the listing rules which states that:

"an entity becomes aware of information if a director or executive officer (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity"

Further, we wish to draw your attention to listing rule 3.1 which requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A. Please note that for disclosure not to be required under this listing rule all of the exceptions must apply.

Having regard to the above definition, listing rule 3.1 and Guidance Note 8 - Continuous Disclosure, we ask that you answer the following questions in a format suitable for release to the market in accordance with listing rule 18.7A.

1. Does the Company consider the Proposed Acquisition to be material to the Company pursuant to listing rule 3.1?
2. When did the Company:
 - 2.1 enter into negotiations for the Proposed Acquisition; and

2.2 enter into the conditional agreement to acquire the Granduvale Project?

In your response to this question please indicate the date and approximate time the Company became aware.

3. If the answer to any part of question 1 is "yes" and the Company became aware of the Proposed Acquisition or negotiations to enter into the Proposed Acquisition prior to the release of the Announcement or part or all of the Disclosure, please advise the following:

3.1 Please advise why the Company did not make an announcement at an earlier time or request a trading halt prior to the Announcement?

3.2 Why was the information not released to the market at that earlier time? Please comment specifically on the application of listing rule 3.1?

4. If the answer to question 1 is "no", please advise the basis on which the Company does not consider the Proposed Acquisition to be material.

5. Please confirm that the Company is in compliance with listing rule 3.1.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Please note the ASX reserves its right under listing rule 18.7 to release this letter and the Company's response to the market. Accordingly the Company's response should address each question separately and be in a format suitable for release to the market.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately. Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than 11:00am (W.S.T) tomorrow, being Wednesday 15 December 2010.

Your response should be sent to ASX by facsimile on facsimile number (08) 9221 2020. It should not be sent to the Company Announcements Office.

If you have any queries regarding any of the above, please contact me on (08) 9224 0054.

Yours sincerely,



Cameron Bill

Adviser, Issuers (Perth)