



7 February 2011

Dear Shareholder

Loyalty Options

As you may be aware from the ASX announcement made on 25 January 2011, Brazilian Metals Group Limited (**BMG**) is undertaking a one-for-one non-renounceable entitlement offer of 144,393,875 new options at an issue price of \$0.001 per new option to raise approximately \$144,000 (**Offer**).

A prospectus has today been lodged with ASIC and ASX. The prospectus is available on the ASX website and the BMG website. An application for quotation of the new options to be issued under the Offer has also been lodged with ASX (**Appendix 3B**). The information contained within Appendix 3B is required to be provided in a notice to shareholders and that information is provided below:

1. The Offer will be on the basis of one new option for every share held at the record date. The record date is 8 March 2011 (**Record Date**).
2. The new options will be offered at a price of \$0.001 each. Once the options are exercised, the resulting shares will rank equally in all respects with the existing shares on issue. There will be no change to BMG's existing dividend policy.
3. The new options will have an exercise price of 20 cents per new option. The new options are exercisable at any time prior to 5:00pm (WST) on 31 March 2014.
4. The Offer is open for participation only by shareholders with a registered address in Australia or New Zealand.

For personal use only

5. Key dates for the Offer are:

Action	Date
Prospectus lodged with ASIC and ASX	7 February 2011
Shares quoted 'Ex' entitlement basis	2 March 2011
Record Date to determine right to participate in the Offer	8 March 2011
Offer opens	15 March 2011
Offer closes	5pm (WST), 4 April 2011
Issue of new options	8 April 2011
Despatch of holding statements	11 April 2011
Expected date for trading of new options on ASX on a normal settlement basis	12 April 2011

6. There are currently 3,653,892 options to subscribe for BMG shares outstanding, with various expiry dates. Up to 144,393,875 new options will be issued if the Offer is fully subscribed. In that case, after completion of the Offer there will be approximately 148,047,767 options on issue. Existing option holders will be sent notice of the Offer on or before 25 February 2011.
7. There are currently 144,393,875 shares on issue and, assuming that none of the options referred to above are exercised, the number of shares on issue will remain unchanged.
8. Funds raised from the Offer (amounting to approximately \$144,000 before expenses, assuming the issue is fully subscribed) will be first used to pay the costs of the issue and then used for development of BMG's projects in Brazil and to augment BMG's working capital. Funds raised from the exercise of the options (up to \$28.9 million in total) will be used by BMG to further explore and develop its iron ore projects in Brazil.
9. The Offer is not underwritten.
10. The Offer does not require shareholder approval.
11. The entitlements under the Offer are personal and cannot be renounced, traded, transferred, assigned or otherwise dealt with.

If you are eligible to receive the Offer (i.e. you are registered as a shareholder with an address in Australia or New Zealand on the Record Date) (**Eligible Shareholder**), you will receive a copy of the prospectus and a personalised entitlement and acceptance form soon after 7 February 2011. This letter is not the offer document but rather an advance notice of the key terms and conditions of the Offer. You are not required to do anything in response to this letter.

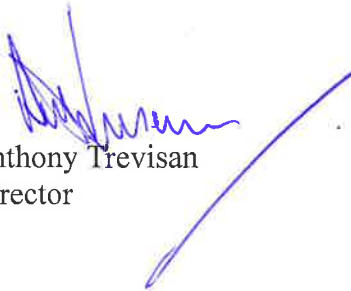
The prospectus sets out in detail how Eligible Shareholders can deal with their entitlements.

Once you have received the prospectus and the personalised share application form and decided to subscribe to the Offer, I would encourage you to submit your application as soon as possible. Applications including subscription monies must be received on or before the closing date of 4 April 2011.

For personal use only

BMG is of the view that it is unreasonable to make the Offer to shareholders with a registered address outside Australia and New Zealand, having regard to the cost of complying with legal and regulatory requirements outside Australia and New Zealand. No action has been taken to register or qualify the new options, or otherwise to permit an offering of the new options, outside of Australia and New Zealand. The new options may not be offered in a jurisdiction outside Australia and New Zealand where such offer is not made in accordance with the laws of that place. The distribution of the prospectus in jurisdictions outside of Australia and New Zealand may be restricted by law and persons who come into possession of the 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.

If you have any questions in the meantime, please consult your broker, solicitor, accountant, financial adviser or other professional adviser.



Anthony Trevisan
Director

For personal use only