Brazilian Metals Group Limited
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UPDATE ON BMG'S RIO PARDO IRON PROJECT DRILLING PROGRAM

- **94 metres at 16.32% Fe from surface in JORC006 including 64 metres at 17.21% Fe from surface**
- **120 metres at 14.97% Fe from surface in JORC005**
- **121 metres at 14.13% Fe from surface in JORC013**
- **Hole JORC003 with partial assay results completed returned 36.22% Fe over 4 metres from 128 metres.**
- **All of the holes ended in magnetite bearing diamictite at the limit of drilling.**
- **The iron bearing material at Rio Pardo is similar in nature to the other deposits in the province such as Salinas.**

Brazilian Metals Group Ltd (ASX Code: BMG) is pleased to provide an update on the drilling program at its Rio Pardo Iron Project in northern Minas Gerais State, Brazil.

BMG has employed two reverse circulation drilling rigs with RAB support to test strong aeromagnetic anomalies. To date the Josilene (North and South), Sem Terra and Teiu drilling targets have been drilled on a wide spaced pattern and drilling is currently ongoing at each of these prospects. A programme to drill Scorpion West and Scorpion East will commence next week followed by Tower, Vargam Grande and Montezuma, all of which are aeromagnetic targets.

Background to the Project

The Northern Minas Gerais iron province covers the **Rio do Peixe Bravo** type deposits which are **Rapitan** in nature and associated with diamictites and hematitic quartzites.

The area was first explored in 1964 - 78 by Vale and more recent work by Codemig, Miba, Vototantim, Mtransminas and Gema Verde has established a firm foundation for a large iron ore industry in the area with extensive surface indications of iron mineralization.

The Rio Pardo Iron Project straddles the northern extensions of the known mineralized area. Field examination has demonstrated the presence of iron ore and manganese mineralization within the block, with a number of major drilling targets identified to date.

Several large iron deposits in the northern Minas Gerais province have been studied at definitive feasibility level and have focussed on the beneficiation aspects of the iron bearing material. The Salinas project, located adjacent to the Company's Rio Pardo iron project, was originally studied by Votorantim and more recently by the current owner, Honbridge Holdings Limited. Honbridge has announced a mineralised resource estimated in accordance with the JORC Code of 338.9 million tonnes at 20.1% Fe in the Measured Category, 1,711.1 million tonnes at 20.4% Fe in the Indicated Category and 409.5 million tonnes at 17.4% Fe in the Inferred Category[1] in two blocks. The Salinas project was purchased by Honbridge in 2009 for US$430 million dollars.

Beneficiation tests published by Honbridge indicate that the ROM feed material at grade of around 19% to 20% could readily be upgraded to pellet feed grades of 65% Fe for an estimated process operating cost of US$8.85.

BMG is targeting deposits similar in nature to the Salinas deposit.

Drilling Results

The results received so far are very encouraging. Thirty holes (two of which are still in progress) for 4,068.5 metres have been completed with an average depth of 135.6 metres. However, drilling progress has been seriously hampered by heavy rains and there have been lengthy delays in the time taken for assay turn around due to the serious backlog of work in this very active mining and exploration region. To date the Company has only received complete assay results on five holes from the first batch of 11 holes at the Josilene prospect.

The assayed holes penetrated wide zones of magnetite and hematite bearing material from the surface to the bottom of the hole in every case on the Josilene prospect. This represents a significant volume of mineralisation and is open to depths below the current drilling and open along strike.

The Josilene prospect covers a strike length of 3,000 metres and the first series of holes were drilled at 400 metre intervals along this strike.

Significant intersections from the first 5 holes in the current drill program include:

- 94 metres at 16.32% Fe from surface in JORC006 including 64 metres at 17.21% Fe from surface
- 120 metres at 14.97% Fe from surface in JORC005
- 121 metres at 14.13% Fe from surface in JORC013
- 118 metres at 12.81% Fe from surface in JORC002
- 143 metres at 11.76% Fe from surface in JORC001
- Hole JORC003 with partial assay results completed returned 36.22% Fe over 4 metres from 128 metres.

All of the holes ended in magnetite bearing diamictite at the limit of drilling. The iron bearing material at Rio Pardo is similar in nature to the other deposits in the province such as Salinas.

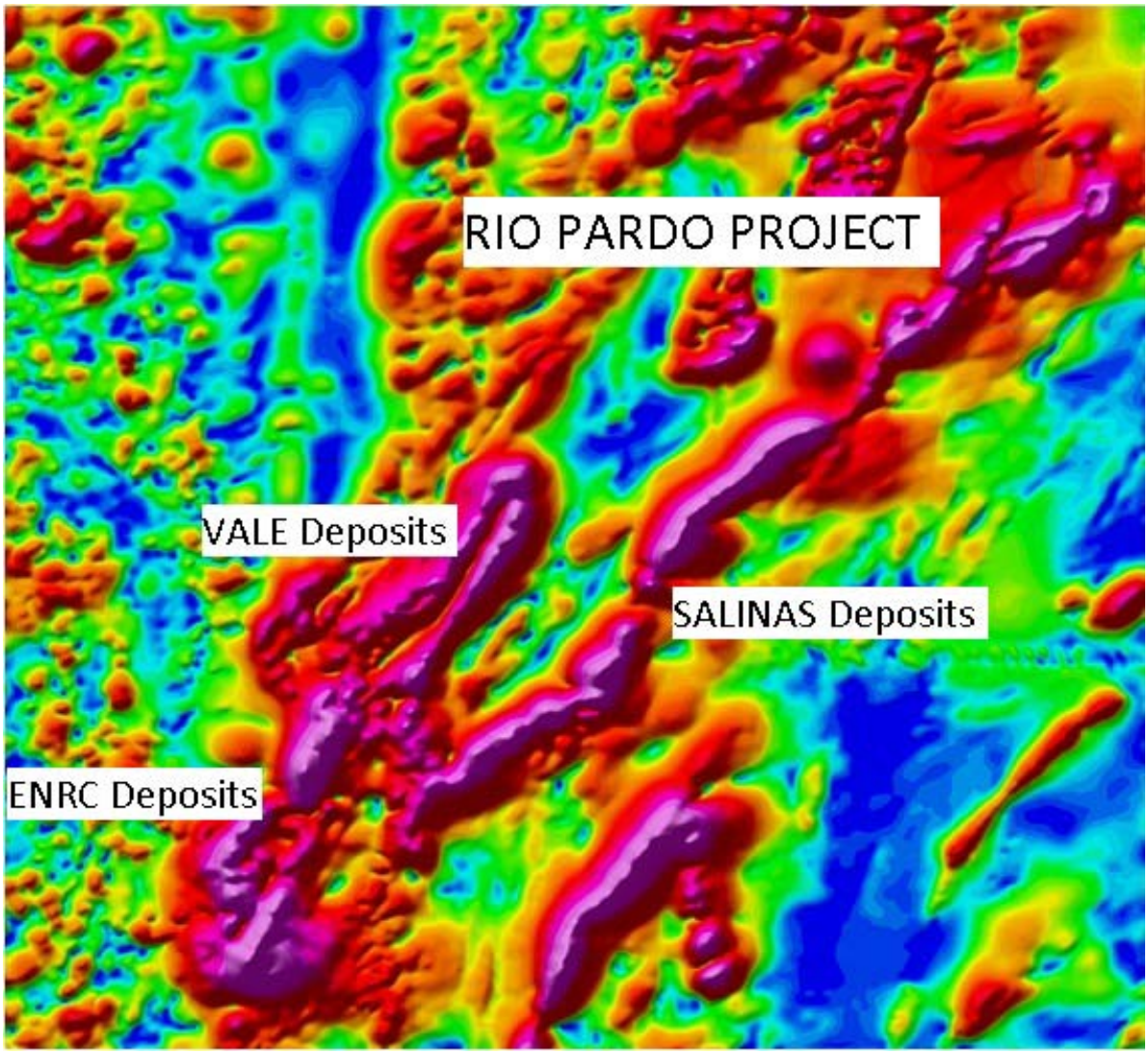
[1] Golder Associates, 2010, "Vale do Rio Pardo Resource Estimation", December 16, 2010, for Honbridge Holdings Limited

Exploration Strategy

One of the main guides to iron mineralization is a strong aeromagnetic signature. This signature is coincident with major zones of strong iron mineralization at Jiboia (ENRC), Nova Aurora (Vale), Mtransminas and Salinas (Honbridge). The strong aeromagnetic feature extends into the Rio Pardo Project area and has been traced for over 20 kilometres within the tenements.

Surface mapping and sampling, together with RAB drilling in 2010 confirmed the iron rich nature of the trend and identified canga (oxidised caps) related to magnetite bearing diamictites. In some areas weathering extends to 70 metres and at surface little rock texture is preserved. The current Reverse Circulation drilling has confirmed the exploration concept.

Interpretation of the aeromagnetic data is used to establish proposed drill sites and the Reverse Circulation drill rigs currently employed are focussed on the highest parts of the anomalies and the extensions along strike. Preliminary detailed interpretation of the aeromagnetic data suggests there is significant faulting and dislocation of the anomalous zone.



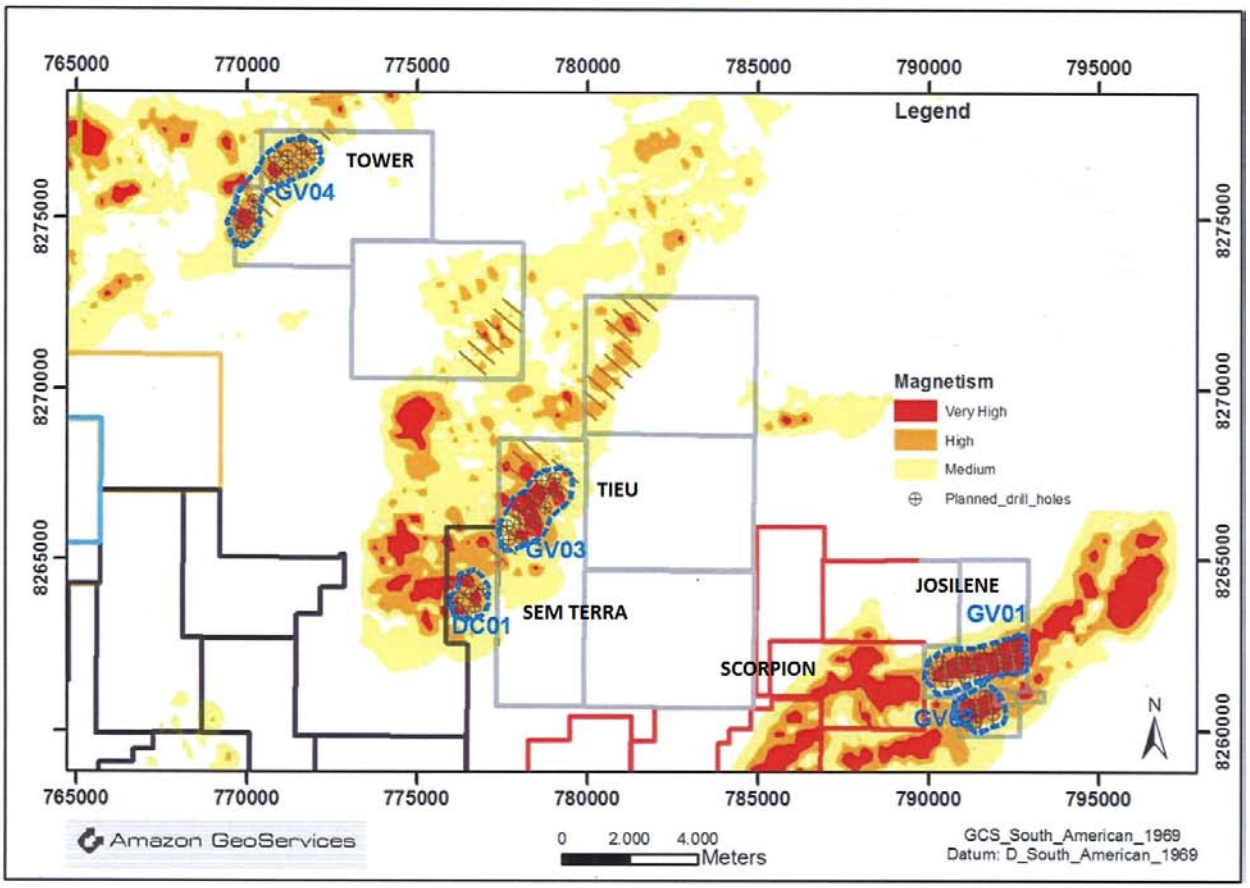
Regional Aeromagnetic Interpretation.

To date BMG has identified fifteen targets worthy of further investigation in its Rio Pardo Iron project area. These include the Josilene North and South, Teiu and Sem Terra zones, which are currently being drilled, the Scorpion East and Scorpion West, Tower and Vargram Grande zones, which will be drilled in

the coming weeks, and the Montezuma, Reindeer, Monte Alegre, Baixina, Pit Bull, Carbon Hill and Tarquawa zones, which are planned for future drill testing. Each of the target zones is over 1000 metres in strike length and ten areas exceed 2000 metres.

Project Drilling Targets

A number of zones have been identified and are being drilled. The principal zone is the **Josilene** prospect which can be traced for 3 kilometres within tenement 831.719/2008 and can be traced a further to the south west for 17 kilometres within BMG's tenements and to the Salinas, Vale and ENRC mineralized zones.



*Current Drill Targets – **Josilene** (GV01 and GV02), **Sem Terra** (DC01) and **Teiu** (GV03).*
*Further drill targets at **Scorpion** and **Tower** (GV04) have yet to be tested.*

Current RC Drilling program

The RC drilling program is designed to give a broad overview of the mineralized zones and define mineralised zones for more detailed attention. Two drill rigs are on site to complete the initial 10,000 metre program as soon as possible.

As of 2 March 2011, 28 holes have been completed and 2 holes are in progress.

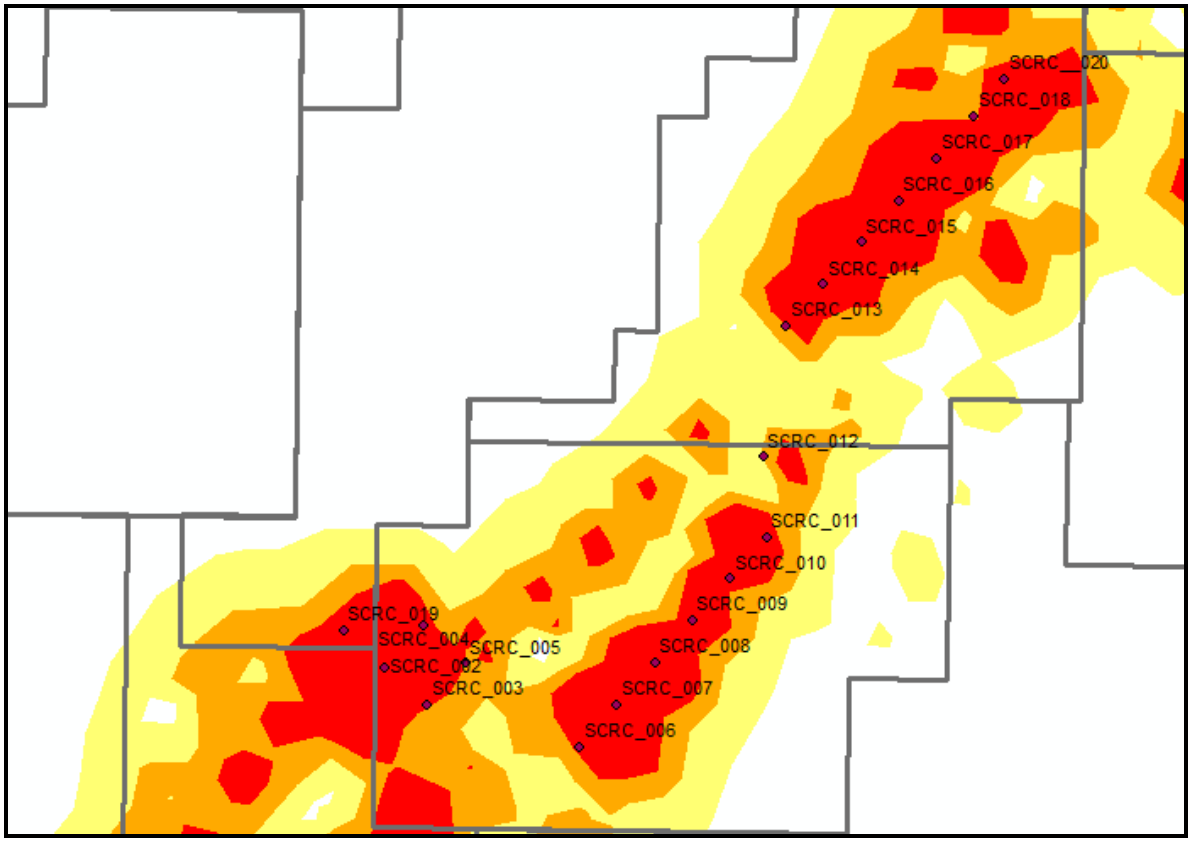
Prospect	Holes	Metres
Josilene[2]	15	1,726
Sem Terra[3]	2	229
Teiu[4]	13	2,113.5

Mineralisation commences from surface to the limit of drilling in all holes at Josilene and consists of weathered and fresh friable and compact magnetite bearing rock currently identified as diamictites.

Petrographic work is planned for the Reverse Circulation chips to confirm the lithologies and the mineral species present.

All of the holes ended in magnetite bearing diamictite at the limit of drilling.

The weighted average assay for the weathered and fresh components of each hole, from the assays received to date, are very similar indicating the material formed directly over the fresh rock and has not been transported.



Proposed Drilling on the Scorpion Prospect

The drilling target area at the Josilene prospect has a strike length of 3 kilometres and the aeromagnetic anomalies extend for about 20 kilometres through the Scorpion drilling target and further to the south west. All drill holes in the drill program at Josilene have intersected coarse grained magnetite bearing

[2] 5 full assays and 3 partial assays received
[3] No assays received
[4] No assays received

rocks and extend up to 160 metres from the surface. The combined Sem Terra – Teiu drilling target zone extends for over 5 kilometres.

Future drilling will focus on the Scorpion Prospect which is the south west extension of the Josilene Prospect. Twenty holes are planned for this area. The strike length of this zone is 6 kilometres.

RC drilling is also planned for the Vargam Grande and Montezuma tenements which has a strong aeromagnetic signature.

Process Test Work

Four samples of the weathered and fresh magnetite bearing material have been collected and sent to a metallurgical laboratory in Belo Horizonte to determine the iron extraction and upgrading characteristics of the material. Fresh rock is coarse grained and the mineral species appear to be discrete and easily liberated. This aspect will be the subject of ongoing test work.

Aeromagnetic Interpretation

A detailed aeromagnetic interpretation project is currently underway with Southern Geoscience in Perth. It is clear from regional work that major zones of mineralisation are related to strong magnetic anomalies further to the south west and these anomalies can be traced into the Rio Pardo Project tenements.

Belo Horizonte Staff and Office

BMG has employed a highly experienced Australian geologist to head up the Company's activities in Brazil as Country Manager. He will take up this position on March 21st with responsibility for the efficient management of the Rio Pardo Project. BMG has established an office in Belo Horizonte and is currently seeking additional permanent staff to assist the Country Manager and the existing contract staff.

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APPENDIX

RIO PARDO DRILLING - FIRST ASSAY BATCH

Hole No	Unit	*From* (m)	*To* (m)	*Interval* (m)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	Mn (%)	P (%)	LOI (%)
JORC 001	Weathered	*0*	*68*	*68*	10.96	65.55	12.17	0.02	0.062	5.22
	Fresh Rock	*68*	*143*	*75*	12.48	64.99	9.68	0.13	0.111	0.85
	Total Hole	*0*	*143*	*143*	11.76	65.26	10.86	0.08	0.088	2.93
JORC 002	Weathered	*0*	*68*	*68*	13.86	61.89	12.04	0.03	0.038	5.26
	Saprolite	*68*	*104*	*36*	12.00	65.73	9.34	0.27	0.096	3.12
	Fresh Rock	*104*	*118*	*14*	9.83	66.54	10.97	0.23	0.084	1.24
	Total Hole	*0*	*118*	*118*	12.81	63.61	11.09	0.12	0.061	4.13
JORC 005	Weathered	*0*	*48*	*48*	16.89	58.38	10.70	0.08	0.084	4.81
	Fresh Rock	*48*	*120*	*72*	13.68	63.32	10.10	0.29	0.105	0.18
	Total Hole	*0*	*120*	*120*	14.97	61.34	10.34	0.21	0.097	2.03
JORC 006	Weathered	*0*	*64*	*64*	17.21	56.83	10.23	0.25	0.101	4.43
	Fresh Rock	*64*	*94*	*30*	14.43	62.91	9.27	0.35	0.104	0.48
	Total Hole	*0*	*94*	*94*	16.32	58.77	9.92	0.28	0.102	3.17
JORC 013	Weathered	*0*	*48*	*48*	16.08	58.84	11.76	0.04	0.060	5.11
	Fresh Rock	*48*	*121*	*73*	12.85	64.25	10.20	0.37	0.099	0.95
	Total Hole	*0*	*121*	*121*	14.13	62.10	10.82	0.24	0.083	2.60

While the Company remains optimistic that it will report resources and reserves in the future, any discussion in relation to exploration targets or resource potential is only conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Malcolm Castle, who is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM"). Mr Castle is the Chief Executive Officer of Brazilian Metals Group Limited. He has sufficient experience relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Castle consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.