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

Brazilian Metals Group Ltd (ASX Code: BMG) is pleased to provide a further update on its drilling program at its Rio Pardo Iron Project in northern Minas Gerais State, Brazil. The latest assays provide encouraging results with similar grades as encountered at the nearby Salinas deposit including:

- **16 metres at 26.9% Fe from surface in JORC012**
- **4 metres at 18.9% Fe from surface in TERC003**
- **20 metres at 18.7% Fe from 112m in JORC003** including 4 metres at **36.22%** Fe from 128 metres
- **44 metres at 17.0% Fe from surface in JORC004**
- **12 metres at 17.0% Fe from 56m in JORC007**
- **20 metres at 16.3% Fe from surface in JORC007**
- **76 metres at 17.0% Fe from surface in JORC006**
- **64 metres at 16.8% Fe from surface in JORC005**
- **44 metres at 16.3% Fe from surface in JORC013**

The weighted average grade for the intercepts received to date from the Company's Josilene and Tieu prospects is 17% Fe.

The results from the Josilene prospect show wide zones of magnetite and hematite bearing material from the surface to the bottom of the hole. Included within the entire zone are higher grade zones identified by applying a 15% lower cut-off to the Fe assays.

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 and Teiu zones, which are the source of the latest results, and currently are still being drilled. The Sem Terra, Scorpion East and Scorpion West, Tower and Vargram Grande zones will be drilled in the coming weeks with the remaining target zones scheduled to follow. Each of the target zones is over 1,000 metres in strike length and ten areas exceed 2,000 metres.

BMG is targeting deposits similar in nature to the Salinas deposit. Honbridge Holdings Limited has announced a mineralised resource at the Salinas deposit 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

Lower grade iron ore is upgraded through a process of beneficiation to increase the iron content and reduce the impurity content before sale. Itabaritic ore is often friable and can be compared with the Rapitan ores in north Minas Gerais because of similarities in bond work index (as published for the Salinas deposit [2]).

Several techniques such as washing, jigging, magnetic separation, advanced gravity separation and flotation are being employed to enhance the quality of the iron ore. Due to the high density of hematite relative to silicates, beneficiation usually involves a combination of crushing and milling, magnetic separation if magnetite is present as well as heavy liquid separation. This is achieved by passing the finely crushed ore over a bath of solution containing bentonite or other agent which increases the density of the solution. When the density of the solution is properly calibrated, the hematite will sink and the silicate mineral fragments will float and can be removed.

There is a clear distinction between older banded iron formations ("BIF") such as many of Australia's iron deposits and the younger **Rapitan** type deposits associated with glacial sediments where grades are often between 15% and 30% Fe. Rapitan type deposits are usually formed with hematite and chert (jasper). The north Minas Gerais deposits also contain magnetite. Australian magnetite deposits are generally older BIFs which consist of very fine grained (colloidal) chert and iron rich layers which require very fine grinding and have a high bond work index. Consequently these older banded formations have high beneficiation costs and therefore high operating costs so production has focussed on the direct shipment ores that do not require significant beneficiation. In contrast the Brazilian Rapitan ores are easily upgraded because of their sedimentary host rocks where iron minerals and deleterious rock fragments can be separated by relatively coarse crushing and grinding, magnetic separation, desanding and floatation at relatively low cost.

The beneficiation process route used at the operating Alegria Mine (for example) owned by Samarco (50% Vale, 50% BHP) in southern Minas Gerais State is anticipated to be similar to what could be used for the ore found in north Minais Gerais. At the Alegria Mine Itabiritic ore is delivered to a crushing and screening plant in the blending yard and then transported to the Germano Plant. At the Germano beneficiation plant the ore is screened, crushed and classified to feed the primary mills. This circuit assures sufficient reduction of the iron ore particles. Most of the magnetite is removed by magnetic separation. The non-magnetic material is then deslimed with the ultrafine material being removed in cluster cyclones before conventional flotation where waste material such as silica is separated from the iron particles. The ore is reground and enters a column flotation circuit.

Beneficiation tests published by Honbridge in relation to ore from the Salinas deposit indicate that 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.[3]

Exploration Program

A detailed review of the exploration program and background to BMG's Rio Pardo Iron Project were included in the Company's ASX release dated 7 March 2011. Assay results announced in that release

[1] Golder Associates, 2010, "Vale do Rio Pardo Resource Estimation", December 16, 2010, for Honbridge Holdings Limited
[2] Honbridge, Salinas Iron Mine Project Presentation 17 November 2009, "Very Substantial Acquisition, 5 November 2010
[3] Honbridge, Salinas Iron Mine Project Presentation 17 November 2009, "Very Substantial Acquisition, 5 November 2010

have been updated with a view to identifying richer zones within the holes. Previous assay results indicated weighted average assays over the entire hole from surface to the end of drilling. A cut-off grade of 15% Fe was applied to the assays and intervals selected and recalculated for the earlier holes and new hole assays which have just been received. Background or unmineralised samples are considered to have an assay value less that 5% Fe. The assays above 15% Fe represent 25% of the mineralised drill intercepts. The assays now cover 13 complete holes, with 3 partial results and one in the sequence (JORC009) without any results received.

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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[4] 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.

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.

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

APPENDIX

Fe Zones based on 15% Fe Cut-off

Hole id	From (m)	To (m)	Interval (m)	Fe (%)	SiO2 (%)	Al2O3 (%)	P (%)	LOI (%)
JORC 012	-	16.00	16.00	26.91	44.87	9.01	0.086	6.75
TERC 003	-	4.00	4.00	18.85	55.29	10.87	0.018	7.22
JORC 003	112.00	132.00	20.00	18.72	59.49	7.63	0.074	0.28
JORC 004	-	44.00	44.00	17.04	59.05	10.40	0.058	4.56
JORC 007	56.00	68.00	12.00	17.03	58.91	9.50	0.123	0.02
JORC 006	-	76.00	76.00	17.00	57.51	9.97	0.102	3.86
JORC 005	-	64.00	64.00	16.81	58.69	10.45	0.098	3.75
JORC 007	-	20.00	20.00	16.29	56.34	13.03	0.053	6.01
JORC 013	-	44.00	44.00	16.25	58.48	11.86	0.060	5.19
JORC 002	36.00	60.00	24.00	15.76	64.90	7.91	0.056	3.57
JORC 011	64.00	80.00	16.00	15.69	62.97	8.23	0.132	0.28
JORC 008	-	36.00	36.00	15.17	59.74	11.66	0.064	5.42
JORC 001	104.00	128.00	24.00	14.97	62.28	9.46	0.128	0.38
Weighted Average				16.94	58.68	10.22	0.080	3.80

Survey Details of the Rio Pardo Drilling

RIO PARDO PROJECT					
Hole ID	SAD69 Grid		Collar		
	Easting	Northing	Azi	Decl	Depth
Josilene Prospect - 831.719/2008 (GRANDUVALE)					
North Target					
JORC 001	792,756	8,261,935	0	-90	143
JORC 002	792,785	8,262,250	0	-90	118
JORC 003	792,395	8,262,158	0	-90	160
JORC 004	792,006	8,262,066	0	-90	150
JORC 005	791,617	8,261,974	0	-90	120
JORC 006	791,228	8,261,882	0	-90	94
JORC 007	790,838	8,261,790	0	-90	115
JORC 008	790,449	8,261,699	0	-90	164
JORC 009	790,157	8,261,630	0	-90	105
JORC 011	791,161	8,260,545	0	-90	91
JORC 012	791,397	8,260,722	0	-90	100
JORC 013	791,570	8,262,178	0	-90	121
JORC 014	791,842	8,260,800	0	-90	81
JORC 015	792,138	8,260,904	0	-90	40
JORC 017	791,183	8,262,080	0	-90	124
Teiu Prospect - 830.535/2008 (GRANDUVALE)					
TERC001	778,213	8,265,896	0	-90	120
TERC002	778,467	8,266,134	0	-90	118
TERC003	778,135	8,266,386	0	-90	170

Preliminary Geological Logs

RIO PARDO PROJECT

Hole ID	Lithology			
	From	To	Interval	Rocktype
Josilene Prospect - 831.719/2008 (GRANDUVALE)				
North Target				
JORC 001	0	70	70	Weathered Rock and Canga
	70	143	73	magnetic iron bearing rock
JORC 002	0	65	65	Weathered Rock
	65	105	40	Saprolite with iron traces
	105	118	13	magnetic iron bearing rock
JORC 003	0	65	65	Weathered Rock and canga.
	65	160	95	magnetic iron bearing rock
JORC 004	0	65	65	Weathered Rock and canga.
	65	150	85	magnetic iron bearing rock
JORC 005	0	48	48	Weathered Rock and canga.
	48	120	72	magnetic iron bearing rock
JORC 006	0	65	65	Weathered Rock
	65	94	29	magnetic bearing rock
JORC 007	0	49	49	Weathered Rock and canga.
	49	115	66	magnetic bearing rock
JORC 008	0	52	52	Weathered Rock and canga.
	52	164	112	magnetic bearing rock
JORC 009	0	52	52	Weathered Rock
	52	105	53	magnetic bearing rock
JORC 011	0	15	15	Weathered Rock
	15	91	76	magnetic bearing rock
JORC 012	0	34	34	Weathered Rock
	34	100	66	M
JORC 013	0	50	50	Weathered Rock
	50	121	71	magnetic bearing rock
JORC 014	0	46	46	Weathered Rock
	46	81	35	magnetic bearing rock
JORC 015	0	29	29	Weathered Rock
	29	40	11	magnetic bearing rock
JORC 017	0	90	90	Weathered Rock
	90	124	34	magnetic bearing rock
Teiu Prospect - 830.535/2008 (GRANDUVALE)				
TERC001	0	29	29	Weathered Rock and canga
	29	120	91	Fine grey low magnetic rock
TERC002	0	60	60	Weathered Rock
	60	111	51	fine grey non magnetic
	111	118	7	fine grey low magnetic rock
TERC003	0	43	43	Weathered Rock
	43	70	27	Fine grey low magnetite rock

70	100	30	Fine grey non-magnetic rock
100	170	70	Fine grey low magnetite rock

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