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FURTHER DRILLING RESULTS SIGNIFICANTLY ADVANCE RIO PARDO IRON ORE PROJECT

Brazilian Metals Group Ltd (ASX Code: BMG) is pleased to release the latest drilling results from its Rio Pardo Iron Project. Reverse Circulation drilling results have been returned for the initial program at the Scorpion Prospect. It is now clear this prospect is contiguous with the Josilene Prospect and will in future be referred to as the Josilene – Scorpion Prospect.

Highlights of the latest drilling results include:

- **4m at 20.50% Fe from 12m in SCRC026**
- **16m at 20.08% Fe from 24m in SCRC024**
- **40m at 19.45% Fe from 140m in SCRC022**
- **4m at 19.4% Fe from surface in SCRC022**
- **40m at 18.89% Fe from 152m in SCRC021**
- **44m at 18.75% Fe from 92m in SCRC030**

The combined Josilene–Scorpion prospect includes a continuous mineralised zone which so far has been drill tested for 13 kilometres strike-length within BMG’s tenement holding. Josilene- Scorpion represents a major target for further exploration drilling. All of the holes ended in magnetite bearing diamictite at the limit of drilling.

The results received so far are very encouraging as the 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 area and this was carried over to the Scorpion region of the prospect. This represents a significant area of mineralisation and is open to depths below the current drilling.

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 Company's 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. A leading example is the Vale do Rio Pardo project (formerly known as the Salinas project), located to the south of the Company's Rio Pardo Iron Project, currently owned by Hong Kong listed Honbridge Holdings Limited. Since purchasing the Vale do Rio Pardo project in 2009 for US\$430 million dollars, Honbridge has announced a mineralised resource estimated in accordance with the JORC Code of 1,135 million tonnes at 20.57% Fe in the Measured Category, 1,479 million tonnes at 19.64% Fe in the Indicated Category and 1 million tonnes at 18.34% Fe in the Inferred Category in Block 8 and 25 million tonnes at 21.7% Fe in the Indicated Category and 1,031 million tonnes at 20.6% Fe in the Inferred Category in Block 7.¹ . Beneficiation tests published by Honbridge indicate that their ROM feed low grade material could readily be upgraded to pellet feed grades of 65% Fe for an estimated process operating cost of US\$10.73.

The Company's Gema Verde project is contiguous with the Block 8 resource at Honbridge's Vale do Rio Pardo Project and BMG is continuing to target further deposits similar in nature to the Vale do Rio Pardo deposits and ENRC's Jiboia deposit.

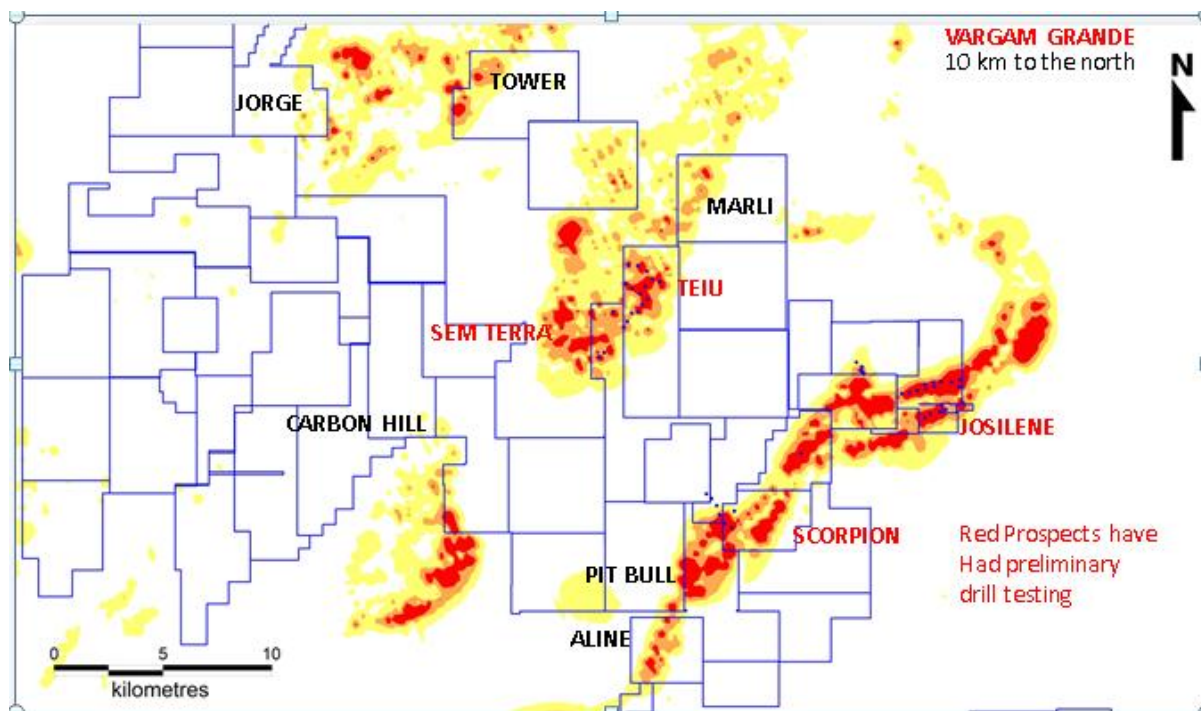
Exploration Strategy

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 Vale do Rio Pardo (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 hematite and magnetite bearing diamictites. In some areas weathering extends to 70 metres and at surface little rock texture is preserved.

Interpretation of the aeromagnetic data is used to establish proposed drill sites and the Reverse Circulation drill rigs currently employed are targeting the highest parts of the anomalies and the extensions along strike.

¹ Golder Associates, 2010, "Vale do Rio Pardo Resource Estimation", 28 March 2011, for Honbridge Holdings Limited



Locations of the prospects identified at Rio Pardo.
Those marked in red have been tested by preliminary RC drilling.

Eleven target areas have been identified for drill testing at Rio Pardo and to date five have been subject to preliminary drilling.

Anomalous Fe mineralisation was identified at the Josaline-Scorpion Prospect. Mineralisation is associated primarily with the structurally enrichment, of the low grade basal contact zone of the primary mineralised glacial metadiamicrites. Additionally, high grade “canga-style” mineralisation (hardpan) is present in part, over the majority of the prospects. BMGL have a large very prospective land package within the region and have identified the controlling mineralisation pathways.

Drilling to date:

Fifteen holes were completed on the Josilene Prospect for 1,673 metres and a further 13 holes for 1,933 metres were completed at Scorpion.

Four holes at the Vargam Grande prospect were completed prior to the RC rig being mobilised to the Gema Verde Project to the south for higher priority operations. Assay results for this recent drilling are still pending.

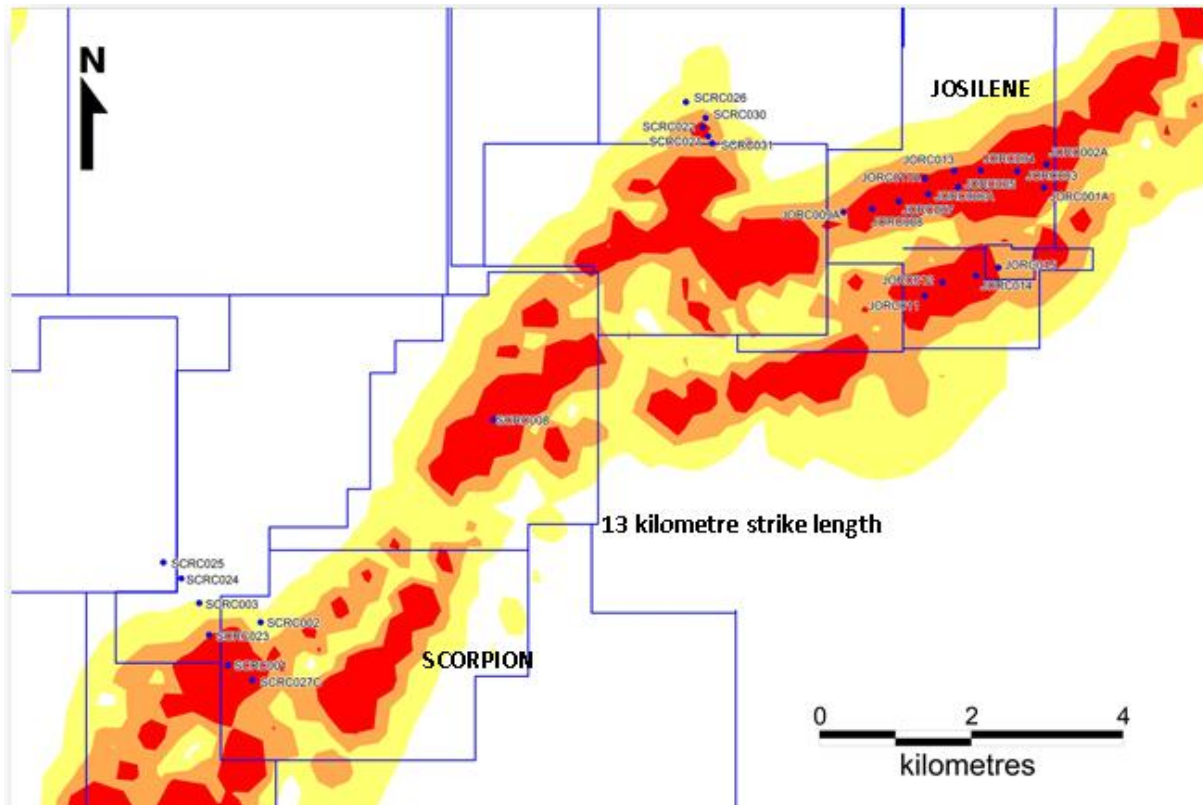
Scorpion Intercepts Summary

- 4m at 20.50% Fe from 12m in SCRC026
- 16m at 20.08% Fe from 24m in SCRC024
- 40m at 19.45% Fe from 140m in SCRC022
- 4m at 19.4% Fe from surface in SCRC022
- 40m at 18.89% Fe from 152m in SCRC021

- 44m at 18.75% Fe from 92m in SCRC030
- 16m at 17.75% Fe from 20m in SCRC002
- 4m at 17.60% Fe from 20m in SCRC023
- 24m at 17.4% Fe from 88m in SCRC003
- 4m at 17.30% Fe from 60m in SCRC030
- 1m at 17.3% Fe from 144m in SCRC008
- 24m at 16.02% Fe from 28m in SCRC008
- 12m at 16.93% Fe from surface in SCRC021
- 20m at 16.42% Fe from 152m in SCRC031
- 8m at 16.20% Fe from 76m in SCRC030
- 4m at 16.20% Fe from 12m in SCRC025
- 8m at 15.55% Fe from 16m in SCRC003
- 104m at 15.03% Fe from 20m in SCRC001

Significant zones of mineralisation are based on a lower cut off of 15% Fe. All assay intercepts are down hole intervals in vertical holes and at this stage the structure of the host rocks is not known in sufficient detail to estimate true widths. The assays quoted are based on weighted averages of the significant zone with included material of slightly lower grades. Weighting was based on down hole intercept length. All drill holes are by Reverse Circulation at approximately 13.25 cm size. Samples were collected by splitting the RC return material, compositing to 4 metre intervals, riffle split to an appropriate size for submission to a laboratory. Sample recovery was estimated by measurement of the weight of the return and was considered to be satisfactory.

1,973 metres of RC drilling chips were assayed at Scorpion with an average grade of 11.7% Fe. 20% of the metres exceeded 15% Fe with an average grade of 17.2% Fe



Location of RC drill holes on the Josilene – Scorpion Prospect.

It is significantly noteworthy that the very promising results obtained to date from Scorpion and Josilene are a product of only some 28 holes and 3,600 m of our initial drilling programme in this location. A more intensive drilling programme will be commencing in October following the return of the Company's contracted rigs from current operations at Gema Verde.

In-fill drilling at the Company's Gema Verde project has commenced and a scoping study has also been started on this project which is contiguous with Block 8 in Honbridge's Vale do Rio Pardo project. Honbridge has recently announced they are undertaking a definitive feasibility study on the Vale do Rio Pardo Project including Block 8.

Drilling undertaken at Gema Verde has delineated a large zone of mineralisation and included:

- 8.73m at **30.7%** Fe from 4.65m in FSD019
- 10m at **29.3%** Fe from 24.76m in FSD031
- 15.06m at **21.0%** Fe from 74.45m in FSD023
- 20m at **20.3%** Fe from 62.62m in FSD012
- 17.4m at **24.8%** Fe from 16.65m in FSD005
- 20m at **21.6%** Fe from 68.7m in FSD014
- 20.4m at **21.5%** Fe from 59.8m in FSD033
- 20m at **22.0%** Fe from 76.95m in FSD028
- 16.8m at **27.8%** Fe from 2.9m in FSD013
- 28.3m at **20.2%** Fe from 152.85m in FSD024
- 25.7m at **23.4%** Fe from 103.7m in FSD032
- 27.35m at **24.0%** Fe from 3.2m in FSD011

Significant zones of mineralisation are based on a lower cut off of 15% Fe. All assay intercepts are down hole intervals in angled and vertical holes and at this stage the structure of the host rocks is not known in sufficient detail to estimate true widths. The assays quoted are based on weighted averages of the significant zone with included material of slightly lower grades. Weighting was based on down hole intercept length. All drill holes are by diamond coring at approximately HQ and size. Samples were collected by splitting to half core, compositing to 10 metre intervals, crushed and riffle split to an appropriate size for submission to a laboratory. Sample recovery was estimated by measurement of the drill core and was considered to be satisfactory.

1480 metres of the diamond core were assayed with an average grade of 15.6% Fe. 47% of the metres exceeded 15% Fe with an average grade of 20.2%

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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.

Details of the Intercepts and Location of drill Holes:

Scorpion Prospect - SUMMARY DRILL INTERSECTIONS								
Hole ID	From (m)	To (m)	Interval (m)	Fe (%)	SiO2 (%)	Al2O3 (%)	P (%)	LOI (%)
SCRC001	20	124	104	15.03	61.90	9.83	0.143	2.75
SCRC002	20	36	16	17.75	57.63	10.43	0.057	5.41
SCRC003	16	24	8	15.55	56.85	13.00	0.036	6.85
SCRC003	88	112	24	17.40	60.73	8.43	0.179	<1
SCRC008	28	52	24	16.02	60.80	10.10	0.076	4.36
SCRC008	144	145	1	17.30	63.50	4.37	0.137	3.53
SCRC021	0	12	12	16.93	58.33	10.34	0.045	4.70
SCRC021	152	192	40	18.89	58.51	8.56	0.152	<1
SCRC022	0	4	4	19.40	54.20	10.80	0.063	7.07
SCRC022	140	180	40	19.45	56.83	8.40	0.156	0.55
SCRC023	20	24	4	17.60	58.90	8.51	0.060	5.60
SCRC024	24	40	16	20.08	53.58	10.92	0.037	6.62
SCRC025	12	16	4	16.20	57.30	12.90	0.020	5.89
SCRC026	12	16	4	20.50	53.00	7.65	0.179	6.74
SCRC027	Waiting on results							
SCRC030	60	64	4	17.30	61.80	9.38	0.121	<1
SCRC030	76	84	8	16.20	61.85	9.24	0.117	<1
SCRC030	92	136	44	18.75	58.15	9.05	0.141	<1
SCRC031	152	172	20	16.42	60.40	9.95	0.135	<1

Hole ID	SAD69 Grid		Collar		
	Easting	Northing	Azi	Decl	Depth
Scorpion Prospect (GRANDUVALE) - Location Data					
SCRC 001	781910	8255826	0/360	-90	164
SCRC 002	782347	8256381	0/360	-90	109
SCRC 003	781540	8256644	0/360	-90	116
SCRC 008	785449	8258996	0/360	-90	145
SCRC 021	788329	8262672	0/360	-90	210
SCRC 022	788264	8262795	0/360	-90	184
SCRC 023	781665	8252240	0/360	-90	126
SCRC 024	781308	8256969	0/360	-90	134
SCRC 025	781073	8257182	0/360	-90	175
SCRC 026	788044	8263125	0/360	-90	102
SCRC 027	782229	8255624	0/360	-90	86
SCRC 030	788300	8262913	0/360	-90	172
SCRC 031	788384	8262581	0/360	-90	210

Number of holes 13
Total Metres 1933

Significant intersections from the Reverse Circulation (RC) holes in the current drill program at Josilene (announced earlier) include:

Hole id	From (m)	To (m)	Interval (m)	Fe (%)	SiO2 (%)	Al2O3 (%)	P (%)	LOI (%)
Josilene								
JORC001	104	128	24	14.97	62.28	9.46	0.128	0.38
JORC002	36	60	24	15.76	64.90	7.91	0.056	3.57
JORC003	36	132	96	16.90	58.62	9.89	0.106	2.04
JORC004	0	44	44	17.04	59.05	10.40	0.058	4.56
JORC005	0	64	64	16.81	58.69	10.45	0.098	3.75
JORC006	0	76	76	17.00	57.51	9.97	0.102	3.86
JORC007	0	20	20	16.29	56.34	13.03	0.053	6.01
JORC007	56	68	12	17.03	58.91	9.50	0.123	0.02
JORC008	0	36	36	15.17	59.74	11.66	0.064	5.42
JORC009	8	24	16	15.15	58.83	12.38	0.034	5.66
JORC011	64	80	16	15.69	62.97	8.23	0.132	0.28
JORC012	0	16	16	26.91	44.87	9.01	0.086	6.75
JORC013	0	44	44	16.25	58.48	11.86	0.060	5.19
JORC017	0	40	40	18.51	57.23	10.36	0.057	4.23

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1498 metres of RC drilling chips were assayed at Josilene with an average grade of 12.9% Fe. 35% of the metres exceeded 15% Fe with an average grade of 16.9% Fe.

Hole ID	SAD69 Grid		Collar		
	Easting	Northing	Azi	Decl	Depth
Josilene Prospect - 831.719/2008 (GRANDUVALE)					
JORC 001A	792,756	8,261,935	0/360	-90	143
JORC 002A	792,785	8,262,250	0/360	-90	118
JORC 003	792,395	8,262,158	0/360	-90	160
JORC 004	792,006	8,262,066	0/360	-90	150
JORC 005	791,617	8,261,974	0/360	-90	120
JORC 006A	791,228	8,261,882	0/360	-90	94
JORC 007	790,838	8,261,790	0/360	-90	115
JORC 008	790,449	8,261,699	0/360	-90	164
JORC 009A	790,157	8,261,630	0/360	-90	120

JORC 010	Not drilled				
JORC 011	791,161	8,260,545	0/360	-90	91
JORC 012	791,397	8,260,722	0/360	-90	100
JORC 013	791,570	8,262,178	0/360	-90	121
JORC 014	791,842	8,260,800	0/360	-90	81
JORC 015	792,138	8,260,904	0/360	-90	115
JORC 016	Not Drilled				
JORC 017A	791,183	8,262,080	0/360	-90	124
			Number of holes		15
			Total Metres		1673