



16 August 2012

Via email: jenny.cutri@asx.com.au

Jenny Cutri
Assistant Manager, Listings (Perth)
ASX Compliance Pty Ltd
L8, Exchange Plaza
2 The Esplanade
Perth WA 6000

Dear Jenny

Brazilian Metals Group Limited (“Company”)

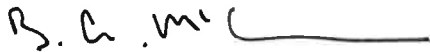
We refer to your letter dated 10 August 2012 and respond to your queries adopting the same numbering as in your letter.

1. The Company is in the process of undertaking a capital raising. Whilst that process is on-going the Company has the financial support of its major shareholder and it is anticipated that through the current quarter and beyond the company will continue to be able to meet its working capital requirements.
2. The Company has taken steps to significantly reduce its operating expenses. The additional cost of taking the cost cutting steps was reflected in the last quarter’s cash flow. The company is an exploration company and as such remains dependent on capital raising to meet its operational costs. The Company is in the process of undertaking a capital raising and expects it to be completed this quarter. In addition the Company has the financial support of its major shareholder to allow it to continue to meet its anticipated operating costs until the next capital raising is completed.
3. The Company is carefully managing its activities to ensure it is able to meet its ongoing business objectives within its existing financial constraints. The Company has adopted a flexible business model which allows it to evaluate and pursue prospective opportunities without the commitment to material ongoing liabilities. It has achieved this through flexible Option arrangements to evaluate and acquire prospective opportunities which have embedded in them the ability to withdraw at any time without any ongoing financial liabilities or obligations.
4. The Company confirms it is in compliance with the listing rules including LR3.1.

5. The note to LR12.2 suggests reference to composition of the balance sheet, relative size of liabilities to assets and access to funds in considering the application of the rule. As reported in the half year accounts the Company has a significant net asset position in absolute terms and in terms of the relative size of assets versus liabilities. The annual accounts are currently being prepared, however the preponderance of assets over liabilities is anticipated to remain. Capital markets particularly for junior explorers have been difficult. However the Company's business plan allows for progress to be slowed reducing costs and capital raising requirements and the Company anticipates it is able to continue with its business of developing an iron ore operation in Brazil. The Company continues to have the support of its major shareholders and in addition has retained Azure Capital to assist it in meeting its capital raising requirements in a timely manner. The Company anticipates being able to announce details of its capital raising initiatives in the near future and is currently preparing documents for the attendant shareholders meeting which is anticipated to be held in September 2012.

If you have any further queries please do not hesitate to contact me or our company secretary, Fleur Hudson on 9321 5922.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'B. C. McCracken', followed by a horizontal line.

Bruce McCracken
Chief Executive Officer
Brazilian Metals Group Limited