BRAZILIAN METALS GROUP LIMITED

(Formerly Lefroy Resources Limited)

ACN 107 118 673

Consolidated Interim Financial Report
For the Half Year Ended
31 December 2010

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CORPORATE DIRECTORY

Directors	Malcolm Castle (Chief Executive Officer) Anthony Trevisan (Executive Director) Robert Pett (Non-Executive Director) Craig Bromley (Non-Executive Director) Thomas Kelly (Non-Executive Director)
Company Secretary	Fleur Hudson (appointed 04/11/2010)
Principal & Registered Office	Level 14, 191 St George's Tce West Perth, WA 6000 Telephone: +61 8 9424 9390 Facsimile: +61 8 9321 5932
Website	www.bmgl.com.au
Share Registry	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St Georges Terrace Perth, WA 6000 Telephone: 1300 85 0505 Facsimile: +61 8 9323 2033 Outside Australia: +61 3 9415 4000
ASX Code	BMG
Auditors	BDO Audit (WA) Pty Ltd 38 Station Street SUBIACO WA 6008 Telephone: +61 8 6382 4600 Facsimile: +61 8 6382 4601

The Directors present their report together with the consolidated financial report for the half year ended 31 December 2010 and the auditor's review report thereon.

DIRECTORS

The names and details of the Directors of Brazilian Metals Group Limited ("the Company" or BMG) in office during the half year are set out below.

Malcolm Castle	(Appointed 24/11/2010)
Anthony Trevisan	(Appointed 24/11/2010)
Craig Bromley	(Since 20/11/2003)
Robert Pett	(Appointed 24/11/2010)
Thomas Kelly	(Since 20/11/2003)

Directors have been in office for the entire period unless otherwise stated.

OPERATIONS REPORT

Towards the end of the reporting period the Company completed its acquisition of the Rio Pardo Iron Project in north Minas Gerais, Brazil. The Rio Pardo Iron Project has become the Company's primary focus. Since completion of the acquisition the Company's operations have concentrated on creating additional value by aggressively exploring the Rio Pardo Iron Project with the goal of defining a significant resource in the near term.

The Company has established an operating base in Belo Horizonte (the regional mining capital in Brazil) and is undertaking a drilling program to test the significant number of targets already identified. Cognisant that scale is particularly important in the iron sector, we are also actively seeking to continue to expand and enhance the area covered by the Company's mineral rights in northern Minas Gerais State by acquiring or applying for additional ground.

Background to the Rio Iron 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.

In 2008 the Institute of Industrial Development of Minas Gerais announced the discovery of iron ore in the north of the state. This emerging iron ore province rivals the Iron Quadrangle in the Belo Horizonte region. 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.

OPERATIONS REPORT (Cont'd)

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. A cut-off grade of 14% Fe was used to calculate the resource. Beneficiation tests published by Honbridge indicate that the ROM feed material at grade of 14%-25% could readily be upgraded to pellet feed grades of 65% Fe for an estimated process operating cost of US$8.85. The Salinas project was purchased by Honbridge in 2009 for US$430 million dollars. Subsequent to agreeing the purchase Honbridge completed the resource assessment in accordance with the JORC code and have now released a valuation to the Hong Kong Stock Exchange of US$1,659 billion[2] for the project.

BMG is targeting large tonnage deposits similar in nature to the Salinas and the Jiboia (purchased by Eurasian Natural Resources Corp for US$304m in 2010) deposits.

Regional Geology

The geological structure in mid-eastern Brazil is largely derived from the Brazilian orogenesis which created a network of fold belts separated by cratons.

The São Francisco Craton stretches over an area of approximately 680,000 Km^2, comprising areas of the states of Minas Gerais, Bahia and Goiás. Overall, the Craton is surrounded by a network of 'Braziliana' fold belts or strips, known as Brasília, Araçuaí, Rio Preto, Riacho do Pontal and Sergipana belts. These belts, also known as "Moving Belts", are fold and thrust structures derived from the inversion of rift-type basins, infilled by gravity-induced, glaciation-influenced sedimentation. In the southeastern portion of the Craton, sediments crop out on the Jequitaí Formation (glacial diamictites) and, in the Araçuaí fold belt, deformed metasediments crop out on the Macaúbas Group, which is associated with the iron formations in northern Minas Gerais.

The iron ore deposits in Rio do Peixe Bravo are located in northern Minas Gerais state in the regions of Rio Pardo de Minas, Porteirinha and Riacho dos Machados. This iron formation is 600 meters thick and is basically composed of diamictites and hematite quartzites. Stratigraphically these deposits are positioned in an intercalation of the Nova Aurora Formation of the Macaúba Group.

The distribution of banded iron formations in the geological record is limited to an early period in the Earth's history. Radiometric dating reveals that banded iron formations were primarily deposited during the Archaean (2.5 Ga) through the Early Proterozoic (between 2.5 and 1.6 Ga) eras. After about 1.8 Ga ago, there was essentially no deposition of banded iron formations, except for a slight resurgence of deposition that occurred between 800 and 600 Ma ago. These younger deposits, including the **Rapitan Iron Formation** in north-western Canada, North Minas Gerais and Corumba in Brazil, have a distinctly different character in comparison with the older banded iron formations.

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

[2] Honbridge Holdings Ltd, 24 December 2010, "Update on Estimated Mineral Resources and Valuation of SAM Iron Ore Mine Project, Brazil"

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

The Rapitan style glaciomarine sedimentary sequences of the Rio Pardo area host significant manganese deposits which form a viable target within the tenement area.

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 [3]).

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 contains 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 14% to 20% could readily be upgraded to pellet feed grades of 65% Fe for an estimated process operating cost of US$8.85.[4]

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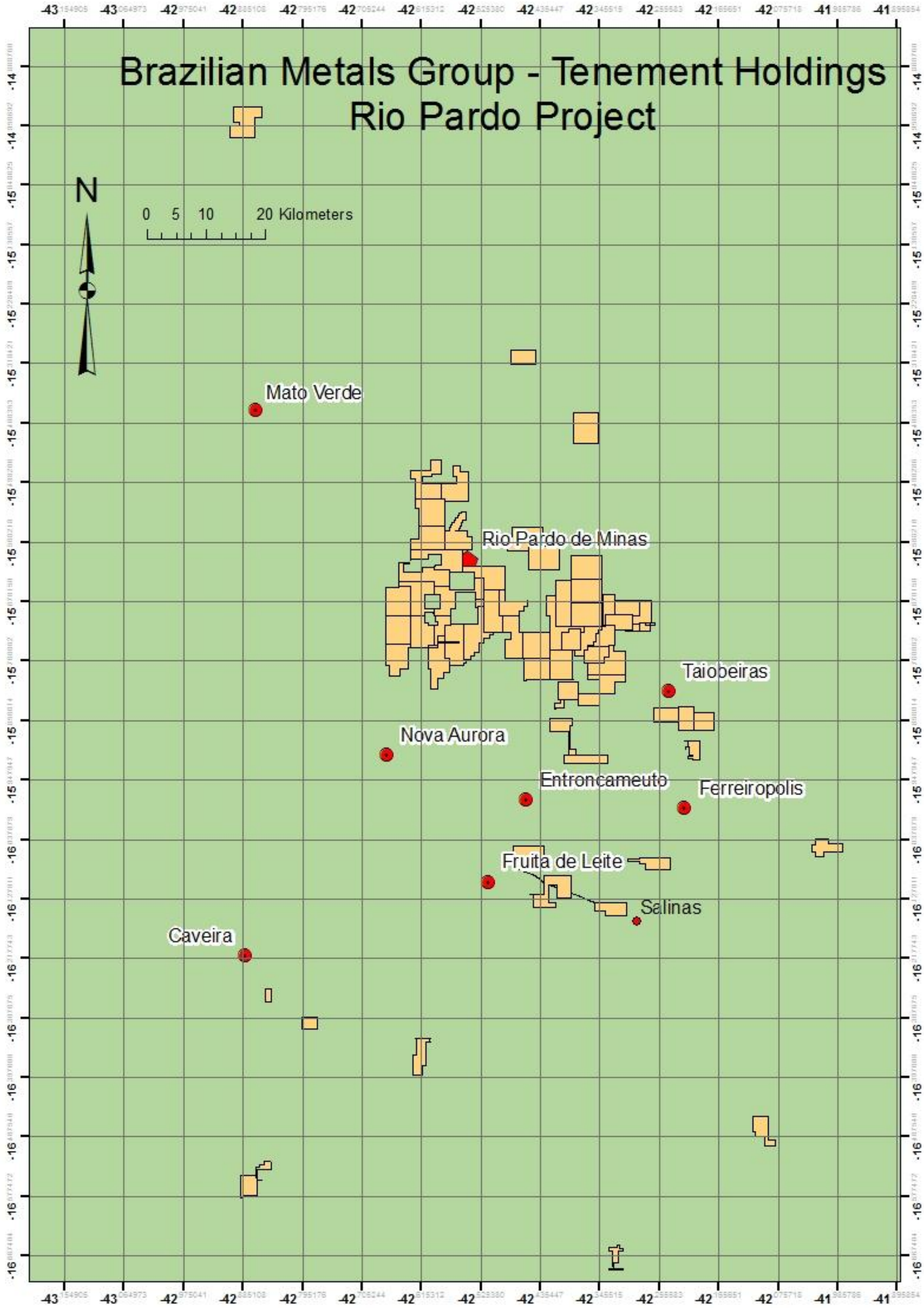
[3] Honbridge, Salinas Iron Mine Project Presentation 17 November 2009, "Very Substantial Acquisition Technical report on SAM Mine" p VI-99, 5 November 2010

Tenement Holdings

BMG Rio Pardo Iron Project currently holds 897km² includes minerals exploration right covering n the North Minais Mineral Province.



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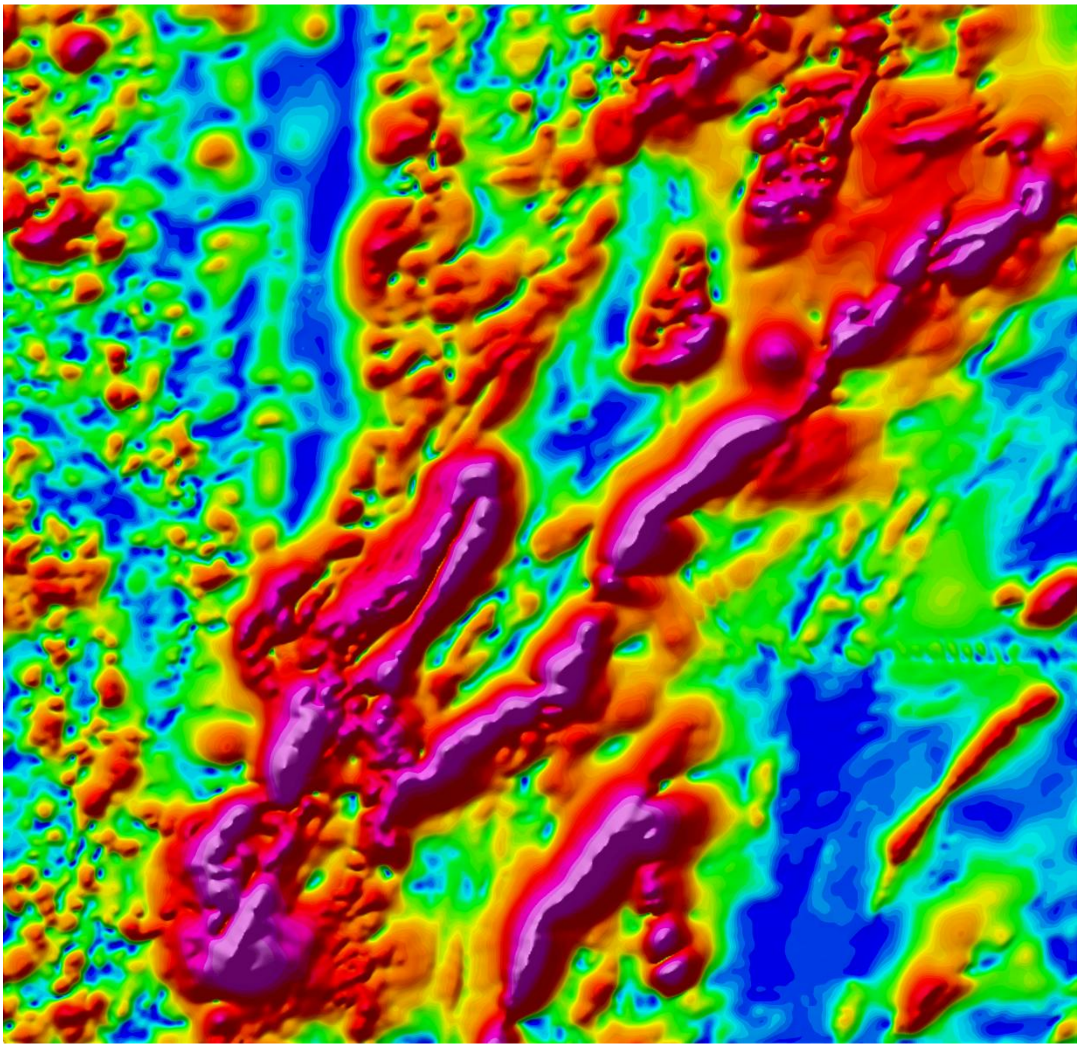
4 Honbridge, "Salinas Iron Mine Project Presentation", 17 November 2009

Aeromagnetics

The major iron ore mineralised zones identified by Vale, MIBA, Sul Americana, Mtransminas and Gema Verde to the south of Rio Pardo can be readily identified from strong trends in the aeromagnetic contours.



Aeromagnetic trends in the North Minas Gerais Province

BMG's tenements cover the strong magnetic trends in the north eastern part of the map.

Drilling Programme

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. Presently two reverse circulation drilling rigs are operating to test the targets and the drill samples are being assayed by laboratories in Belo Horizonte.

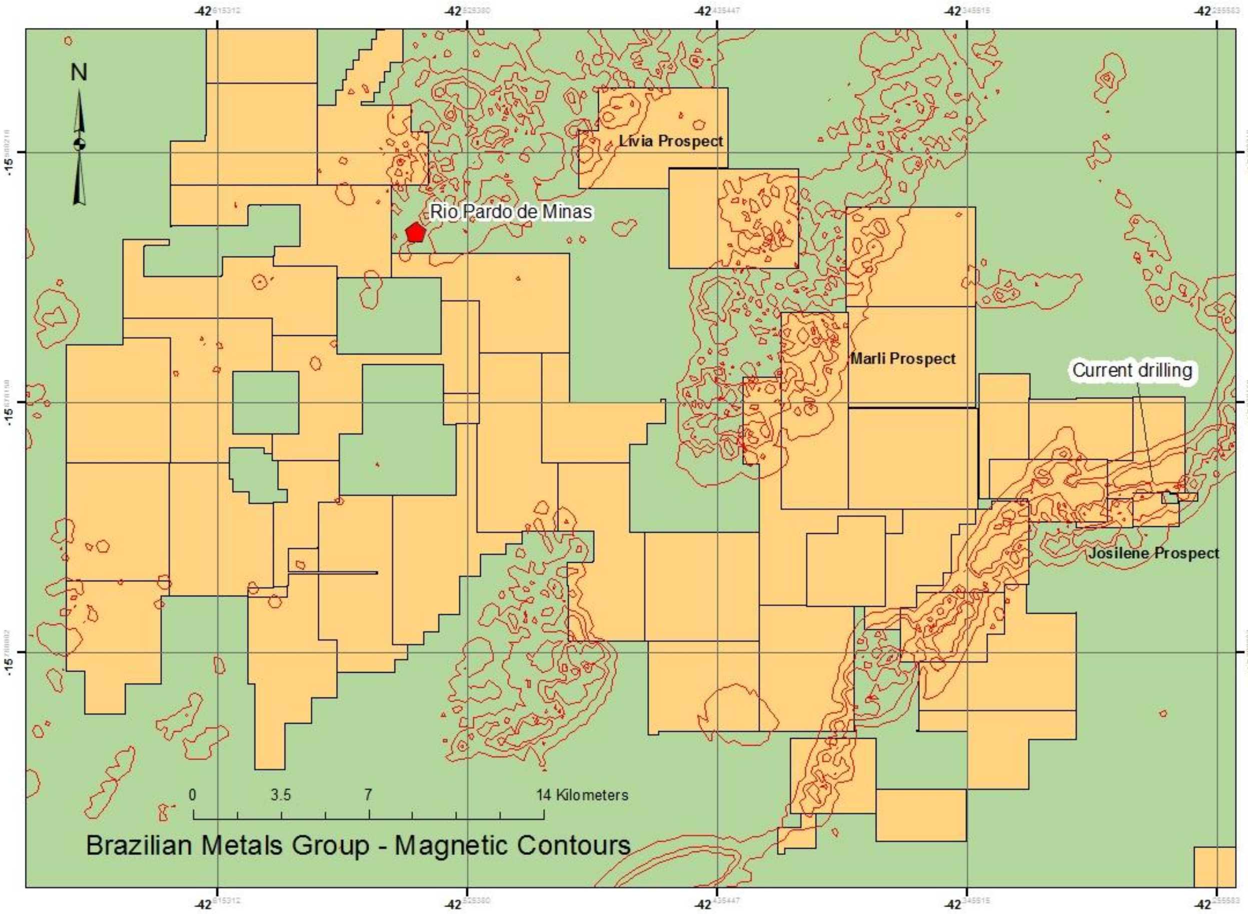
Project Drilling Targets

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.

All drill holes in the drill program at Josilene have intersected coarse grained magnetite bearing 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 have a strong aeromagnetic signature.



Chilean Project

The Company is exploring for uranium mineralisation on its wholly owned extensive tenement holdings in Regions 1 and XV, northern Chile. The tenements cover an area of approximately 420km^2 over six project groupings and comprise both exploration licences and mining leases in good standing.

All projects exhibit extensive uranium mineralisation in outcrop. The Company's exploration methodology has included surface grid-based radiometric surveys, soil, rock and trench sampling and reverses circulation drilling. This work has returned potentially ore-grade uranium assays from initial sampling and drilling from all project areas. The radiometric anomalies defined to date remain unclosed and approximately 90% of the tenement area has received no exploration. In addition to the uranium mineralisation discovered to date, extensive lithium mineralisation in the form of hectorite-type clays have been identified at two of the projects.

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.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the half year comprised of mineral exploration in South America.

BMG changed the nature and scale of its activities to include iron ore exploration and production in Brazil.

The company has changed its name from 'Lefroy Resources Ltd' to 'Brazilian Metals Group Limited' on 15th November 2010.

OPERATING RESULTS

The Consolidated Entity's loss after providing for income tax for the half year ended 31 December 2010 amounted to $1,410,741 (2009: $1,493,986). The significantly loss was attributable to a decline in value of securities in BCD Resources NL (formerly named Beaconsfield Gold NL) which were disposed of during the reporting period and was not related to the Company's Rio Pardo Project.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

All significant changes in the state of affairs of the Company during the year are discussed in detail in the Operations Report.

AFTER BALANCE DATE EVENTS

Change of ASX Security Code

On 24 January 2011 the Company's ASX Company Security Code changed from BZM to BMG

Issue of Loyalty Options

Brazilian Metals Group has made a non-renounceable 1:1 entitlement offer of new options ('Loyalty Options'). The Loyalty Options are being offered at a price of $0.001 per options (i.e. 0.1 cents) to shareholders registered on the record date (8 March 2011). The Loyalty Options have an exercise price of 20 cents each and expire 31 March 2014.

Acquisition of New Mineral Rights (Granduvale)

The Company subject to due diligence, entered into an agreement to acquire the Granduvale Project comprising 30 tenements (383 square kilometres) including a large block to the east and contiguous with the Rio Pardo tenements.

AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 13 for the half year ended 31 December 2010.

Signed in accordance with a resolution of the Board of Directors

Anthony Trevisan
Executive Director
Dated this day of 16 March 2011

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

16 March 2011

Brazilian Metals Group Limited
The Board of Directors
Suite 1/64 Thomas Street
WEST PERTH WA 6005

Dear Sirs,

DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS
BRAZILIAN METALS GROUP LIMITED

As lead auditor of Brazilian Metals Group Limited for the year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- any applicable code of professional conduct in relation to the review.

This declaration is in respect of Brazilian Metals Group Limited and the entities it controlled during the period.

C Burton

Chris Burton
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

		Consolidated	
		31 December 2010	**31 December 2009**
	Notes	**$**	**$**
Revenue		88,738	77,749
Employee benefits expense		(76,685)	(58,320)
Employee share based payments		-	(50,902)
Lapsed share based payments		-	27,516
Loss on Sale of Investments		(661,567)	-
Depreciation and amortisation expense		(5,413)	(5,986)
Accounting & audit fee		(35,432)	(29,253)
Corporate and administration expenses		(367,437)	-
Exploration expenditure write off		-	(1,368,579)
Financial asset impairment		(153,599)	-
Other expenses from ordinary activities		(199,346)	(86,211)
Loss before income tax		**(1,410,741)**	**(1,493,986)**
Income tax expense		-	-
NET LOSS FOR THE PERIOD		**(1,410,741)**	**(1,493,986)**
Other Comprehensive Loss			
Changes in fair value of available for sale assets		(198,999)	133,345
Changes in foreign operations translation		(967,515)	(260,442)
		(1,166,514)	**(127,097)**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(2,577,255)**	**(1,621,083)**
Basic loss per share (cents per share)	9	2.28	2.07

The consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Notes	Consolidated 31 December 2010 $	30 June 2010 $
CURRENT ASSETS			
Cash and cash equivalents		7,622,778	3,101,941
Prepayments		152,214	58,658
Trade and other receivables		212,903	164,332
TOTAL CURRENT ASSETS		7,987,895	3,324,931
NON-CURRENT ASSETS			
Trade and other receivables		1,757	1,874
Property, plant and equipment		89,937	47,514
Investment and financial Assets	3	34,000	1,673,238
Exploration and evaluation expenditure	4	18,213,083	2,631,263
TOTAL NON-CURRENT ASSETS		18,338,777	4,353,889
TOTAL ASSETS		26,326,672	7,678,820
CURRENT LIABILITIES			
Trade and other payables		190,164	45,951
TOTAL CURRENT LIABILITIES		190,164	45,951
TOTAL LIABILITIES		190,164	45,951
NET ASSETS		**26,136,508**	**7,632,869**
EQUITY			
Contributed equity	8	34,767,779	13,686,885
Reserves		(889,033)	277,481
Retained earnings		(7,742,238)	(6,331,497)
TOTAL EQUITY		**26,136,508**	**7,632,869**

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Issued Capital Ordinary $	Accumulated Losses $	Option Reserve $	Financial Assets Reserve $	Foreign Currency Reserve $	Total $
BALANCE AT 1 JULY 2010	13,686,885	(6,331,497)	100,782	198,999	(22,300)	7,632,869
Total comprehensive income for the half year	-	(1, 410,741)	-	-	-	(1,410,741)
Changes in fair value of available for sale financial assets	-	-	-	(198,999)	-	(198,999)
Foreign exchange movement	-	-	-	-	(967,515)	(967,515)
Cost of share-based payment	-	-	-	-	-	-
Transactions with owners in their capacity as owners:						
Share issued to raise capital	7,000,000	-	-	-	-	7,000,000
Share issued on acquisition	14,439,700					14,439,700
Share issued Cost	(358,806)	-	-	-	-	(358,806)
BALANCE AT 31 DECEMBER 2010	**34,767,779**	**(7,742,238)**	**100,782**	**-**	**(989,815)**	**26,136,508**
BALANCE AT 1 JULY 2009	13,686,885	(4,393,789)	183,443	490,227	(85,591)	9,881,175
Total comprehensive income for the half year	-	(1,493,986)	-	-	-	(1,493,986)
Cost of share-based payment	-	-	50,903	-	-	50,903
Share based payments lapsed	-	-	(27,516)	-	-	(27,516)
Changes in fair value of available for sale financial assets	-	-	-	133,345	-	133,345
Foreign exchange movement	-	-	-	-	(260,442)	(260,442)
BALANCE AT 31 DECEMBER 2009	**13,686,885**	**(5,887,775)**	**206,830**	**623,572**	**(346,033)**	**8,283,479**

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2010

		Consolidated	
		31 December 2010	**31 December 2009**
	Notes	**$**	**$**
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(464,007)	(219,123)
Interest received		41,527	54,382
NET CASH (USED IN) / PROVIDED BY OPERATING ACTIVITIES		**(422,480)**	**(164,741)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		633,029	-
Purchase of property, plant and equipment		(47,836)	(1,910)
Payment for subsidiary, net of cash acquired		-	-
Tenement bonds refunded		-	84,168
Payments for exploration and evaluation		(2,286,403)	(487,101)
NET CASH USED IN INVESTING ACTIVITIES		**(1,701,210)**	**(404,843)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of equity (net of costs)		6,641,194	-
NET CASH (USED IN) / PROVIDED BY FINANCING ACTIVITIES		**6,641,194**	**(164,741)**
NET DECREASE IN CASH HELD		**4,517,504**	**(569,584)**
Cash and cash equivalents at beginning of period		**3,101,941**	**4,089,334**
Effect of exchange rates on cash holdings in foreign currencies		**3,333**	**(14,643)**
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**7,622,778**	**3,505,107**

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

The interim financial statements are a general purpose financial report prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Company and its subsidiaries (Consolidated Entity). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the consolidated entity. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the consolidated entity for the year ended 30 June 2010, together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the June 2010 financial report except for the adoption of the following new and revised Accounting Standards.

These half-year financial statements were approved by the Board of Directors on 15 March 2011.

For the purpose of preparing the interim financial report, the half-year has been treated as a discrete reporting period.

(b) Significant accounting judgements and key estimates

The preparation of the half-year financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June 2010.

(c) Adoption of new and revised accounting standards

In the half-year ended 31 December 2010, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2010.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2010. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

2. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of components of the consolidated entity that are regularly reviewed by the chief operating decision makers in order to allocate resources to the segment and to assess its performance. The consolidated entity has identified the following segments:

Exploration (South America and Brazil) – consists of the exploration expenditure involved in the search and discovery of minerals

Investment (Australia) – consists of financial investments made in Australia

Corporate (Australia) – includes corporate and other costs incurred by the parent entity

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

The consolidated entity's principal activities continue to be in mineral exploration and projects are managed on a project-by-project basis.

(i) Segment Performance

Six months ended 31 December 2010

	Exploration (South America and Brazil)	Investment (Australia)	Corporate (Australia)	Total Consolidated Entity
External revenues	-	88,738	-	88,738
Inter-segment revenue	-	-	-	-
Corporate and administration	(9,300)	-	(358,137)	(367,437)
Depreciation and amortisation expense	(5123)	-	(290)	(5,413)
Exploration expenditure write off	-			
Other expenses	19,702	-	(1,146,331)	(1,126,629)
Reportable segment profit before income tax	**5,279**	**88,738**	**(1,504,758)**	**(1,410,741)**

Six months ended 31 December 2009

	Exploration (South America)	Investment (Australia)	Corporate (Australia)	Total Company
External revenues	-	77,749	-	77,749
Inter-segment revenue	-	-	-	-
Share based payments	-	-	(23,386)	(23,386)
Depreciation and amortisation expense	(5,605)	-	(381)	(5,986)
Exploration expenditure write off	(1,368,579)			
Other expenses	(18,423)	-	(155,361)	(1,542,363)
Reportable segment profit before income tax	**(1,392,607)**	**77,749**	**(179,128)**	**(1,493,986)**

(ii) Segment Assets and Liabilities

Six months ended 31 December 2010

	Exploration (South America)	Exploration (Brazil)	Investment (Australia)	Corporate (Australia)	Total Consolidated Entity
Assets					
Current assets	13,836	-	7,570,304	403,755	7,987,895
Property, plant and equipment	87,951	-	-	1,986	89,937
Investment and financial assets	-	-	34,000	-	34,000
Exploration and evaluation expenditure	2,351,436	15,861,647	-	-	18,213,083
Other non-current assets	1,757	-	-	-	1,757
Total Segment Assets	**2,454,980**	**15,861,647**	**7,604,304**	**405,741**	**26,326,672**
Total Segment Liabilities	**(568)**	**-**	**-**	**(190,732)**	**(190,164)**
Net Assets Employed	**2,454,412**	**15,861,647**	**7,604,304**	**215,009**	**26,136,508**

Year ended 30 June 2010

	Exploration (South America)	Investment (Australia)	Corporate (Australia)	Total Consolidated Entity
Assets				
Current assets	214,495	3,078,875	31,561	3,324,931
Property, plant and equipment	13,204	-	34,310	47,514
Investment and financial assets	-	1,673,238	-	1,673,238
Exploration and evaluation expenditure	2,631,263	-	-	2,631,263
Other non-current assets	1,874	-	-	1,874
Total Segment Assets	**2,860,836**	**4,752,113**	**65,871**	**7,678,820**
Total Segment Liabilities	**(10,735)**	**-**	**(35,216)**	**(45,951)**
Net Assets Employed	**2,850,101**	**4,752,113**	**30,655**	**7,632,869**

(iii) Major Customers

The consolidated entity continues to carry out exploration activities in South America and at this time does not provide product or services.

3. FINANCIAL ASSETS

	Consolidated	
	31 December 2010	31 December 2009
Opening balance	1,673,238	2,485,040
Increase / (Decrease) Value during the half year	(153,599)	(811,801)
Sale of financial assets during the half year	(1,485,639)	-
Available-for-sale financial assets (i)	**34,000**	**1,673,238**

(i) Available-for-sale assets comprise investments in the ordinary issued capital of the Beaconsfield Gold NL (Beaconsfield). As at 31 December 2010 the Company held 2,000,000 ordinary shares in Beaconsfield, with a market value of $34,000.

4. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	31 December 2010	30 June 2010
	$	$
Opening balance	2,631,263	3,159,539
Exchange movement	(952,357)	(2,992)
Exploration expenditure capitalised	2,249,733	843,295
Exploration capitalised on acquisition	14,284,444	-
Exploration expenditure written off	-	-
Exploration expenditure write off (Chile)	-	(1,368,579)
Exploration and evaluation expenditure	**18,213,083**	**2,631,263**

5. CONTINGENT LIABILITIES

Pursuant to the Tenement Sale Agreement with Dacal Mineracao Ltda and others, the tenement vendors transferred 100% of mineral rights comprising the Rio Pardo Project to the Company's subsidiary, in consideration of an initial payment of US$1,000,000. Under the agreement in the event that the Company wished to proceed with the project it will be required (subject to a right to withdraw and transfer back the mineral rights) to pay a further US$55,000,000. The exact timing of the future payments is dependent on the grant of an outstanding application. The earliest schedule of payments that the Company anticipates is as follows:

Scheduled Payment ($USD)	Due Date
$5 million	16 January 2012
$5 million	16 July 2012
$10 million	15 July 2013
$10 million	15 July 2014
$10 million	15 July 2015
$15 million	15 July2016

5. CONTINGENT LIABILITIES (Cont'd)

The Company intends to fund these payments predominantly via capital raising in the equity markets, however debt financing may be considered if available on terms favourable to the Company.

There have been no other changes in contingent liabilities since 30 June 2010.

6. DIVIDENDS

The Company has not paid or provided for dividends during this period.

7. SHARE BASED PAYMENTS

The primary purpose of the Director Options is to provide incentive to the participating directors to drive the Company's assets forward.

All options granted to key management personnel are over ordinary shares in Brazilian Metals Group Limited, which confer a right of one ordinary share for every option held.

Management Options

On the recommendation of the Company's Remuneration Committee, the Company will issue 3 million management options to Malcolm Castle, the Company's Chief Executive Officer, upon the Company under his management having certified a JORC resource of not less than 500 million tonnes of iron ore at a 20% Fe cut off grade by 31 December 2011. The issue of options are subject to ASX and Shareholder approval, exercise price will be 33 cents per shares and term of 3 year from the date of issue. There is no amount to be recognised as at 31 December 2010.

8. ISSUED CAPITAL

Ordinary Shares

A reconciliation of the movement in capital and reserves for the Company can be found in the Statement of Changes in Equity

	Consolidated 31 December 2010 $	31 December 2009 $
72,198,501 (June 09: 72,198,501) fully paid ordinary shares	13,686,885	13,686,885
Consolidation of share capital on a one for two basis 36,099,260 (June10: 72,198,501) fully paid ordinary shares	-	-
35,000,000 ordinary shares issued @ 20 cents per share	7,000,000	-
Share Issue Cost	(358,806)	-
	20,328,079	**13,686,885**
Issue of 72,198,501 shares at $0.20 each for acquisition of the Holdings Companies (see note 10)	14,439,700	-
	34,767,779	**13,686,885**

Options

As part of the agreement, Brazilian Metals Group Limited is required to consolidate the Company's options on a one-for-two basis.

At the end of the reporting period, the unissued ordinary shares of the Company under option were as follows:

Date of Expiry	Exercise Price	Options issued during period	Number Exercised	Balance
31/10/2011	$0.20	2,750,006	-	2,750,006
30/11/2012	$0.20	2,000,000	-	2,000,000
		4,750,006	**-**	**4,750,006**

9. LOSS PER SHARE

The following reflects the income and share data used in the calculations of basic loss per share:

	Consolidated	
	31 December 2010	**31 December 2009**
	$	**$**
(a) Reconciliation of earnings to profit or loss		
Net loss used in calculating basic loss per share	(1,410,741)	(1,493,986)
(b) Weighted average number of ordinary shares outstanding during the half year		
Weighted average number of ordinary shares used in calculating basic loss per share	61,822,879	72,198,501

Effect of dilutive securities: Share options are not considered dilutive as the conversion of options to ordinary shares will result in a decrease in the net loss per share.

10. ASSET ACQUISITION

(a) Summary of acquisition

Brazilian Metals Group (BMG) completed a Share Sale Agreement with the shareholders (**Shareholders**) of Brilliant City Holdings Limited and Star Castle Holdings Limited to purchase 100% of the issued capital of Brilliant City Holdings Limited and Star Castle Holdings Limited (**the Holding Companies**). The Holding Companies jointly own 100% of the issued capital of Minas Norte Mineração Ltda (**MNML**), a company incorporated in Brazil that has acquired the Project. The Project is located in the North Minas Gerais iron ore province in Brazil, close to the town of Rio Pardo de Minas. By acquiring the Holding Companies BMG acquired 100% ownership of the Project.

(b) Purchase consideration

In consideration for the acquisition of the Holding Companies (**Acquisition**), Brazilian Metals Group issued to the Vendors 72,198,501 Shares @ 20 cents per shares (post-Consolidation), reimbursed administration expenses of $50,000 and provided a loan that was used to repay shareholder loans in the Holding Companies of $200,000.

(c) Acquisition-related cost

Brazilian Metals Group has lent US$1,000,000 at an interest rate of 5% over the US Libor rate per annum, calculated on the balance of the principal outstanding at the end of each calendar month to the Holding Companies to be used as an initial payment to acquire the Rio Pardo Project. On the completion of the acquisition, the Holdings Companies became wholly owned subsidiaries of Brazilian Metals Group.

(d) Asset & liabilities acquired

The Group acquired interests in tenements which resulted in a value of $14,594,956 on consolidation.

11. EVENTS SUBSEQUENT TO REPORTING DATE

<u>Change of ASX Security Code</u>

On 24 January 2011 the company's ASX Company Security Code changed from BZM to BMG.

<u>Issue of Loyalty Options</u>

Brazilian Metals Group ('Company') has made a non-renounceable 1:1 entitlement offer of new options ('Loyalty Options'). The Loyalty Options are being offered at a price of $0.001 per options (i.e. 0.1 cents) to shareholders registered on the record date (8 March 2011). The Loyalty Options have an exercise price of 20 cents each and expire 31 March 2014.

<u>Acquisition of New Mineral Rights (Granduvale)</u>

The company subject to due diligence, entered into an agreement to acquire the Granduvale Project comprising 30 tenements (383 square kilometres) including a large block to the east and contiguous with the Rio Pardo tenements.

DIRECTORS DECLARATION

In the opinion of the Directors of Brazilian Metals Group Limited ("the Company"):

1. The financial statements and notes set out on pages 14 to 25, are in accordance with the Corporations Act 2001, including:

    a) giving a true and fair view of the consolidated financial position as at 31 December 2010 and the performance for the half year ended on that date; and

    b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

On behalf of the Board

Anthony Trevisan
Director

Dated at Perth, Western Australia, this 16 day of March 2011

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF BRAZILIAN METALS GROUP LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Brazilian Metals Group Limited, which comprises the condensed statement of financial position as at 31 December 2010, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Brazilian Metals Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of Brazilian Metals Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Brazilian Metals Group Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO Audit

C Burton

Chris Burton
Director

Perth, Western Australia
Dated this 16th day of March 2011