BRAZILIAN METALS GROUP LIMITED

ACN 107 118 673

Consolidated Interim Financial Report For the Half Year Ended 31 December 2012

DIRECTORS	**Christopher Eager**	Non- Executive Chairman (effective from 15 February 2013)
	Bruce McCracken	Managing Director
	Michael Green	Chief Operating Officer (effective from 15 February 2013)
	Malcolm Castle	Technical Director
	Anthony Trevisan	Non-Executive Director
	Robert Pett	Non-Executive Director

COMPANY SECRETARY

Fleur Hudson

REGISTERED AND PRINCIPAL OFFICE

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191 St Georges Terrace
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Facsimile: (08) 9321 5932
Website: www.bmgl.com.au
Email: enquiry@bmgl.com.au

AUDITORS

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

HOME EXCHANGE

Australian Securities Exchange Ltd
Exchange Plaza
2 The Esplanade
PERTH WA 6000
ASX Code: BMG; BMGO

SOLICITORS

Jackson McDonald
Level 25
191 St Georges Terrace
PERTH WA 6000

BANKERS

St George Bank Limited
Level 1, Westralia Plaza
167 St Georges Terrace
PERTH WA 6000

The Directors present their report together with the consolidated financial report of Brazilian Metals Group Limited (Company), being the Company and its subsidiaries (Consolidated Entity), for the half year ended 31 December 2012 and the auditor's review report thereon.

DIRECTORS

The names and details of the Directors in office during the half year and until the date of this report are set out below.

- Christopher Eager (Non- Executive Chairman – effective from 15 February 2013)
- Bruce McCracken (Managing Director)
- Michael Green (Chief Operating Officer – effective from 15 February 2013)
- Malcolm Castle (Technical Director)
- Anthony Trevisan (Non-Executive Director)
- Robert Pett (Non-Executive Director)
- Peter O'Connor (Non- Executive Chairman – Resigned on 01 October 2012)

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

During the half year the Company's focus was on consolidating its large scale Rio Pardo exploration project in Minas Gerais, Brazil, and seeking new more advanced project opportunities capable of being developed under current market conditions.

The Company took a significant strategic step towards meeting this objective when it reached agreement to acquire 100% of Treasure Development Ltd, a privately owned Cypriot company that owns an attractive portfolio of copper-gold assets in The Republic of Cyprus that make up the Treasure Project.

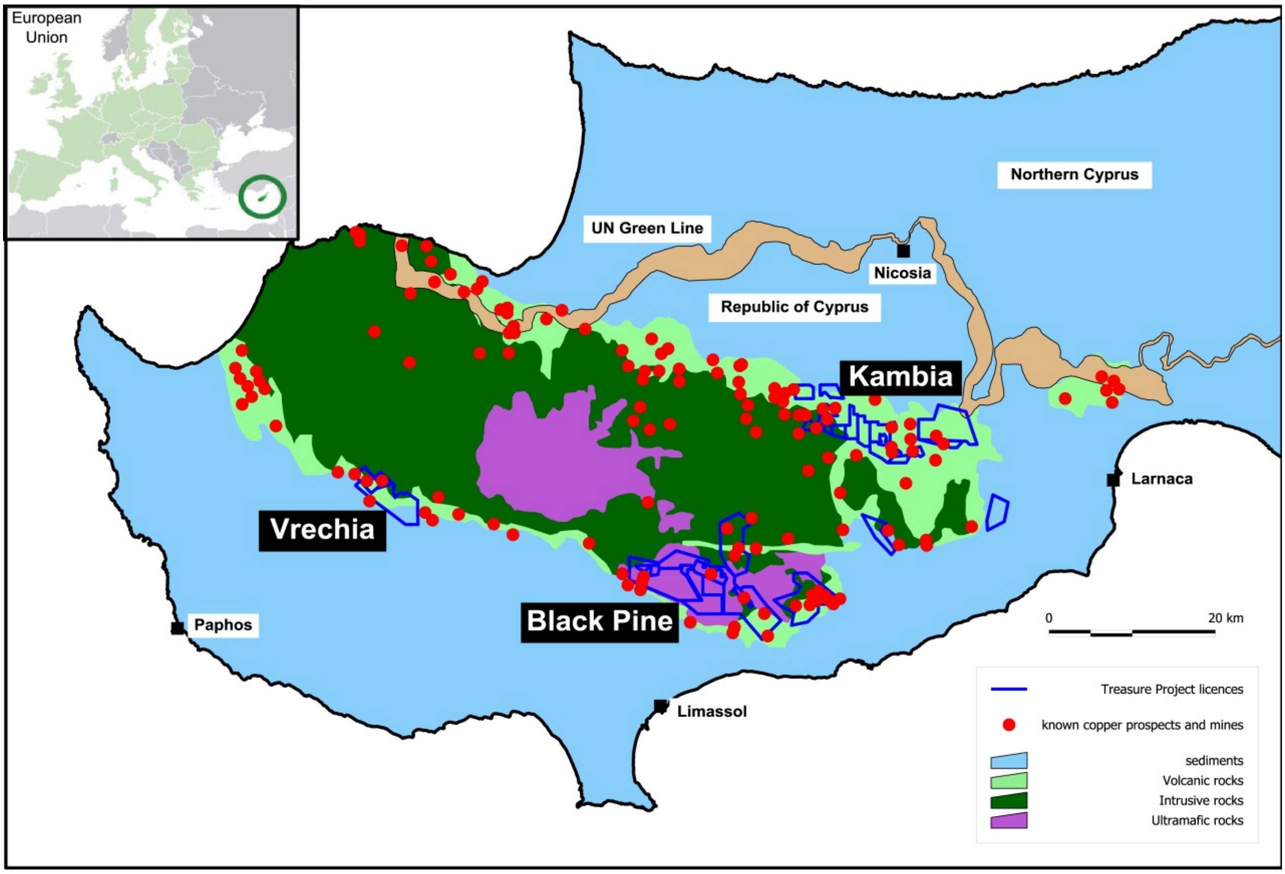
The Company has since added further depth to its board and management team with the appointments of Mr Christopher Eager as non-executive Chairman and Dr Michael Green as an executive-director and Chief Operating Officer.

Mr Eager has a long association with the mining industry being a mining engineer with over 25 years' experience across a broad range of roles. He is currently the Executive Chairman of Resmin Plc, a private mining group based in the UK. During his career Mr Eager has successfully founded and developed a number of listed mining companies, including Monterrico Metals Plc and Asia Energy Plc, and spent time as a resources banker with NM Rothschild (Australia) Limited.

Dr Green is a geologist with over 15 years' experience in Australia and overseas managing all aspects of exploration programs across a broad range of mineral commodities, including copper, gold and nickel. Dr Green who has been the consulting geologist to the Treasure Project for the past 4 years will be relocating to Cyprus and will be the technical officer in charge of the project on site. Dr Green is a member of the Australian Institute of Geoscientists (MAIG) and a Competent Person for the purposes of ASX releases on mineral resources.

Treasure Copper-Gold Project

The Treasure Project hosts numerous high-quality exploration targets with copper and gold mineralisation identified across three project areas – Black Pine, Kambia and Vrechia – comprising 23 tenements across an area of over 200km^2.



Location of the Treasure Project and known copper prospects and mines.

The Republic of Cyprus covers the southern part of the island of Cyprus in the eastern Mediterranean Sea and is a Member of the European Union and the Euro Zone. Infrastructure within the Republic of Cyprus is excellent, with an extensive network of sealed roads and highways, numerous large ports and complete mobile telecommunication coverage. There has been limited modern mineral exploration in the Republic of Cyprus, despite a very long history of copper mining.

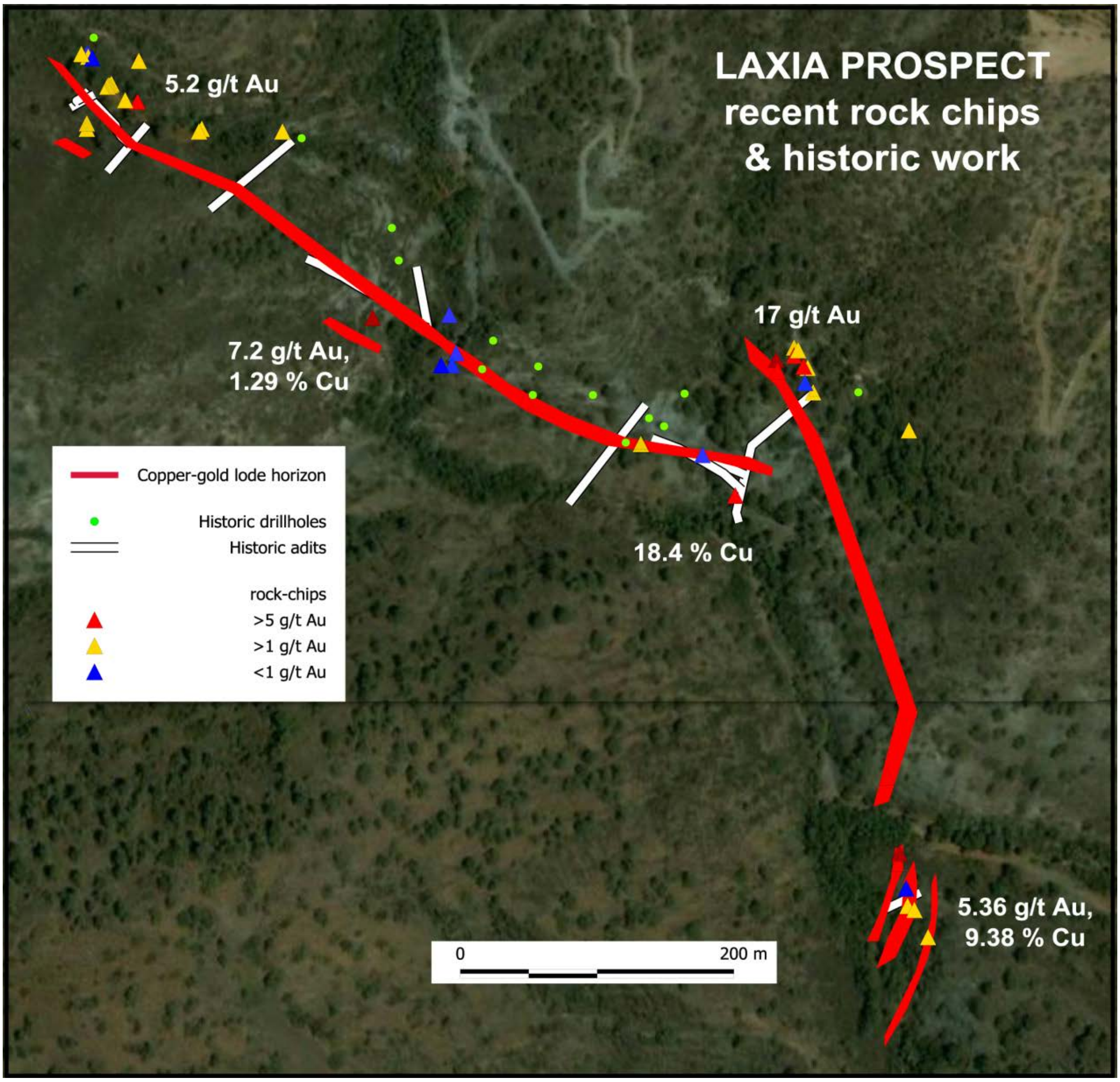
The Treasure Project covers 23 exploration licences of which 18 have been granted. These licences cover numerous known copper-gold prospects. Two types of copper-gold mineralisation have been identified:

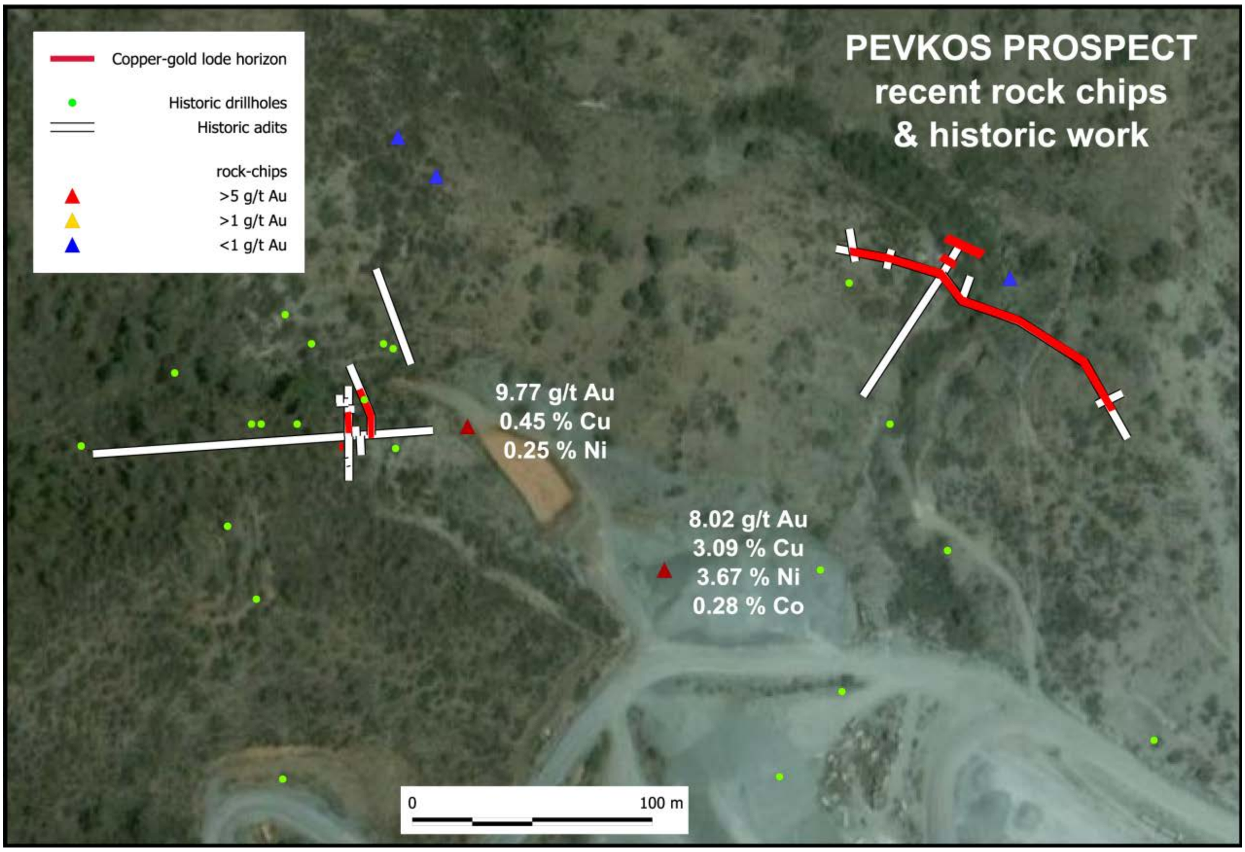
- massive sulphide related to ancient volcanic activity with potential silver and zinc credits (Kambia, Vrechia); and
- massive sulphide related to faulting with potential cobalt and nickel credits (Black Pine).

The Black Pine Project covers 101km^2 and contains a number of prospects where high-grade copper-gold mineralisation is exposed. At the Laxia Prospect, high-grade copper was reported in historic drilling and adit sampling (narrow tunnels) including a zone with 18.36% copper over 2 metres and a weighted average of 5.57% copper over 17 metres. The weighted average for all adit samples at the Laxia Prospect was 2.94% copper over 122.3 metres. Recent sampling has confirmed the presence of high-grade copper, but has also identified high-grade gold, including a sample up to 17g/t gold. Recent work has shown that the mineralisation at the Laxia Prospect extends for over 1 kilometre with 5 to 10 metre wide zones of very high-grade copper-gold.

A similar situation has been identified at the Pevkos Prospect where historic drilling and adit sampling has identified two mineralised lodes with high-grade copper. Recent work has confirmed the high-grade copper (up to 3.9% copper), but has also identified high-grade gold (up to 8g/t gold). Moreover, sampling at Pevkos has consistently returned high-grade nickel with results up to 3.67% nickel. A ground electro-magnetic survey and historic drilling of the Eastern Lode at the Pevkos Prospect show that the massive sulphide body extends at least 300 metres down-dip (200 metres vertical depth) and has a strike-length exceeding 160 metres.

In addition to high-grade copper-gold, the Laxia and Pevkos prospects have potential for significant cobalt and nickel credits, thus increasing their commercial viability. Drilling can commence immediately at these two prospects. The Treasure Project includes all known extensions of this prospective geology and so there is great potential to discover additional massive sulphide bodies.





The Kambia and Vrechia Projects have copper-gold mineralisation associated with ancient volcanic activity. This style of deposit has been exploited in Cyprus for more than 4000 years and includes such deposits as Mavrouvouni (16.5 million tonnes at 4.5% copper) and Skouriotissa (6.8 million tonnes at 2.5% copper). Gold was only ever exploited from near-surface, high-grade zones above the massive sulphide bodies, where it had been enriched by weathering. There has been minimal gold exploration of these massive sulphide bodies. Silver and zinc are potential credits in these deposits.

The Kambia Project covers 81km^2 and includes two abandoned copper mines with a further six abandoned copper mines within 1,200 metres of the tenement boundaries. Historic records from the Mathiatas Mine, which is within the Treasure Project, show production of 2.1 million tonnes at 0.2% copper. Recent work has confirmed these copper grades, but also shown that there are gold grades of 0.35 to 0.5 g/t gold with the copper. The massive sulphide body remains open along strike and at depth.

The Vrechia Project covers 23.6km^2 around and including the Vrechia Mine where historic records show production of 200,000 tonnes at 0.5% copper. Recent work has confirmed such copper grades, but also returned up to 0.71 g/t gold. The massive sulphide body is open along strike and at depth.

Outside the abandoned mines in both the Kambia and Vrechia Project areas there is much evidence for copper-gold mineralisation at surface, including green malachite-stained outcrops and exposed gossans (rusted, weathered sulphide). Basic prospecting work is required to determine the extent of these mineralised zones and to develop suitable drill targets.

Further information on the Treasure Project refer to the announcement made by the Company to ASX on 10 December 2012 entitled "Agreement to Acquire Copper-Gold Project in Cyprus" and in the announcement made by the Company to ASX on 25 January 2013 entitled "Complete CPR – Treasure Projects, Cyprus", tabling an independent geologist's report on the Treasure Project from SRK Consulting.

Proposed Exploration Programme

Once acquisition of the Treasure Project is complete, the Company's immediate priority will be to advance the Black Pine Project through drilling at the Laxia and Pevkos Prospects. The short-term aim is to establish Mineral Resources in accordance with the JORC Code, and then evaluate their potential for mining operations. The Company will also carry out further basic exploration at Black Pine (beyond Laxia and Pevkos), Kambia and Vrechia to develop further drill targets.

Rio Pardo Project

The Company's Rio Pardo Iron Project in Northern Minas Gerais is at an advanced exploration stage. The exploration program conducted by the Company has delineated a large area of Fe mineralisation at the Josilene – Scorpion prospect across a 13km strike length, and an exploration target of 2 to 3 billion tonnes at 16.2% to 18.5% Fe. This is based on surface mapping and drilling with 28 RC holes to date and the potential quantity and grade is 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 Rio Pardo project remains a longer term opportunity with the potential to support a large scale, low cost mining operation. In the near term there are minimal expenditure requirements and the Company will seek to incrementally progress the opportunity without committing any significant cash expenditure, and revisit the program as market conditions improve. The Company has actively managed the project tenement holdings to focus on the core Josilene – Scorpion prospect, with areas of lower potential being relinquished.

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves (each as defined in the JORC Code) is based on information compiled and/or reviewed by Mr Malcolm John Castle, a competent person who is a member of The Australasian Institute of Mining and Metallurgy. Mr Castle is a consultant geologist employed by Agricola Mining Consultants Pty Ltd and is a non-executive Director. Mr Castle has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves'. Mr Castle consents to the inclusion in this Prospectus of matters based on his information in the form and context in which it appears.

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 conceptual in nature. There has been insufficient exploration to define a Mineral Resource (as defined in the JORC Code) and it is uncertain if further exploration will result in the determination of a Mineral Resource.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the half year comprised of mineral resource exploration and development.

There is no other significant change in the nature of the Consolidated Entity's activities during the half year.

OPERATING RESULTS

The Consolidated Entity's loss after providing for income tax for the half year ended 31 December 2012 amounted to $558,949 (2011: $3,373,501). The loss was attributable to the written off financial asset in Chile of $242,690 and exploration expenditure in Brazil of $45,343 for the project in Carrapato at the end of the half year ended 31 December 2012.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

EVENTS SUBSEQUENT TO REPORTING DATE

On 15 February 2013 the Group lodged with ASIC a prospectus for a fully underwritten renounceable rights issue (Rights Issue) to raise $4.4m (before costs). The Right Issue is a renounceable 3 for 1 offer at 1 cent per share, fully underwritten by Patersons Securities Limited subject to the usual termination rights under certain circumstances. If successful, this will result in the issue of 438,170,799 new ordinary shares in the company which is likely to be completed in late March 2013 on the current timetable.

Mr Christopher Eager commenced as non-executive Chairman and Dr Michael Green as Chief Operating Officer on 15 February 2013. Dr Green joined the board of the Company on 16 January 2013.

The Company is acquiring 100% of Treasure Development Ltd, a privately owned Cypriot company that owns a portfolio of copper-gold assets in the Republic of Cyprus that make up the Treasure Project.

AUDITORS INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10 for the half year ended 31 December 2012.

Signed in accordance with a resolution of the Board of Directors

Bruce McCracken
Managing Director

Dated at Perth, Western Australia, this 12th March 2013

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

12 March 2013

The Board of Directors
Brazilian Metals Group Limited
Level 14
191 St George's Terrace
PERTH WA 6000

Dear Sirs,

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

As lead auditor for the review of Brazilian Metals Group Ltd for the half-year ended 31 December 2012, 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
- no contraventions of any applicable code of professional conduct in relation to the review.

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

C Burton

Chris Burton
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

		HALF YEAR	
	Notes	31 December 2012 $	31 December 2011 $
Revenue		677	81,558
Employee benefits expense		(83,930)	(402,840)
Employee option expenses		-	(194,571)
Loss on Sale of Assets		(24,516)	-
Depreciation and amortisation expense		(14,819)	(18,622)
Accounting & audit fee		(28,817)	(60,046)
Corporate and administration expenses		(62,821)	(361,012)
Exploration expenditure write off	3	(45,343)	(2,060,310)
Financial asset write off in Chile		(242,690)	-
Other expenses from ordinary activities		(56,690)	(357,658)
LOSS BEFORE INCOME TAX		**(558,949)**	**(3,373,501)**
Income tax expense		-	-
LOSS FOR THE HALF YEAR		**(558,949)**	**(3,373,501)**
Loss is attributable:			
Owner Of Brazilian Metals Group Limited		(558,949)	(3,373,501)
NET LOSS FOR THE HALF YEAR		**(558,949)**	**(3,373,501)**
Other Comprehensive Loss			
Items that will be reclassified to Profit and Loss		(357,981)	786,012
Items that will not be reclassified to Profit and Loss		-	-
		(357,981)	**786,012**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(916,930)**	**(2,587,489)**
Basic and diluted loss per share (cents per share)	10	(0.38)	(2.31)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes	31 December 2012 $	30 June 2012 $
CURRENT ASSETS			
Cash and cash equivalents		11,571	166,054
Prepayments		57,164	112,318
Trade and other receivables		5,871	146,668
TOTAL CURRENT ASSETS		74,606	425,040
NON-CURRENT ASSETS			
Trade and other receivables		60,642	63,494
Property, plant and equipment		69,833	115,449
Exploration and evaluation expenditure	3	17,080,232	17,286,327
Other receivables	4	146,562	-
TOTAL NON-CURRENT ASSETS		17,357,269	17,465,270
TOTAL ASSETS		17,431,875	17,890,310
CURRENT LIABILITIES			
Trade and other payables		59,196	135,596
Borrowings		734,895	200,000
TOTAL CURRENT LIABILITIES		794,091	335,596
TOTAL LIABILITIES		794,091	335,596
NET ASSETS		**16,637,784**	**17,554,714**
EQUITY			
Contributed equity		35,406,374	35,406,374
Reserves	8	(1,296,779)	(938,798)
Retained earnings	9	(17,471,811)	(16,912,862)
TOTAL EQUITY		**16,637,784**	**17,554,714**

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 2012

	Issued Capital Ordinary $	Accumulated Losses $	Option Reserve $	Financial Assets Reserve $	Foreign Currency Reserve $	Total $
BALANCE AT 1 JULY 2012	35,406,374	(16,912,862)	437,181	-	(1,375,979)	17,554,714
Total comprehensive loss for the half year	-	(558,949)	-	-	-	(558,949)
Foreign exchange movement	-	-	-	-	(357,981)	(357,981)
Transactions with owners in their capacity as owners:						
Share issued to raise capital	-	-	-	-	-	-
Share issued Cost	-	-	-	-	-	-
Employee share options	-	-	-	-	-	-
BALANCE AT 31 DECEMBER 2012	**35,406,374**	**(17,471,811)**	**437,181**	**-**	**(1,733,960)**	**16,637,784**

	Issued Capital Ordinary $	Accumulated Losses $	Option Reserve $	Financial Assets Reserve $	Foreign Currency Reserve $	Total $
BALANCE AT 1 JULY 2011	35,406,374	(10,610,983)	100,782	-	(2,157,907)	22,738,266
Total comprehensive income for the half year	-	(3,373,501)	-	-	-	(3,373,501)
Foreign exchange movement	-	-	-	-	786,012	786,012
Transactions with owners in their capacity as owners:						
Share issued to raise capital	-	-	-	-	-	-
Share issued Cost	-	-	-	-	-	-
Employee share options	-	-	194,571	-	-	194,571
BALANCE AT 31 DECEMBER 2011	**35,406,374**	**(13,984,484)**	**295,353**	**-**	**(1,371,895)**	**20,345,348**

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 2012

	Notes	HALF YEAR 31 December 2012 $	HALF YEAR 31 December 2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(227,555)	(970,213)
Interest received		677	81,558
GST Refundable		13,228	-
NET CASH (OUTFLOW) IN OPERATING ACTIVITIES		**(213,650)**	**(888,655)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of assets		1783	-
Purchase of property, plant and equipment		(150)	(37,890)
Payments for exploration and evaluation		(197,970)	(2,043,103)
Payments relating to the Acquisition of Treasure Development Limited		(146,563)	-
NET CASH (OUTFLOW) IN INVESTING ACTIVITIES		**(342,900)**	**(2,080,993)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan from related party		402,000	-
NET CASH INFLOW IN FINANCING ACTIVITIES		**402,000**	**-**
NET DECREASE IN CASH HELD		**(154,550)**	**(2,969,648)**
Cash and cash equivalents at the beginning of half year		**166,054**	**4,466,452**
Effect of exchange rates on cash holdings in foreign currencies		**67**	**(2,405)**
CASH AND CASH EQUIVALENTS AT THE END OF HALF YEAR		**11,571**	**1,494,399**

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 consolidated interim financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretation and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 '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 2012, 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 2012 financial statements and corresponding interim reporting period. All amounts are presented in Australia dollars, unless otherwise noted.

This half-year financial report was approved by the Board of Directors on 12 March 2013.

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 report 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 report, the significant judgments made by management in applying the Group'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 2012.

(c) Adoption of new and revised accounting standards

In the half-year ended 31 December 2012, the Group 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 2012.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2012. 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.

(d) Going Concern

The financial report has been prepared on the going concern basis. For the half year ended 31 December 2012, the Group recorded a net loss of $558,949 (2011: $3,373,501) and incurred cash outflows from operating activities for the half year ended 31 December 2012 of $213,650 (2011: $888,655). The Group had net assets of $16,637,784 (2011: $17,554,714) and continues to incur expenditure on its exploration tenements drawing on its cash balances. At 31 December 2012, the Group has $11,571 (2011: $1,494,399) in cash and cash equivalents.

The accounts have been prepared on a going concern basis. On 15 February 2013 the Group lodged with ASIC a prospectus for a fully underwritten renounceable rights issue (Rights Issue) to raise $4.4m (before costs). The Right Issue is a renounceable 3 for 1 offer at 1 cent per share, fully underwritten by Patersons Securities Limited subject to the usual termination rights in certain circumstances. If successful, this will result in the issue of 438,170,799 new ordinary shares in the company which is likely to be completed in late March 2013 on the current timetable.

The Directors have prepared a cash flow forecast for the next 12 month period reflecting the above mentioned expectations and their effect upon Brazilian Metals Group Limited.

In the unlikely event that sufficient capital raising at an amount and timing necessary to meet the future budget operational and investing activities of the Group is unfavourable the Directors have obtained a commitment from a director related entity (Transcontinental Investments Pty Ltd) to continue to provide financial support, to enable Brazilian Metals Group Limited to meet its debt as and when they fall due.

In the event that the above circumstance results in a negative outcome, then the going concern basis of accounting may not be appropriate with the result that the Group may have to realise its assets and extinguish its liabilities other than in the normal course of business and in amount different from that stated in the financial report.

The financial report does not include any adjustment relating to the recoverability or classification of the recorded amounts or classification of liabilities that might be necessary should Brazilian Metals Group Limited not be able to continue as a going concern.

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 (Chile 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.

(a) Segment Performance

Six months ended 31 December 2012

	Exploration (Chile)	Exploration (Brazil)	Investment (Australia)	Corporate (Australia)	Total Consolidated Entity
External revenues	-	-	677	-	677
Inter-segment revenue	-	-	-	-	-
Corporate and administration	-	(26,602)	(64)	(148,902)	(175,568)
Depreciation and amortisation expense	-	(3,970)	(75)	(10,774)	(14,819)
Exploration expenditure write off	-	(45,343)	-	-	(45,343)
Employee option expenses	-	-	-	-	-
Written off Chilean Assets	(242,690)	-	-	-	(242,690)
Other expenses	-	(63,805)	(528)	(16,873)	(81,206)
Reportable segment profit before income tax	**(242,690)**	**(139,720)**	**10**	**(176,549)**	**(558,949)**

Six months ended 31 December 2011

	Exploration (Chile)	Exploration (Brazil)	Investment (Australia)	Corporate (Australia)	Total Consolidated Entity
External revenues	-	-	81,558	-	81,558
Inter-segment revenue	-	-	-	-	-
Corporate and administration	-	(19,574)	-	(341,438)	(361,012)
Depreciation and amortisation expense	(98)	(4,264)	-	(14,260)	(18,622)
Exploration expenditure write off	-	(2,060,310)	-	-	(2,060,310)
Employee option expenses	-	-	-	(194,571)	(194,571)
Other expenses	(29,340)	(282,426)	-	(508,778)	(820,544)
Reportable segment profit before income tax	**(29,438)**	**(2,366,574)**	**81,558**	**(1,059,047)**	**(3,373,501)**

(b) Segment Assets and Liabilities

Six months ended 31 December 2012

	Exploration (Chile)	Exploration (Brazil)	Investment (Australia)	Corporate (Australia)	Total Consolidated Entity
Assets					
Current assets	-	3,322	3,056	68,228	74,606
Property, plant and equipment	-	2,803	517	66,513	69,833
Investment & financial assets	-	-	-	146,562	146,562
Exploration and evaluation expenditure	-	17,080,232	-	-	17,080,232
Other non-current assets	-	60,642	-	-	60,642
Total Segment Assets	**-**	**17,146,999**	**3,573**	**281,303**	**17,431,875**
Total Segment Liabilities	**-**	**-**	**-**	**(794,091)**	**(794,091)**
Net Assets Employed	**-**	**17,146,999**	**3,573**	**(512,788)**	**16,637,784**

Six months ended 31 December 2011

	Exploration (Chile)	Exploration (Brazil)	Investment (Australia)	Corporate (Australia)	Total Consolidated Entity
Assets					
Current assets	232,743	104,416	1,339,072	84,380	1,760,611
Property, plant and equipment	11,363	36,332	-	89,694	137,389
Exploration and evaluation expenditure	-	18,597,793	-	-	18,597,793
Other non-current assets	1,532	61,815	-	-	63,347
Total Segment Assets	**245,638**	**18,800,356**	**1,339,072**	**174,074**	**20,559,140**
Total Segment Liabilities	**(2,103)**	**-**	**-**	**(211,689)**	**(213,792)**
Net Assets Employed	**243,535**	**18,800,356**	**1,339,072**	**(37,615)**	**20,345,348**

(c) Major Customers

The consolidated entity continues to carry out exploration activities in Northern Minas Gerais, Brazil and at this time does not provide product or services.

3. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2012 $	30 June 2012 $
Opening balance	17,286,327	17,929,610
Exchange movement	(360,202)	677,903
Exploration expenditure capitalised	199,450	3,072,574
Exploration expenditure written off (Brazil)	(45,343)	(4,393,760)
Exploration and evaluation expenditure	**17,080,232**	**17,286,327**

The directors have assessed the carrying value of the exploration and evaluation asset and believe the balance carried forward is reasonable; however the recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation or alternatively, sale of the respective areas of interest.

4. OTHER RECEIVABLE

	31 December 2012 $	30 June 2012 $
First Payment on acquisition of Treasure Developments Limited	100,000	-
Capitalised acquisition cost during the half year	46,562	-
	146,562	**-**

5. CONTINGENT LIABILITIES

There have been no other changes in contingent liabilities during this half year.

6. DIVIDENDS

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

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.

Employee Option Plan

The Employee Option Plan is designed to provide long-term incentives for senior managers and above (including executive directors) to deliver long-term shareholder returns.

Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of options that will vest depends on the total return to shareholders (TSR), including share price growth, dividends and capital returns, ranking within a peer group of 20 selected companies that are listed on the ASX. Options are granted under the plan for no consideration.

Options granted under the plan carry no dividend or voting rights.

The exercise price of options is based on the weighted average price at which the company's shares are traded on the Australian Securities Exchange (ASX) during the week up to and including the date of the grant.

Set out below are summaries of options granted under the plan:

Name	**Expiry Date**	**Exercise Price**	**Date Granted**	**Number of Options**
Peter O'Connor	9 December 2015	$0.20	9 December 2011	3,000,000
Bruce McCracken	1 July 2016	$0.20	9 December 2011	1,400,000
	1 July 2016	$0.22		2,600,000
Malcolm Castle	9 December 2014	$0.22	9 December 2011	1,500,000

No options expired during the periods covered by the above tables. Options granted by the Company are not based on performance criteria due to the size, its current stage of activities and its relatively small number of employees.

8. RESERVES

	31 December 2012	**30 June 2012**
	$	**$**
Opening Balance	(938,798)	(2,057,125)
Movement during the half year		
Share Based Payment	-	336,399
Foreign Currency Translation	(357,981)	781,928
	(1,296,779)	**(938,798)**

(a) Option Reserve

The option reserve is used to record the value of the share based payments provided to employees, consultants and for options issued pursuant to any acquisitions or in exchange for services.

(b) Financial Asset Reserve

The financial assets reserve records the revaluation of available-for-sale financial assets.

(c) Foreign Currency Reserve

The foreign currency reserve records foreign currency differences arising from the translation of financial statements of all foreign controlled subsidiaries.

9. RETAINED EARNINGS

	31 December 2012 $	30 June 2012 $
Accumulated loss at the beginning of the half year	(16,912,862)	(10,610,983)
Net profit/(loss) attributable to shareholders	(558,949)	(6,301,879)
Accumulated loss at the end of the half year	**(17,471,811)**	**(16,912,862)**

10. LOSS PER SHARE

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

	31 December 2012 $	31 December 2011 $
(a) Reconciliation of earnings to profit or loss		
Net loss used in calculating basic loss per share	(558,949)	(3,373,501)
(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	146,056,933	146,056,193

11. RELATED PARTY INFORMATION

Loans to/from related parties

During the half year, the following loan has been provided from Transcontinental Investments Pty Ltd to the Group.

	31 December 2012	30 June 2012
	$	$
Loan at the beginning of the half year	200,000	-
Borrowings (Cash advance)	402,000	200,000
Accrued cost	132,895	-
Loan at the end of the half year	**734,895**	**200,000**

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

On and from 1 July 2012 Transcontinental agreed to temporarily and unilaterally reduce the monthly fee from 20,000 to $10,000 with the fee to be met on loan account.

On and from 9 August 2012 Transcontinental agreed to temporarily and unilaterally reduce the monthly fee from $10,000 to $0.

Anthony Trevisan (a director of the Company) is a director of Transcontinental.

Transcontinental Investments Pty Ltd has agreed to provide Brazilian Metals Group Limited with financial support by way of interest free loans to cover the working capital requirements until a capital raising is completed from the signing of the accounts.

12. EXPENDITURE COMMITMENTS

Mineral Tenement Lease

Financial commitments for subsequent periods are contingent upon future exploration results and cannot be estimated.

13. EVENTS SUBSEQUENT TO REPORTING DATE

On 15 February 2013 the Group lodged with ASIC a prospectus for a fully underwritten renounceable rights issue (Rights Issue) to raise $4.4m (before costs). The Right Issue is a renounceable 3 for 1 offer at 1 cent per share, fully underwritten by Patersons Securities Limited subject to the usual termination rights under certain circumstances. If successful, this will result in the issue of 438,170,799 new ordinary shares in the company which is likely to be completed in late March 2013 on the current timetable.

Mr Christopher Eager commenced as non-executive Chairman and Dr Michael Green as Chief Operating Officer on 15 February 2013. Dr Green joined the board of the Company on 16 January 2013.

The Company is acquiring 100% of Treasure Development Ltd, a privately owned Cypriot company that owns a portfolio of copper-gold assets in the Republic of Cyprus that make up the Treasure Project.

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 11 to 23, 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 2012 and the performance for the half year ended on that date; and

   (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; 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

Bruce McCracken
Managing Director
Dated at Perth, Western Australia, this 12th March 2013

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Australia

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Brazilian Metals Group Ltd, which comprises the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of 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 internal 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 half-year 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 2012 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 Ltd, 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 Ltd, would be in the same terms if given to the directors as at the time of this auditor's review 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 Ltd 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 2012 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*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report which indicates that Brazilian Metals Group Ltd incurred a net loss of $558,949 and had an operating cash outflow of $213,650 during the half-year ended 31 December 2012. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the disclosing entity's ability to continue as a going concern and therefore, the disclosing entity may be unable to realise its assets and discharge its liabilities in the normal course of business at amounts stated in the half yearly financial report.

BDO Audit (WA) Pty Ltd

BDO

C Burton

Chris Burton
Director

Perth, Western Australia
Dated this 12th day of March 2013