



QUARTERLY ACTIVITIES REPORT

For the Quarter to 30 September 2013

HIGHLIGHTS

- Maiden drilling programme at Laxia prospect completed
- All 13 holes intersected 20 to 40 metre wide mineralised zone
- High grade copper-gold-cobalt massive sulphide mineralisation intercepted
- Revised mineralisation model based on interpretation of drill core highlights extensive prospective ground within BMG's granted licences
- Mineral maps from ASTER satellite imagery received and now being verified
- Exploration commenced for volcanic-hosted massive sulphide (VHMS) mineralisation, including extensions of abandoned mines

During the quarter, Brazilian Metals Group Limited (the "Company"; ASX: BMG) completed its maiden drilling programme in Cyprus at the Laxia copper-gold prospect in the Black Pine Project area. Thirteen (13) drill holes were completed for a total of 1,567 metres. The drilling tested the central ~350 m segment of a ~1400 m semi-continuously exposed gossan (rusty weathered sulphide) where previous work had uncovered widespread high-grade copper-gold mineralisation. Each hole intersected a 20 to 40 metre wide zone comprising massive to semi-massive, stringer, vein and disseminated sulphides, predominantly pyrrhotite (FeS) and chalcopyrite (CuFeS₂). The drilling showed that the sulphide mineralisation dips moderately to the north and extends to at least 140 metres vertical depth.

BMG's Managing Director, Bruce McCracken commented: "The September Quarter was a milestone period for the Company. Our decision to focus on the potential we saw in Cyprus has reaped significant early rewards. Not only did our maiden drilling programme encounter significant mineralisation in every hole, some with exceptionally high copper grades, but this and other work has uncovered additional key targets to pursue with our next round of drilling, anticipated to commence early in 2014. It is a great outcome at such an early stage of our involvement in the project and reinforces the confidence that we have in this region. We are progressing the next phase of the exploration programme with ongoing activity planned across the broader Black Pine area and our VHMS projects."



Figure 1: Gossan outcrop targeted in maiden drilling programme

Assay results show that the high-grade copper-gold-cobalt mineralisation is generally confined to the massive to semi-massive sulphide intervals within the wider mineralised zone. The high-grade zones broadly correlate between holes and confirm that the main geometry of the massive sulphide zones is tabular and sub-parallel to the gross mineralised zone. Despite reasonable sulphide abundances, the other sulphide material within the gross mineralised zone has low copper-gold-cobalt grades. This suggests that there was a discrete period at Laxia when the copper was deposited within a more protracted period when sulphide in general was deposited.

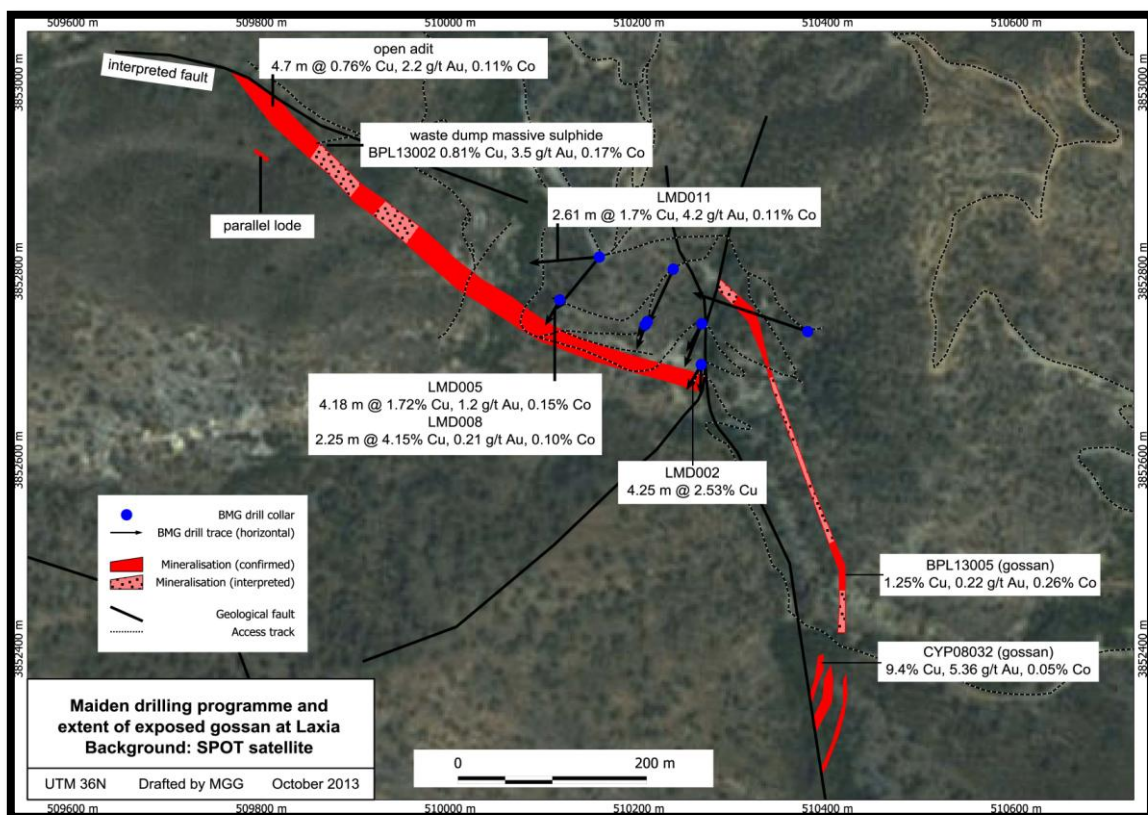


Figure 2: Laxia Prospect showing maiden drilling programme, extent of gossan and selected results

SULPHIDE MINERALISATION INTERSECTED AT LAXIA

The gross mineralised zone marks the contact between strongly fractured (shattered) serpentinite (hangingwall) and massive serpentinite (footwall). Thin dolerite intrusions cut both serpentinite units, but are rare in the massive footwall serpentinite. Sulphide veins cut hangingwall serpentinite and dolerite, but not footwall serpentinite. In places, sulphide has accumulated along dolerite margins. Mineralisation is interpreted to have formed by segregation of sulphide-rich phases from parental dolerite magmas to produce discrete sulphide-rich fluids. The composition of the sulphide fluids appears to vary over time with at least one main pulse with high-grade copper-gold-cobalt.

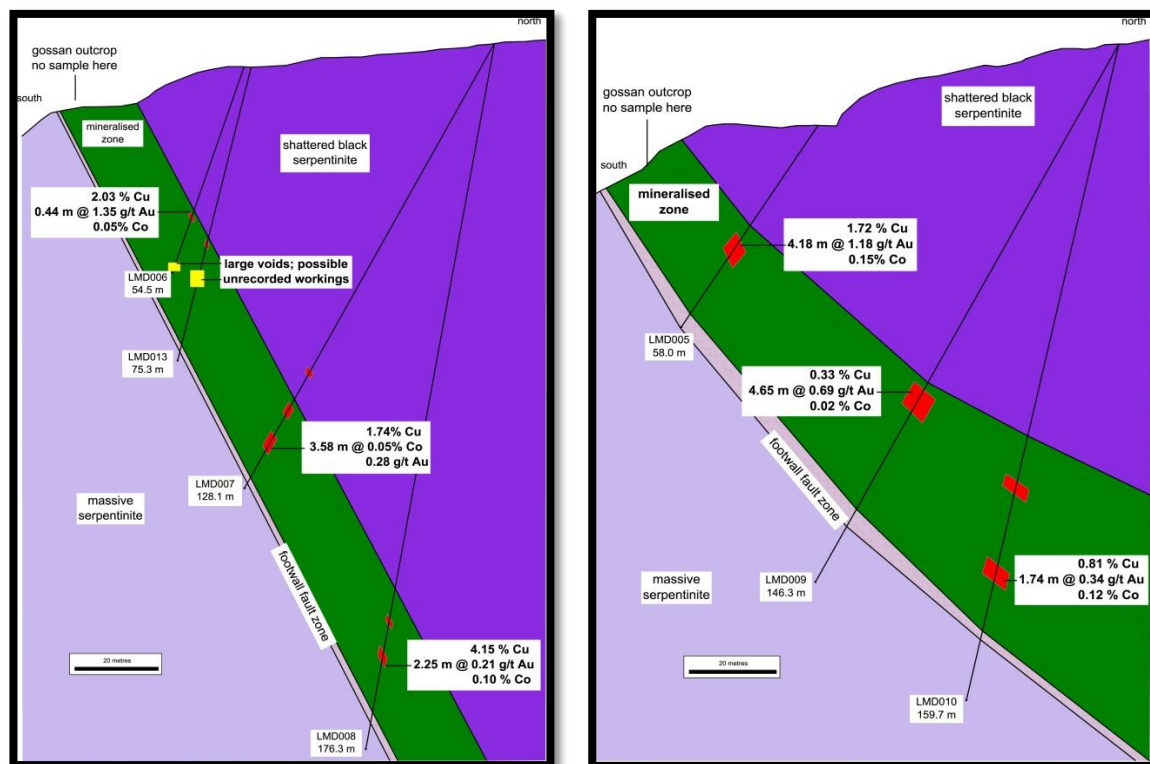


Figure 3: Selected cross-sections of Laxia drilling (from east to west)

The sulphides show typical infill textures with acute angle contacts, indicating local dilation during emplacement. Given that the thicker, more massive sulphide units contain the high-grade copper-gold-cobalt, then the most significant dilation is also the main mineralising event. In general, dilation is caused by fault displacement with dolerite and sulphide fluids migrating along faults within the serpentinite unit at Laxia. The gross mineralised zone marks the total extent of a large fault zone, where small movements led to the emplacement of thin sulphide veins, but with only limited copper-gold-cobalt. A series of much larger fault displacements allowed much larger pulses of sulphide, which also contained the high-grade copper-gold-cobalt. The dolerite also intruded during these pulses.

REVISED INTERPRETATION OF DEPOSIT

The revised interpretation at Laxia is most consistent with an orthomagmatic deposit, a style of deposit known globally to contain large copper-nickel sulphide abundances. At Laxia there is only minor nickel in the massive sulphides, although this is difficult to monitor as the background nickel abundances in the serpentinite are high (1,000 to 2,000 ppm Ni). However, at the Pevkos prospect, about 5 km east of Laxia, similar mineralisation contains high-grade nickel with sulphide samples returning up to 3.7 % nickel. The differences between sulphide composition at Laxia and Pevkos suggest that the sulphides at Laxia are highly fractionated.

A new exploration strategy has been developed to accommodate the observations made from the drilling. The two main identifying features for these deposits are proximity to their parental magmas (at Laxia this is dolerite) and location within a fault zone. By simply applying these criteria to the published geology it is **estimated that a strike-length of >50 km of contact zones in the Black Pine area are prospective**. This prospective area will be further refined by using mineral maps developed from the ASTER multi-spectral satellite data. A phase of exploring for new prospects within the Black Pine area has commenced. Previous studies have shown that the massive sulphides are readily detected with ground electromagnetic (EM) surveys, and therefore, ground geophysics will be undertaken at the best new prospects in Black Pine area to define new drill targets. Ground geophysical surveys will also be carried out around Laxia and Pevkos, as these areas have massive sulphide zones that are known to host high-grade copper-gold-nickel-cobalt.

VOLCANIC-HOSTED MASSIVE SULPHIDES PROJECTS

The Company also has numerous licences that are prospective for Volcanic-Hosted Massive Sulphide (VHMS) deposits. Work is currently progressing on these projects along two fronts:

- Review and collation of historic data obtained from the archives of the Cyprus Geological Survey and Mines Services Department, and
- Field verification of archival data, geological mapping and geochemical sampling using a handheld XRF.

A large amount of archival material has been identified that is relevant to the Company's current licences, especially around the abandoned mines at Kappedhes, Mathiatis and Vrechia. These archival data include geological maps, gridded soil sampling and historic drilling results. Moreover, mineral maps derived from the ASTER multi-spectral imagery will cover these projects so a new suite of data can be applied to exploration. These mineral maps will be critical to provide a more robust geological map of the volcanic units and will show where hydrothermal fluids related to VHMS mineralisation have altered the volcanic rocks. The current phase of work is expected to identify high priority targets where ground geophysics will be employed to define drill targets.

CORPORATE

Mr Anthony Trevisan retired from the board during the quarter due to other commitments, but remains close to the Company through the Company's association with the Transcontinental Group.

ENDS

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COMPETENT PERSON'S STATEMENT

The information in this report that relates to Exploration Results, Exploration Targets, Mineral Resources or Ore Reserves is based on information compiled by Dr. Michael Green, who is a Member of the Australasian Institute of Geoscientists ("MAIG"). Dr Green is the Chief Operating Officer and an executive Director of Brazilian Metals Group Limited. Dr Green 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 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Green consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The exploration targets are estimated from geological information including drill holes, outcrops and geological information and are shown as a range. 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. Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

BRAZILIAN METALS GROUP LIMITED

ABN

96 107 118 678

Quarter ended ("current quarter")

30 September 2013

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date 3 months \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(522)	(522)
(b) development	-	-
(c) production	-	-
(d) administration	(218)	(218)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	18	18
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(722)	(722)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(722)	(722)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(722)	(722)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(722)	(722)
1.20	Cash at beginning of quarter/year to date	2,350	2,350
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,628	1,628

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	119
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	

Payment of consulting fees to directors & salaries to employees

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	175
4.2	Development	-
4.3	Production	-
4.4	Administration	100
Total		275

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	62	67
5.2	Deposits at call	1,566	2,283
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		1,628	2,350

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	None		
6.2	Interests in mining tenements acquired or increased	None		

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	629,227,732	629,227,732		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	136,756,414 1,500,000 1,400,000 2,600,000	136,756,414 - - -	<i>Exercise price</i> \$0.20 \$0.22 \$0.20 \$0.22	<i>Expiry date</i> 31 March 2014 09 December 2014 01 July 2016 01 July 2016
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX \(see note 5\)](#).
- 2 This statement does give a true and fair view of the matters disclosed.



31/10/2013

Sign here:
(Company secretary)

Date:

Print name: Fleur Hudson

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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