



QUARTERLY ACTIVITIES REPORT

For the Quarter to 30 June 2013

HIGHLIGHTS

- Maiden drilling programme commenced at Black Pine – Laxia Prospect
- High grade copper mineralisation intercepted in drilling
- First two holes assayed included 4.25m at 2.53% copper from 30.75m
- All 11 holes completed at Laxia intersected 20 to 30 metre wide zone with widespread copper sulphide mineralisation
- Assays for additional holes are expected shortly

During the quarter Brazilian Metals Group Limited (**ASX:BMG**) (the **Company**) commenced its maiden drilling programme in Cyprus at the Laxia copper-gold Prospect in the Black Pine Project area. Initial assays returned strong copper results and each of the 11 drill holes completed have intersected a 20 to 30 metre wide mineralised zone. The drilling has confirmed that the mineralisation extends from surface to at least 140 metres deep (drill hole LMD008).



Figure 1: Drilling LMD005; car is parked at gossan outcrop

LAXIA PROSPECT – DRILLING UPDATE

Each of the 11 drill holes completed at Laxia have intersected a discrete 20 to 30 metre wide, northerly dipping zone along the contact between shattered and massive serpentinite. This zone contains massive to semi-massive, stringer, vein and disseminated sulphide, predominantly pyrrhotite and chalcopyrite. The zone is variably mineralised, though massive chalcopyrite-rich lodes have been identified near the base of the zone in half of the drill holes.

The general host rock is a black, strongly fractured (shattered) serpentinite, which is cut by the mineralised zone. Within the mineralised zone there are discrete mafic intrusions which appear to be spatially related to sulphide mineralisation. It is possible that the sulphide mineralisation is genetically related to the mafic intrusions and the Laxia Prospect may be a magmatic-related sulphide deposit.

Assays have been returned from the first two holes only (LMD001-002). These assays represent two shallow drill holes collared from the same drill site and separated by about 20 metres at the depth of mineralisation. Both drill holes confirm a copper sulphide system with potential for associated gold and cobalt. The best result was in LMD002 with 4.25 metres at 2.53 % copper (from 30.75 metres). One sample within this interval returned 0.355 % cobalt (31.92 to 32.3 m). The best gold assay was 3.58 g/t (LMD001 16.8 to 17.2 m).

Assays for the additional drill holes are expected in coming weeks.

ADDITIONAL WORKS

To assist with understanding the relationship between copper and gold at the Laxia Prospect two additional drill holes are planned during the current drilling campaign to test the down-dip extent of outcrops where previous surface assays have returned up to 17 g/t gold. These two holes were part of the previously proposed Phase 2 drilling. Geological consultants Aurum Exploration have been engaged to undertake 3D modelling of the Laxia Prospect and provide guidance with regards to defining a resource.

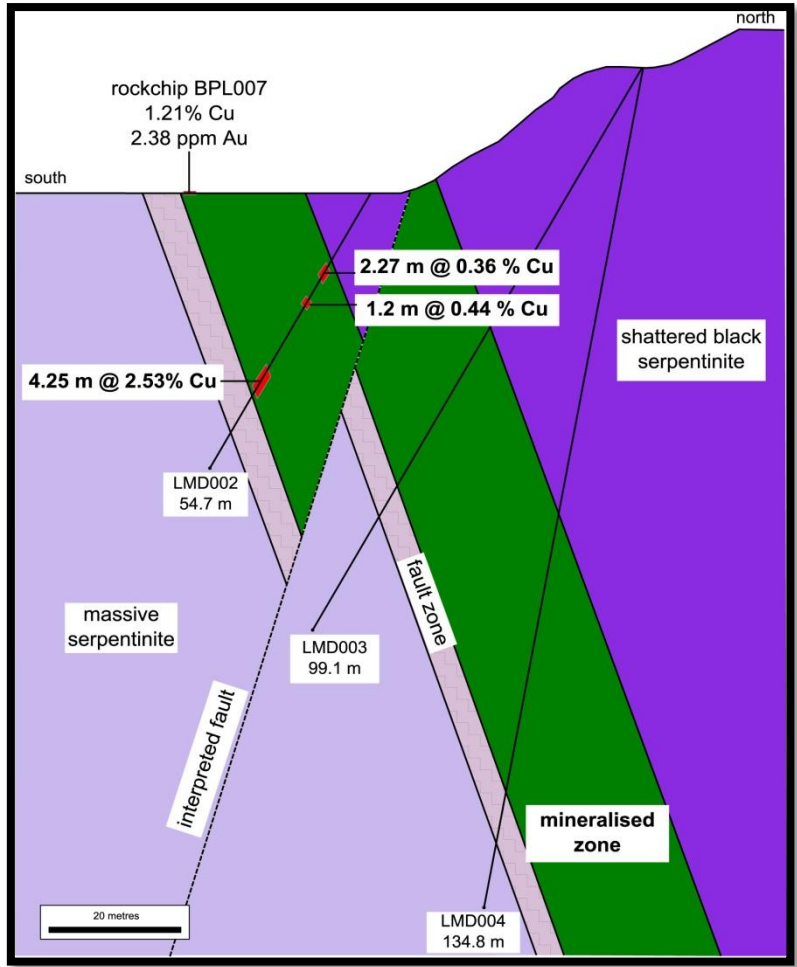


Figure 2: Simplified geological section showing LMD002 to LMD004

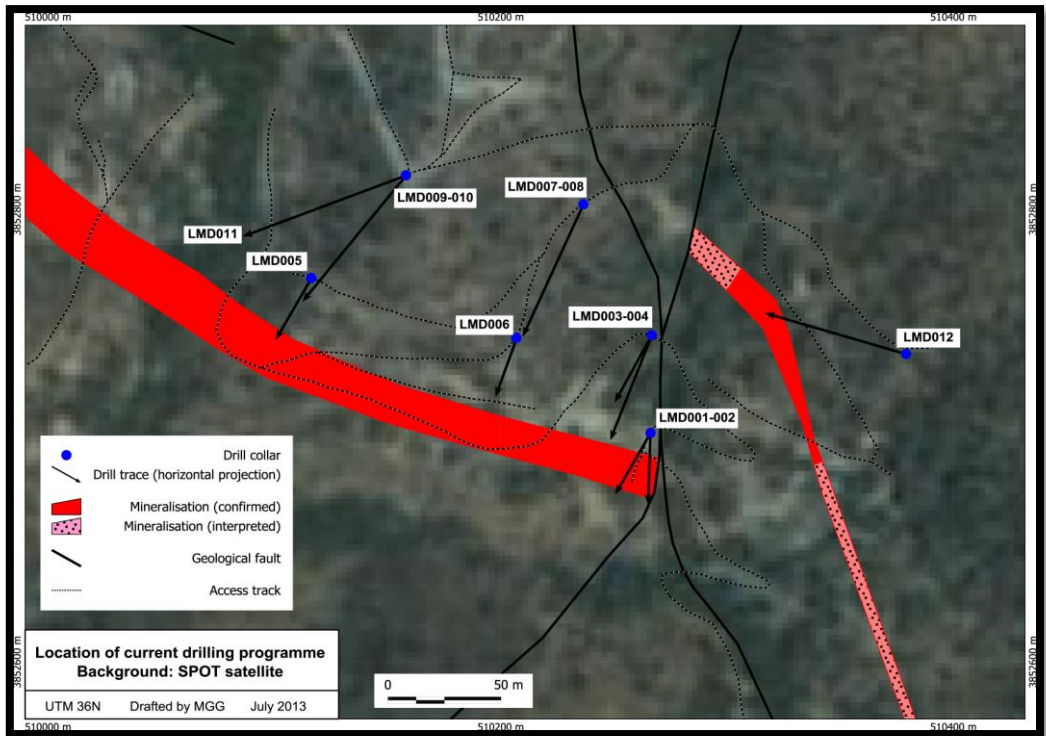


Figure 3: Location of current drilling programme

OTHER CYPRUS PROJECTS

During the quarter the final outstanding application in the Kambia Project area, AE 4449, was approved. The tenement provides the Company with a contiguous holding between the historic Mathiatis and Kappedhes Mines. The Kambia Project area is considered highly prospective for volcanic-hosted massive sulphide (VHMS) deposits related to seafloor volcanic activity. These deposits can host significant copper, gold, silver, lead and zinc, though most historic exploitation in Cyprus has focussed on copper and sulphur. There is limited information on the gold grades in these deposits, though it was reported that between 1936 and 1938, 26,691 ounces of Au and 154,719 ounces of Ag were recovered from near-surface mining at Mathiatis and South Mathiatis combined (see SRK report; BMG ASX release 25 January 2013). The Company plans to expand its sampling across all known prospects in the Kambia Project area.

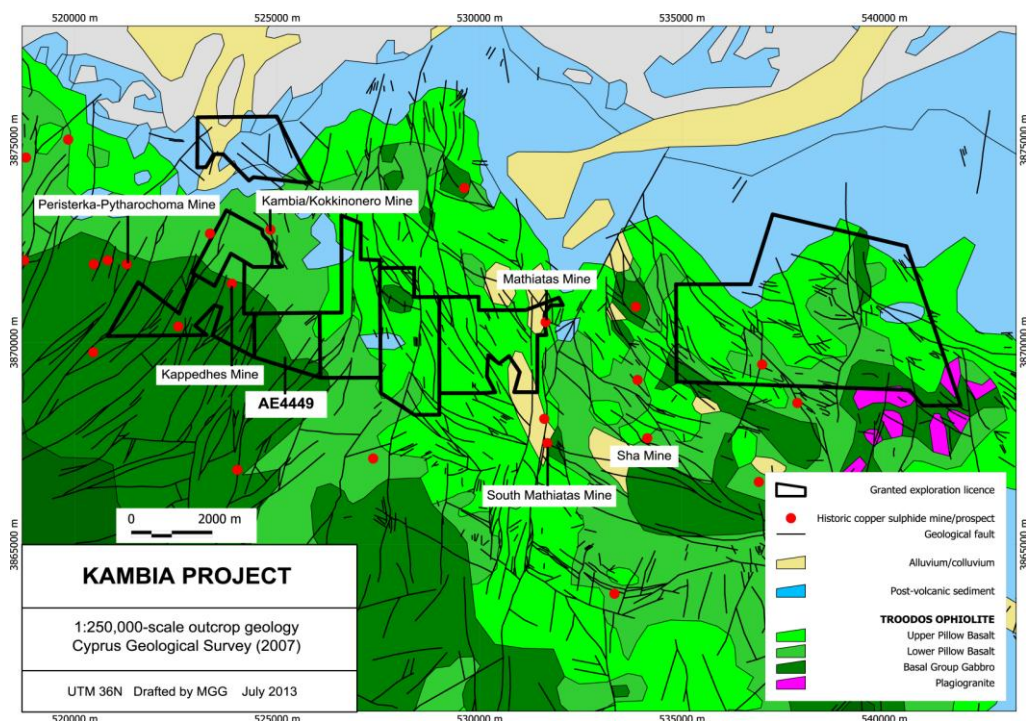


Figure 4: Tenement holding in Kambia Project area

CORPORATE

During the quarter the Company launched a new corporate website which is available for viewing at www.bmg.com.au. The new website incorporates several new functional features and more detailed information. This is intended to facilitate enhanced communication with the Company's shareholders and other interested parties.

New features of the BMG website include:

- Additional and enhanced Company information, images and factsheet
- Company news updates and subscription service via email
- Configuration for convenient access from mobile devices

The Company encourages all shareholders and other interested parties to visit the new website and sign up for free email alerts. This will enable important information to be distributed as it is announced and ensure subscribers are kept up to date on Company developments.

BMG's BRAZILIAN OPERATIONS

The Company continues to minimise its operational exposure to Brazil with its focus now on the Treasure copper/gold project in Cyprus.

ENDS

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COMPETENT PERSON'S STATEMENT

The information in this report that relates to Exploration Results, Exploration Targets and Geological Interpretation 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.

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 June 2013

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date 12 months \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(242)	(448)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(176)	(546)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	116	118
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	(302)	(876)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	(14)	(172)
	(b) equity investments	(300)	(300)
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	2
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	(314)	(470)
1.13	Total operating and investing cash flows (carried forward)	(616)	(1,346)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(616)	(1,346)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	4,382
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	619
1.17	Repayment of borrowings	(974)	(974)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	(461)
	Net financing cash flows	(974)	3,566
	Net increase (decrease) in cash held	(1,590)	2,220
1.20	Cash at beginning of quarter/year to date	3,945	165
1.21	Exchange rate adjustments to item 1.20	(5)	(35)
1.22	Cash at end of quarter	2,350	2,350

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	85
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

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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	250
4.2	Development	-
4.3	Production	-
4.4	Administration	100
Total		350

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	67	10
5.2 Deposits at call	2,283	3,935
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,350	3,945

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 July 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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