



Brazilian Metals Group Limited

ACN 107 118 678

**Annual Report
30 June 2012**

CORPORATE DIRECTORY

DIRECTORS	Peter O'Connor (Chairman) Bruce McCracken (Chief Executive Officer) Malcolm Castle (Executive Technical Director) Anthony Trevisan (Director) Robert Pett (Director)
COMPANY SECRETARY	Fleur Hudson
REGISTERED AND PRINCIPAL OFFICE	Level 14 191 St Georges Terrace PERTH WA 6000 Telephone: (08) 9424 9390 Facsimile: (08) 9321 5932 Website: www.bmgl.com.au Email: info@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
SOLICITOR	Squire Sanders (AU) Level 21 300 Murray Street PERTH WA 6000
BANKER	St George Bank Limited Level 1, Westralia Plaza 167 St Georges Terrace PERTH WA 6000

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DIRECTORS REPORT

The past financial year has been generally difficult for resources stocks and particularly so for those in the iron ore exploration and mining sector. BMG of course was no exception and suffered significant deterioration in our share value as investor appetite for large scale capital intensive resource opportunities materially waned with the continued volatility in the global economy and fears of a major slow-down in China, and access to capital markets dried up. We have responded by substantially reducing our cost base, deferring non-essential expenditure, and seeking new resource opportunities to generate value for our Company and its investors. This is ongoing, and reflects the dramatic change in the global economic landscape since we embarked upon our iron ore strategy in Brazil. To properly understand this change, it is useful to recount how our strategy unfolded.

In 2010 the Company completed a capital raising on the basis of its decision to move into the then very attractive and lucrative iron ore sector of the resources industry. A number of highly prospective exploration licences in iron regions of Minas Gerais, Brazil were secured under long term option agreements. Administrative and operational bases were established in Belo Horizonte and regional Brazil, strong technical and management teams were sought and appointed, and a new business plan and exploration milestones was put into effect. This was an ambitious business model which clearly depended on, amongst other things, a reasonably buoyant iron ore industry and positive capital markets to enable the Company to seek and secure further funds which were clearly needed for ongoing exploration and pursuit of its objectives.

The onset of serious economic woes in Eurozone Europe and the United States followed by diminishing growth in BRIC economies, but most significantly in China and India, created major problems for us in terms of both the deterioration of the industrial sector, which underpins the demand for commodities, and the general equities market. The first felt and most pressing issue was the increasingly apparent contraction in capital markets which made it impossible to source the additional funding required to prosecute the business plan the Company had committed to and substantially embarked upon.

We reacted to the changed financial circumstances by downsizing our ambitions and securing smaller scale and significantly more mature projects which required far less capital and with a significantly shorter lead time to production and cash flow. We had reason to believe from ongoing discussions with financial advisers and industry analysts that this strategy would be practical and successful assuming no further significant deterioration in global financial climates. We were further encouraged by industry peers who demonstrated serious interest in our assets and engaged with the company in meaningful discussions leading to the possibility of a strategic partnership.

However, the global economic environment continued to deteriorate with adverse sentiment gathering momentum. In addition, the price of iron ore, which had been declining steadily in line with an anticipated easing, suffered a major decline dropping below key support levels. While it has recovered some ground, the overall impact has further eroded sentiment and made it impossible for the Company to continue the near term pursuit of its original business plan, and has necessitated a change in strategic focus.

Project Milestones

Despite the depressed market conditions throughout the past year, the Company has been able to achieve some key project milestones:

DIRECTORS' REPORT (continued)

1. *Rio Pardo Project*

Our exploration program 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. This remains a longer term opportunity with the potential to support a large scale, low cost mining operation. In the near term we'll seek to incrementally progress the opportunity without committing any significant cash expenditure, and revisit the program as market conditions improve.

2. *Gema Verde Project*

We completed our evaluation of the Project which included the establishment of a Mineral Resource. We have however elected not to proceed to acquire the Project on the previously agreed terms as they are simply not feasible in the current economic climate. We are however continuing to engage with the owners to ascertain whether there is a mutual basis to continue our involvement with the Project.

3. *Carrapato Project*

We secured an option over the Project (for no cost to BMG) as part of our strategy to focus on a smaller scale, high grade, low cost operation with near term production and cash-flow potential. We have now completed an extensive evaluation of the Project, but still need to raise sufficient capital and finalise satisfactory commercial terms if it is to progress in the near term. This looks challenging to achieve in the current market, and in the event it does not proceed, we'll continue to look out for other opportunities in the region that meet these criteria.

Strategic Focus – Source New Resource Opportunity

While the Company has made solid progress in its iron ore exploration program in Brazil over the past few years, the deterioration in market conditions has meant our original strategy of developing a large scale iron ore project in Northern Minas Gerais is not possible at this time. The low holding cost of our core Rio Pardo Project has however enabled the Company to revisit and reprioritise its focus and strategy whilst awaiting a recovery in the iron ore outlook.

Our key near-term priority is to leverage our position in Brazil to identify and secure an attractive investment opportunity in the broader resources sector to generate a new avenue to create value for the Company and its investors. We are currently reviewing a number of potential opportunities, but recognise that any new investment opportunity will need to be sufficiently attractive to bring in fresh capital and secure the support of our existing investors. We will also remain open to attractive resource opportunities outside Brazil.

Financial

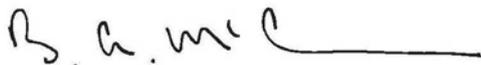
In response to the current economic environment BMG has materially deferred its exploration program and significantly reduced its operating and corporate cost base. This has included a significant reduction in executive compensation and overall corporate costs.

The Company is currently operating with the financial support of its major shareholder, Transcontinental Resources Group (TRG), a company associated with Mr Trevisan. In addition, TRG has halved the quantum and deferred the payment of its charges for the Company's secretarial, financial and administrative support, pending a capital raising.

DIRECTORS' REPORT (continued)

The operating result for the year was a loss of \$6.3m which included a write down of exploration expenditure of \$4.4m. This included a complete write down of the Gema Verde Project which the Directors deemed necessary given the uncertainty surrounding the Company's ongoing involvement.

We thank shareholders for their patience and support during what has been a difficult period for the Company, and we look forward to a better year ahead as we reposition the Company and seek new value enhancing opportunities to take us forward.

A handwritten signature in black ink, appearing to read 'B. McCracken', followed by a long horizontal line extending to the right.

Bruce McCracken

Chief Executive Officer, Brazilian Metals Group Limited

The information in this report that relates to Exploration Results, Exploration Targets, 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 a consultant geologist with Agricola Mining Consultants Pty Ltd and is the Executive Technical Director 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.

DIRECTORS REPORT (continued)

Your Director's present their report on the Consolidated Entity (referred to hereafter as the **Group**) consisting of Brazilian Metals Group Limited (**Company**), being the Company and its subsidiaries (**Consolidated Entity**), at the end of, or during, the year ended 30 June 2012 and the Auditor's Report thereon.

DIRECTORS

The names and details of the Directors in office during the financial year and until the date of this report are set out below. Directors have been in office the entire period unless otherwise stated.

- Peter O'Connor (Chairman)
- Bruce McCracken (Chief Executive Officer – appointed 1 July 2011)
- Malcolm Castle (Executive Technical Director)
- Anthony Trevisan (Non-Executive Director since 10 September 2011)
- Robert Pett (Non-Executive Director)

BOARD OF DIRECTORS

Mr Peter O'Connor MA Economics and Political Science, Trinity College, Dublin; called to the Irish Bar, King's Inns, Dublin 1964 - **Chairman**

Experience and Expertise

Mr O'Connor brings to the Company a far-ranging understanding of developed and developing markets from an over 40 year long career in international investment management. He was a co-founder, Director and Deputy Chairman of FundQuest UK Ltd (formerly IMS Manager Selection Ltd) from 1998-2008 and Deputy Chairman from 2008-2010. FundQuest UK Ltd is a leading research and multi-manager investment group based in London with €50 billion of assets under management or advice as at the end of 2010.

Mr O'Connor was Chairman of a number of publicly quoted investment companies with particular exposure to Asia, Australia and Canada, including (held through Peter O'Connor & Associates) Chairman of Advance Developing Markets Fund (listed on the London Stock Exchange - US\$500 million) and NEO Material Technologies Inc (a producer of rare earth/magnetic products in China and Thailand listed on the Toronto Stock Exchange) until 2012.

Mr O'Connor is a Chairman of the Board's Nomination and Remuneration Committee and a member of the Board's Audit and Risk Committee.

Other Current Directorships

Northern Star Resources Ltd

Former Directorships in last 3 years

Deputy Chairman of FundQuest UK Ltd (formerly IMS Manager Selection Ltd)

Chairman of Advance Developing Markets Fund

Chairman of NEO Material Technologies Inc

DIRECTORS REPORT (continued)

Special Responsibilities

Chairman
Chairman of the Nomination and Remuneration Committee
Member of the Audit and Risk Committee

Interests in Shares and Options

500,000 Ordinary shares in Brazilian Metals Group Limited
3,000,000 Options over ordinary shares in Brazilian Metals Group Limited

Mr Malcolm John Castle B.Sc. (Hons), GCertAppFin (Sec Inst), MAusIMM - Executive Technical Director

Experience and Expertise

Mr Castle has over 40 years' experience in exploration geology and property evaluation, working for major companies for 20 years as an Exploration Geologist. He has wide experience in a number of commodities including iron ore, gold, base metals, uranium and mineral sands. He has been responsible for project discovery through to feasibility study and development in Indonesia and the Pilbara in Western Australia and technical audits in many countries. Mr Castle was a founding member and permanent employee of Fortescue Metals Group as Technical Services Manager for expansion projects and was an integral member of the team developing the definitive feasibility study for start-up projects at Cloudbreak and Christmas Creek. He was appointed Chief Geologist for the Transcontinental Group.

Mr Castle completed a Bachelor's Degree in Applied Geology with the University of New South Wales in 1965 and has been awarded a B.Sc (Hons) degree. He has completed postgraduate studies with the Securities Institute of Australia in 2001 and has been awarded a Graduate Certificate in Applied Finance and Investment in 2004. He is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM), and has the appropriate relevant experience and qualifications to be an 'Expert' and 'Competent Person' under the Australian Valmin and JORC Codes respectively and under National Instrument 43-101 in Canada.

Other Current Directorships

None

Former Directorships in last 3 years

Director of Regalpoint Resources Limited

Special Responsibilities

Executive Technical Director

Interests in Shares and Options

3,978,569 Ordinary shares in Brazilian Metals Group Limited
5,254,600 Options over ordinary shares in Brazilian Metals Group Limited

DIRECTORS REPORT (continued)

Mr Bruce Alexander McCracken BCom, LLB, MBA, GAICD - Chief Executive Officer

Experience and Expertise

Mr McCracken is an experienced business executive having spent 20 years working across a broad range of industries based in Perth, Melbourne and Sydney.

Prior to joining Brazilian Metals Group Limited Mr McCracken worked in the Corporate sector as a Senior Executive with the Kirin Group-owned Lion Pty Ltd (previously Lion Nathan) and the private equity owned Amatek Group, now part of the Fletcher Building Group.

Before working in the corporate environment he was an Investment Banker based in both Perth and Melbourne in specialist corporate advisory and project finance roles and has also practiced as a Banking and Finance Solicitor. During his time as an Investment Banker Mr McCracken worked across a broad range of corporate and financial advisory assignments, primarily in the diversified industrials and mining and resources sectors.

Mr McCracken holds Bachelor of Commerce and Bachelor of Laws degrees from the University of Western Australia, an MBA from Melbourne Business School and is a graduate of the Australian Institute of Company Directors.

Mr McCracken is the Chairman of the Board's Share Trading Committee.

Other Current Directorships

None

Former Directorships in last 3 years

None

Special Responsibilities

Chief Executive Officer

Chairman of the Share Trading Committee

Interests in Shares and Options

75,000 Ordinary shares in Brazilian Metals Group Limited

4,075,000 Options over ordinary shares in Brazilian Metals Group Limited

Mr Anthony Augustine Trevisan

Experience and Expertise

During a period spanning some twenty five years Mr Trevisan played major roles in a large number of corporate scenarios involving financing mergers and acquisitions, the restructuring of property and petroleum and mineral resources based public companies and the establishment from start up of substantial operating businesses.

Mr Trevisan has had extensive experience in raising and structuring financial instruments to fund the development of a number of significant projects in Australia and overseas. He has been responsible for public offerings and the floating of companies on the Australian Stock Exchange and other major exchanges internationally involving well over a billion dollars.

DIRECTORS REPORT (continued)

He has held Senior Executive positions in listed public companies with a wide range of interests including oil & gas, mining, industrial and property. These include Mediterranean Oil & Gas Plc (Founder and Executive Director, Ombrina Mare oil discovery), Arabex Petroleum NL (Founder and Executive Director, Rubiales oil discovery), Callina NL (Executive Chairman, petroleum work-over project at Komi Oil field, Russia), Aqua Vital (Australia) Ltd (Executive Chairman, now owned by Coca Cola), TRG Properties and the Roy Weston Group (Executive Chairman) amongst others. He was a founding Director of Star Castle Holdings Ltd and Brilliant City Holdings Ltd and substantially responsible for their identifying and acquiring the Rio Pardo Project.

Mr Trevisan is a member of the Board's Nomination and Remuneration Committee, Audit and Risk Committee and the Board's Share Trading Committee.

Other Current Directorships

Not in public entities

Former Directorships in last 3 years

Director of Mediterranean Oil and Gas Plc
Director of Regalpoint Resources Limited

Special Responsibilities

Member of the Nomination and Remuneration Committee
Member of the Audit and Risk Committee
Member of Share Trading Committee

Interests in Shares and Options

12,143,599 Ordinary shares in Brazilian Metals Group Limited
11,978,599 Options over ordinary shares in Brazilian Metals Group Limited

Mr Robert James Pett BA (Hons), MA (Econ), FAICD - Minerals Economist

Experience and Expertise

Mr Pett is a Minerals Economist with over 29 years' experience in exploration and mining of gold and other metals. During that period he has overseen the successful exploration, development, operation and financing of over ten mining projects worldwide. This includes gold and nickel mines in Australia and gold mines in East and West Africa, a number evolving from grass roots discovery as well as numerous exploration projects. He holds a Masters Degree from Queens University Canada.

Mr Pett is a member of the Board's Nomination and Remuneration Committee, Share Trading Committee and the Chairman of the Audit and Risk Committee.

Other Current Directorships

Director of Regalpoint Resources Ltd
Chairman of Ausgold Limited
Chairman of A-Cap Resources Limited

Former Directorships in last 3 years

Senex Energy Limited – Resigned 26/09/2011

DIRECTORS REPORT (continued)

Special Responsibilities

Member of the Nomination and Remuneration Committee

Member of the Audit and Risk Committee

Member of Share Trading Committee

Interests in Shares and Options

2,098,242 Options over ordinary shares in Brazilian Metals Group Limited

COMPANY SECRETARY

Mrs Fleur Hudson BA, LLB, LLM (Disp. Res.)

Experience and Expertise

Mrs Hudson has a Bachelor of Arts, a Bachelor of Laws and Master of Laws degrees. She has been a Director of Transcontinental Group since 2009 and was appointed as Company Secretary of Ausgold Limited (resigning in November 2011), Regalpoint Resources Limited and Brazilian Metals Group Limited in 2010.

Prior to that, Mrs Hudson has practiced as a Solicitor with international law firms in Perth and London since 1998. As a Solicitor, she has advised large national and international companies with respects to a variety of civil construction, infrastructure and commercial issues.

Other Current Directorships

Transcontinental Group

Former Directorships in last 3 years

None

Special Responsibilities

Company Secretary

Interests in Shares and Options

NIL

DIRECTORS' REPORT

DIRECTORS' SHAREHOLDINGS

The following table sets out each Director's relevant interest in shares and options of the Company at the date of this report:

Director	Number Shares	Number Options
Anthony Trevisan ¹	11,953,599	11,953,599
Anthony Trevisan ²	25,000	25,000
Anthony Trevisan	165,000	-
Bruce McCracken	75,000	4,075,000
Malcolm Castle	150,000	1,650,000
Malcolm Castle ³	398,969	175,000
Malcolm Castle ⁴	3,429,600	3,429,600
Peter O'Connor ⁵	500,000	3,000,000
Robert Pett ⁶	-	2,098,242

Note 1: Relevant interest as Director and sole Shareholder of AAT Holdings Ltd.

Note 2: Indirect interest as a spouse of Karen Trevisan.

Note 3: Indirect interest as a spouse of Susan Castle.

Note 4: Relevant interest as Director and sole Shareholder of Agricola Mining Consultants Pty Ltd.

Note 5: Relevant interest as Director and a Trustee of Avonmore Holdings Group Ltd.

Note 6: Relevant interest as Director of Batterbury Holdings Pty Ltd and Economic Consultant Pty Ltd.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year comprised of Iron Ore exploration and development in Minas Gerais, Brazil. The Company has a large strategic holding of exploration tenements (over 500 square kilometres after write off) in the northern Minas Gerais region, with the Project (Rio Pardo (Josilene–Scorpion prospect)) at the advanced exploration stage.

There were no other significant changes in the nature of the Consolidated Entity's activities during the financial year.

OPERATING RESULTS

The Consolidated Entity's loss after providing for income tax for the year ended 30 June 2012 amounted to \$6,301,879 (2011: \$4,279,485).

DIVIDENDS PAID OR RECOMMENDED

The Directors' of the Company do not recommend the payment of a dividend in respect of the current financial year ended 30 June 2012.

DIRECTORS REPORT (continued)

REVIEW OF OPERATIONS

The Consolidated Entity's operations are discussed in the Directors' Report on page 3.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

AFTER REPORTING DATE EVENTS

Since 1 July 2012 the monthly fee owed by Brazilian Metals Group Limited to Transcontinental Investments Pty Ltd under the Agreement has been reduced to \$10,000 (plus GST) and is being accrued interest free, instead of paid, until a capital raising is completed.

LIKELY DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Directors are of the opinion that further information as to the likely developments in operations of the Consolidated Entity and the expected results of those operations, would be speculative and prejudicial to the interests of the Group and its Shareholders.

ENVIRONMENTAL REGULATION

The Board believe that the Consolidated Entity has adequate systems in place for the management of environmental requirements and is not aware of any breach of environmental requirements as they apply to the Consolidated Entity.

National Greenhouse and Energy Reporting Act 2007

An Act to provide for the reporting and dissemination of information related to greenhouse gas emissions, greenhouse gas projects, energy production and energy consumption, and for other purposes. The Consolidated Entity is not subject to the National Greenhouse and Energy Reporting Act 2007.

DIRECTORS REPORT (continued)

MEETINGS OF DIRECTORS

During the financial year, 6 meetings (including Committees of Directors) were held. Attendances by each Director during the year were as follows:

	Directors' Meetings		Audit Committee*		Remuneration Committee**	
	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended
Peter O'Connor	6	6	2	1	-	-
Anthony Trevisan	6	6	2	2	-	-
Bruce McCracken	6	6	2	2	-	-
Malcolm Castle	6	5	-	-	-	-
Robert Pett	6	4	2	2	-	-

* During the financial year Mr Pett was Chairman of the Audit and Risk Committee with Mr Trevisan and Mr O'Connor being a member.

** During the financial year Mr O'Connor was Chairman of the Nomination and Remuneration Committee with Mr Trevisan and Mr Pett being a member.

*** During the financial year the members of the Share Trading Committee were Mr Anthony Trevisan, Mr Robert Pett and Mr Bruce McCracken. There was no Share Trading Committee Meeting held during the financial year,

OPTIONS GRANTED

During or since the end of the year, the Company granted 8,500,000 options issued to the Directors on 9 December 2011. The table below are summaries of options granted to the Directors:

Class	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	9 December 2011	2,600,000
Malcolm Castle	9 December 2014	\$0.22	9 December 2011	1,500,000

DIRECTORS REPORT (continued)

At the date of this report, the unissued ordinary shares of Brazilian Metals Group Limited under option are as follows:

Date of Expiry	Exercise Price	Number under Option
30/11/2012	\$0.20	750,000
31/03/2014	\$0.20	136,756,414
09/12/2014	\$0.22	1,500,000
09/12/2015	\$0.20	3,000,000
01/07/2016	\$0.20	1,400,000
01/07/2016	\$0.22	2,600,000
	TOTAL	146,006,414

NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for Auditors imposed by the *Corporations Act 2001*.

During the financial year, BDO Corporate Finance (WA) Pty Ltd, a related entity of BDO Audit (WA) Pty Ltd, the Company's Auditor, performed certain other services in addition to their statutory duties.

The Board and the Audit and Risk Committee have considered the non-audit services provided during the financial year by the Auditor and are satisfied that the provision of those non-audit services during the financial year by the Auditor is compatible with, and did not compromise, the Auditor's independence requirements of the *Corporations Act 2001* for the followings reasons:

- (a) all non-audit services were subject to the Corporate Governance procedures adopted by the Group; and
- (b) the non-audit services provided do not undermine the general principals relating to Auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the Auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amount paid to the Auditor of the Group, BDO Audit (WA) Pty Ltd and its related practices for audit and non-audit services provided during the financial year are set out below. In addition, amounts paid to other Auditors for the statutory audit have been disclosed:

DIRECTORS REPORT (continued)

	2012	2011
	\$	\$
Audit and other assurance services		
BDO Audit (WA) Pty Ltd	37,773	46,051
Total remuneration for audit and other assurance services	37,773	46,051
Corporate finance		
BDO Corporate Finance (WA) Pty Ltd		
Independent accountant's report for inclusion in a prospectus	-	16,335
Preparation of a Management Accounting Cash Flow Model	15,329	-
Total remuneration for corporate finance	15,329	16,335

AUDITORS INDEPENDENCE DECLARATION

The Auditors Independence Declaration for the year ended 30 June 2012 has been received and can be found on page 33.

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the Director and executive remuneration arrangements of the Company and the Consolidated Entity and has been audited in accordance with the requirements by section 308(3C) of the *Corporations Act 2001* and the *Corporations Regulations 2001*.

For the purposes of this Report, Key Management Personnel of the Consolidated Entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Consolidated Entity, directly or indirectly, including any Director (whether Executive or otherwise) of the Company. The Consolidated Entity presently employs three Non-Executive Directors.

Remuneration Policy

The Remuneration and Nomination Committee provides assistance to the Board with respect to the following:

- (a) Remuneration policies and practices;
- (b) Remuneration of the Chief Executive Officer and Executive Directors;
- (c) Composition of the Board; and
- (d) Performance Management of the Board and of the Chief Executive Officer.

Membership and Composition

The minimum number of members required on the Committee is two Directors. At least one member of the Committee must be a Non-Executive Director of the Board.

DIRECTORS REPORT (continued)

The Chair of the Committee is to be a Non-Executive Director, nominated by the Board, who may be the Chairman of the Board.

The Secretary of the Committee shall be the Company Secretary or such other person as nominated by the Board.

Responsibilities

The Remuneration and Nomination Committee is to review and make recommendations regarding the following:

- (a) strategies in relation to executive remuneration policies;
- (b) compensation arrangements for the Chief Executive Officer, Executive Directors and other Senior Executives as appropriate;
- (c) performance related incentive policies;
- (d) the Company's recruitment, retention and termination policies;
- (e) the composition of the Board having regard to the skills/experience desired and skills/experience represented;
- (f) the appointment of Board members;
- (g) the evaluation of the performance of the Chief Executive Officer and the Directors;
- (h) consideration of potential candidates to act as Directors; and
- (i) succession planning for Board members.

Processes

The Committee shall meet as frequently as required to undertake its role effectively and properly. This shall be no less than once a year. A quorum for the Committee meeting is when at least two members are present. Any relevant employees may be invited to attend the Committee meetings.

The issues discussed at each Committee meeting as well as the Minutes of each meeting are reported at the next Board Meeting. The Committee Chair shall report the Committee's recommendations to the Board after each meeting.

The Committee reviews, and may recommend to the Board, any necessary action to require at least annually, and recommends any changes it considers appropriate to the Board. The Committee may undertake any other special duties as requested by the Board.

Company performance, Shareholder wealth and Director and Executive remuneration

The Remuneration Policy has been tailored to increase goal congruence between Shareholders, Directors and Executives. Each year the Board reviews Directors remuneration and will consider the issue of options as part of the Director's remuneration to encourage the alignment of personal interest and Shareholder interests.

Indemnifying Directors and Officers

The Company has made an Agreement to indemnify all the Directors and Officers of the Company against all losses or liabilities incurred by each Director and Officer in their capacities as Directors and Officers of the

DIRECTORS REPORT (continued)

Company. During the period ended 30 June 2012, the Company paid insurance premiums in respect of Directors and Officers Liability Insurance for Directors and Officers of the Company. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as Directors and Officers of the entity and related joint venture companies. On 03 May 2012, the Company paid an insurance premium of \$9,785 covering the period 30 April 2012 to 30 April 2013 (2011: \$12,599).

Company performance, Shareholder wealth and Director and Executive remuneration

The Remuneration Policy has been tailored to increase goal congruence between Shareholders, Directors and Executives. Each year the Board reviews Directors remuneration and will consider the issue of options as part of the Director's remuneration to encourage the alignment of personal interest and Shareholder interests.

Voting and comments made at the Group's 2011 Annual General Meeting

The Company received more than 80% of "yes" votes on its Remuneration Report for the 2011 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Consequences of Group performance on Shareholder wealth

The Remuneration Committee has observed the following indices in respect of the current financial year and the previous financial year.

	2012	2011	2010	2009	2008
Comprehensive loss attributable to owners of Brazilian Metals Group Limited	(6,301,879)	(4,279,485)	(2,071,271)	(322,761)	(3,836,746)
Change in share price	\$0.05	\$1.40	\$2.41	\$5.25	\$5.66
Loss per share for profit from continuing operations attributable to the ordinary equity holders of the Company					
Basic loss per share (cents per share)	(4.32)	(4.27)	(2.87)	(0.46)	(5.71)
Diluted loss per share (cents per share)	N/A	N/A	N/A	N/A	N/A

Performance based remuneration

Due to the size of the Group, its current stage of activities and its relatively small number of employees, the Group has not implemented performance-based remuneration for the current year.

Key Management Personnel Remuneration Policy

The Board's policy for determining the nature and amount of remuneration of Key Management for the economic entity is as follows:

DIRECTORS REPORT (continued)

The remuneration structure for Key Management Personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Group and Key Management Personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. There is no scheme to provide retirement benefits, other than statutory superannuation.

The Remuneration Committee determines the proportion of fixed and variable compensation for each Key Management Personnel. Please see the table below for the details of the nature and amount of each major element of remuneration for each Key Management Personnel of the Group during the year.

Key Management Personnel Remuneration

2012 Key Management Person	Short-term Benefits		Post-employment Benefits	Share-based payment		Total
	Salary	Other Fees	Superannuation	Equity	Options (a)	
Directors	\$	\$	\$	\$	\$	\$
DIRECTORS						
Anthony Trevisan ¹	-	240,000	-	-	-	240,000
Bruce McCracken ³	300,000	9,195	27,825	-	157,421	494,441
Malcolm Castle ²	26,038	211,650	2,604	-	58,536	298,828
Peter O'Connor	72,000	-	-	-	120,442	192,442
Robert Pett	40,000	-	3,600	-	-	43,600
SPECIFIED EXECUTIVES						
Fleur Hudson	-	-	-	-	-	-
TOTAL	438,038	460,845	34,029	-	336,399	1,269,311

(a) The fair value of the options are calculated at the date of grant using the Black-Scholes model and allocated to each reporting period over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account.

- (1) Mr Trevisan has not received remuneration from the Company for the year ended 30 June 2012. Brazilian Metals Group Ltd has an Agreement with Transcontinental Investments Pty Ltd as disclosed in Note 23 under Management Commitment which is a Director related entity (Anthony Trevisan). Transcontinental Investments Pty Ltd which charged a management and administrative fee for office space and services, accounting and administration services totalling \$240,000 during the financial year. Mr Trevisan is a Director of Transcontinental Investments Pty Ltd which is associated with Mr Trevisan's children.
- (2) Mr Castle received \$26,038 (2011: 122,500) in salary as Executive Technical Director until 11 July 2012 and received consultancy fees of \$211,650 paid to The MJ Castle Family Trust of which Mr Castle is a Director and Beneficiary.
- (3) Mr McCracken received \$300,000 in salary as Chief Executive Officer during the year and received \$9,195 for pre-employment consulting work in June 2011 which was paid in 05 July 2011.

DIRECTORS REPORT (continued)

2011 Key Management Person	Short-term Benefits		Post-employment Benefits	Share-based payment		Total
	Salary	Other Fees	Superannuation	Equity	Options (a)	
Directors	\$	\$	\$	\$	\$	\$
DIRECTORS						
Anthony Trevisan ¹	-	195,000	-	-	-	195,000
Bruce McCracken	-	-	-	-	-	-
Malcolm Castle	122,500	-	12,250	-	-	134,750
Peter O'Connor	10,452	-	-	-	-	10,452
Robert Pett	20,000	-	1,800	-	-	21,800
Craig Bromley ²	34,667	-	3,120	-	-	37,787
Thomas Kelly ²	34,667	-	3,120	-	-	37,787
Carl Swensson ³	-	18,000	-	-	-	18,000
TOTAL	222,286	213,000	20,290	-	-	455,576
SPECIFIED EXECUTIVES						
Fleur Hudson	-	-	-	-	-	-
Jade Styants ⁴	-	46,388	-	-	-	46,388
TOTAL	-	46,388	-	-	-	46,388

(a) The fair value of the options are calculated at the date of grant using the Black-Scholes model and allocated to each reporting period over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account.

- (1) Mr Trevisan has not received remuneration from the Company for the year ended 30 June 2011. Brazilian Metals Group Ltd has an Agreement with Transcontinental Investments Pty Ltd as disclosed in Note 23 under Management Commitment which is a Director related entity (Anthony Trevisan). Transcontinental Investments Pty Ltd which charged a management and administrative fee for office space and services, accounting and administration services totalling \$195,000 during the financial year. Mr Trevisan is a Director of Transcontinental Investments Pty Ltd which is associated with Mr Trevisan's children.
- (2) Mr Kelly and Mr Bromley received \$34,667 in salary for Non-Executive duties. Mr Kelly and Mr Bromley resigned on 16 May 2011.
- (3) Mr Swensson received consultancy fees of \$18,000 paid to Swensson Resource Management Pty Ltd, of which Mr Swensson is a Director and Beneficiary. Mr Swensson resigned on 9 December 2010.
- (4) Ms Styants received consultancy fees of \$46,388 paid to Jade Lauren Pty Ltd, of which Ms Styants is a Director and Beneficiary. Ms Styants resigned on 4 November 2010.

DIRECTORS REPORT (continued)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed Remuneration		At Risk – Short Term Incentive		At Risk – Long Term Incentive*	
	2012	2011	2012	2011	2012	2011
Bruce McCracken	68%	-	-	-	32%	-
Malcolm Castle	80%	100%	-	-	20%	-
Peter O'Connor	37%	100%	-	-	63%	-
Robert Pett	100%	100%	-	-	-	-

* Since the long-term incentives are provided exclusively by way of options, the percentages disclosed also reflect the value of remuneration consisting of options, based on the value of options expensed during the year. Negative amounts indicate expenses reversed during the year due to a failure to satisfy the vesting conditions.

Service Agreements

On appointment to the Board, all Directors enter into a Service Agreement with the Company in the form of a Letter of Appointment. The letter summarises the Board Policies and Terms, including remuneration, relevant to the Office of Director.

The Company has entered the following Service Agreement with Non-Executive Chairman, Chief Executive Officer and Executive Technical Director.

All contracts with Executives may be terminated early by either party with two months notice, subject to termination payments as detailed below.

Name	Term of Agreement	Base salary including superannuation*
Peter O'Connor (Non-Executive Chairman)	On-going commencing 9 May 2011	\$72,000 (\$6,000 per month)
Bruce McCracken (Chief Executive Officer)	On-going commencing 1 July 2011	\$327,000 (\$27,250 per month)
Malcolm Castle (Executive Technical Director)	On-going commencing 11 July 2011	Consulting fee on a rate of 1,300 per day or pro rata to Mr Castle's consulting company Agricola Mining Consultant's Pty Ltd.

* Base salaries quoted are for the year ended 30 June 2012; they are reviewed annually by the Remuneration Committee.

DIRECTORS' REPORT (continued)

Share-based compensation

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Key Management Personnel	Grant Date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	% Vested
Peter O'Connor	09/12/2011	09/12/2011	09/12/2015	\$0.20	\$0.01	100%
Bruce McCracken	09/12/2011	09/12/2011	01/07/2016	\$0.20	\$0.01	100%
Bruce McCracken	09/12/2011	30/06/2012	01/07/2016	\$0.22	\$0.01	100%
Malcolm Castle	09/12/2011	30/06/2012	09/12/2014	\$0.22	\$0.01	100%

Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share 14 days after the release of the half-yearly and annual financial results of the Group to the market.

Options issued as part of remuneration for the year ended 30 June 2012

Options are issued to Directors and Executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to Directors and Executives of Brazilian Metals Group Limited to increase goal congruence between Executives, Directors and Shareholders.

Options Granted as Remuneration

During the year, the following options are granted to the Directors of the Group as part of the Service Agreement.

Terms and Conditions						
2012 Key Management Personnel	Vested No	Granted No	Grant Date	Value per Option at Grant Date (\$)	Exercise Price (\$)	Last Exercise Date
Directors						
Peter O'Connor	3,000,000	3,000,000	09/12/2011	0.0100	0.20	09/12/2015
Bruce McCracken	1,400,000	1,400,000	09/12/2011	0.0100	0.20	01/07/2016
Bruce McCracken	2,600,000	2,600,000	09/12/2011	0.0100	0.22	01/07/2016
Malcolm Castle	1,500,000	1,500,000	09/12/2011	0.0100	0.22	09/12/2014
	8,500,000	8,500,000				

DIRECTORS REPORT (continued)

All options vested on issue and none have yet expired or lapsed.

Details of options over ordinary shares in the Company provided as remuneration to each Director of Brazilian Metals Group Limited and each of the Key Management Personnel of the Parent Entity and the Group are set out below:

Name	Number of options granted during the year	Value of options at grant date *	Number of options vested during the year	Number of options lapsed during the year	Value at lapse date **
Peter O'Connor	3,000,000	\$120,442	3,000,000	-	-
Bruce McCracken	4,000,000	\$157,668	4,000,000	-	-
Malcolm Castle	1,500,000	\$58,535	1,500,000	-	-

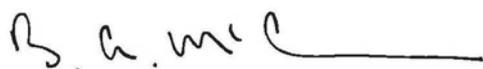
* The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.

** The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

This is the end of the Audited Remuneration Report.

Signed in accordance with a resolution of the Board of Directors



Bruce McCracken

Chief Executive Officer

Dated at Perth, Western Australia, this 27th September 2012.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the overall Corporate Governance of the Company and the Consolidated Entity, and is committed to the principles underpinning best practice in Corporate Governance, applied in a manner that meets ASX standards and best addresses the Directors' accountability to Shareholders.

Whilst the Company will endeavour to comply with all of the guidelines under the ASX Corporate Governance Recommendations, the Board consider that the Company is not currently of a size, nor are its affairs of such complexity, to justify the additional expense of compliance with all recommendations. The Board will consider on an ongoing basis its Corporate Governance Procedures and whether they are sufficient given the Company's nature of operations and size.

This statement outlines the main Corporate Governance Practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

The Company's Corporate Governance Policies are available on the Company's website: <http://www.bmgl.com.au/corporate/corporate-governance>

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2012.

BOARD COMPOSITION

When determining whether a Non-Executive Director is independent the Director must not fail any of the following materiality thresholds:

- (a) less than 10% of Company shares are held by the Director and any entity or individual directly or indirectly associated with the Director;
- (b) is employed, or has previously been employed in an executive capacity by the Company or another Group member, and there has not been a period of at least three years between ceasing such employment and serving of the Board;
- (c) has been a material professional adviser or a material consultant to the Company or another Group member within the last three years, or an employee materially associated with the service provided;
- (d) no sales are made to or purchases made from any entity directly or indirectly associated with the Director; and
- (e) none of the Directors income or the income of an individual or entity directly or indirectly associated with the Director is derived from a contract with any member of the economic entity other than income derived as a Director of the entity.

The Board currently comprises three Non-Executive Directors being Mr Peter O'Connor, Mr Robert Pett and Mr Anthony Trevisan, of which Mr O'Connor is considered independent.

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the Annual Report is detailed on page 6 of the Directors' Report.

CORPORATE GOVERNANCE STATEMENT (continued)

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual, experience and achievement, credibility within the Company's scope or activities, intellectual ability to contribute to the Board's duties and ability to undertake Board duties and responsibilities.

ROLE OF THE BOARD

The management and control of the business is vested in the Board. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of Shareholders.

The Board strives to create Shareholder value and ensure that Shareholders' funds are safeguarded.

The key responsibilities of the Board include:

- (a) setting objectives, goals and strategic direction with Management with a view to maximising Shareholder value;
- (b) overseeing the financial position and monitoring the business and affairs of the Company;
- (c) establishing Corporate Governance, Ethical, Environmental and Health and Safety standards;
- (d) ensuring significant business risks are identified and appropriately managed; and
- (e) ensuring the composition of the Board is appropriate, selecting Directors for appointment to the Board and reviewing the performance of the Board and the contributions of individual Directors.

The Board has delegated responsibilities and authorities to Management to enable Management to conduct the Company's day to day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits, require Board approval.

AUDIT AND RISK COMMITTEE

The names and qualifications of those appointed to the Audit and Risk Committee and their attendance at meetings of the Committee are included in the Directors' Report. For further information regarding the Audit and Risk Committee please refer to the Audit and Risk Committee Charter.

NOMINATION AND REMUNERATION COMMITTEE

The names of all the members of the Nomination and Remuneration Committee and their attendance at meetings of the Committee are detailed in the Directors' Report.

The amount of remuneration for all Directors and Executives, including all monetary and non-monetary components, are detailed in the Directors' Report under the heading Key Management Personnel Remuneration. Shares given to Executives are valued as the difference between the market price of those shares and the amount paid by the Executive. Options are valued using the Black-Scholes methodology.

CORPORATE GOVERNANCE STATEMENT (continued)

The Board expects that the remuneration structure implemented will result in the Company being able to attract and retain the best Executives to run the economic entity. It will also provide Executives with the necessary incentives to work to grow long-term shareholder value.

The payment of bonuses, options and other incentive payments are reviewed by the Nomination and Remuneration Committee annually as part of the review of Executive and Management remuneration and a recommendation is put to the Board for approval. The Board can exercise its discretion in relation to approving incentives, bonuses and options and can recommend changes to the Committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

There are no schemes for retirement benefits other than the statutory superannuation for Non-Executive Directors.

For further information regarding the Nomination and Remuneration Committee please refer to the Nomination and Remuneration Committee Charter.

INDEPENDENT PROFESSIONAL ADVICE

Each Director has the right to access all relevant Company information, and may seek independent professional advice at the Company's expense, in connection with their duties and responsibilities. The Director must first obtain the prior written approval of a Non-Executive Director, not to be unreasonably withheld, before consulting with an advisor suitably qualified in the relevant field. A copy of the advice received by the Directors must be made available to all other members of the Board.

SHARE TRADING POLICY

With respect to share dealings and disclosures, the Company's Share Trading Policy regarding 'Restricted Persons' (including the Directors, Executives and Employees) dealing in its securities states the following:

- (a) consistent with the legal prohibitions on insider trading contained in the *Corporations Act 2001*, all Restricted Persons are prohibited from trading in the Company's securities (and any financial products issued or created over or in respect of the Company's securities) while in possession of unpublished price sensitive information.
- (b) Restricted Persons are required to receive clearance from the Share Trading Committee and the Chairman prior to undertaking any transaction in Company securities. If a Restricted Person is considered to possess unpublished price sensitive information, they will be precluded from making a security transaction until 1 trading day after the time of public release of that information.
- (c) as required by the ASX Listing Rules, the Company will notify the ASX of all transactions of securities in the Company conducted by a Director of the Company.

The Company has a formally appointed Share Trading Committee to ensure that the Share Trading Policy is properly followed. At the date of this document, the members of the Share Trading Committee are Mr McCracken, Mr Trevisan and Mr Pett.

For further information regarding the Share Trading Committee please refer to the Share Trading Committee Charter and the Share Trading Policy.

CORPORATE GOVERNANCE STATEMENT (continued)

DIVERSITY POLICY

In July 2011 the Company adopted a Diversity Policy.

All Executives are responsible for promoting and implementing diversity within the Company. This is supported by the Company's efforts to ensure gender based equity and transparency in the recruitment of employees and the nomination of board members.

For further information please refer to the Diversity Policy.

CORPORATE GOVERNANCE STATEMENT

COMPLIANCE TO BEST PRACTICE RECOMMENDATIONS

Item	Best Practice Recommendations	Comments
1	Lay solid foundations for management and oversight	
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	<p>The Company's Corporate Governance Policies include a Board Charter, which discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Key Executives.</p> <p>A copy of the Board Charter and the Code of Conduct is available on the Company's website (www.bmgil.com.au).</p>
2	Structure the Board to add value	
2.1	A majority of the Board should be independent Directors.	The Company is at variance with Recommendation 2.1 in that the majority of the Board are not independent Directors. The Board considers that this composition is appropriate given the current size of the Company.
2.2	The Chairperson should be an independent Director.	The Chairman is considered independent.
2.3	The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.	The roles of Chairman and Chief Executive Officer are not exercised by the same individual.
2.4	The Board should establish a Nomination Committee.	<p>A Nomination and Remuneration Committee has been established and is comprised of:</p> <ul style="list-style-type: none"> (a) Mr O'Connor (Chairman of the Committee); (b) Mr Trevisan; and (c) Mr Pett. <p>The Company is at variance with Recommendation 2.4, in that, the Nomination and Remuneration Committee does not consist of a majority of independent Directors. The Board considers that this composition is appropriate given the current size of the Company.</p>

CORPORATE GOVERNANCE STATEMENT (continued)

Item	Best Practice Recommendations	Comments
2.5	Process for evaluating the performance of the Board, its Committees and individual Directors.	A copy of the Board Charter and the Procedures for Selection and Appointment of Directors is available on the Company's website (www.bmgl.com.au).
2.6	Provide the information indicated in <i>Guide to Reporting on Principle 2</i>	Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. The Board also has a policy under which individual Directors and Board Committees may obtain independent professional advice at the Company's expense in relation to the execution of their duties, after consultation with the CEO.
3	Promote ethical and responsible decision-making	
3.1	Establish a Code of Conduct as to: <ul style="list-style-type: none"> <li data-bbox="297 627 1211 659">(a) the practices necessary to maintain confidence in the Company's integrity; <li data-bbox="297 675 1211 722">(b) the practices necessary to take into account legal obligations and the reasonable expectations or their stakeholders; and <li data-bbox="297 738 1211 786">(c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	The Company's Corporate Governance Policies include a Corporate Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment. A copy of this Policy is available on the Company's website (www.bmgl.com.au).
3.2	Establish a policy concerning trading in company securities by Directors, Senior Officers and Employees.	The Company's Corporate Governance Policies include a Share Trading Policy for buying and selling securities in the Company. A copy of this Policy is available on the Company's website (www.bmgl.com.au).
3.3	Companies should disclose in each Annual Report the measurable objectives for achieving gender diversity set by the Board in accordance with the Diversity Policy and progress towards achieving them.	The Company will proactively monitor company performance in meeting its diversity standards and policies by: <ul style="list-style-type: none"> <li data-bbox="1267 1026 2040 1106">(a) the Board establishing, and reviewing on an annual basis, measurable objectives for achieving improvement in the diversity mix of the workforce and particularly gender diversity; <li data-bbox="1267 1121 2040 1169">(b) recruiting and managing on the basis of an individual's competence and performance; <li data-bbox="1267 1185 2040 1233">(c) creating a culture that empowers and rewards people to act in accordance with the policy; <li data-bbox="1267 1249 2040 1297">(d) appreciating and respecting the unique attributes that each individual brings to the workplace;

CORPORATE GOVERNANCE STATEMENT (continued)

Item	Best Practice Recommendations	Comments
		<ul style="list-style-type: none"> (e) fostering an inclusive and supportive culture to enable people to develop to their full potential; (f) ensuring we have clear reporting processes in place; (g) promoting diversity through our actions and interactions; (h) taking action to prevent and stop discrimination, bullying and harassment; and (i) actively monitoring recruitment, promotions and turnover and communicating statistics. <p>The Company has not had to recruit or employ anyone during the 2011/2012 financial year but will continue to up hold the Diversity Policy where and when appropriate.</p>
3.4	Companies should disclose in each Annual Report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Mrs Hudson (Company Secretary) is currently the only female Key Management Person; however given the small scale of the Company this represents 16.67% of the total Key Management Personnel.
3.5	Provide the information indicated in <i>Guide to Reporting on Principle 3</i> .	The Company's Diversity Policy is publicly available on the Company's website.
4	Safeguard integrity in financial reporting	
4.1	The Board should establish an Audit Committee.	<p>An Audit and Risk Committee has been established consisting of:</p> <ul style="list-style-type: none"> (a) Mr Pett (Chairman of the Committee); (b) Mr O'Connor; and (c) Mr Trevisan.
4.2	<p>Structure the Audit Committee so that it consists of:</p> <ul style="list-style-type: none"> (a) only Non-Executive Directors; (b) a majority of independent Directors; (c) an independent Chairperson, who is not Chairperson of the Board; and (d) at least three members. 	The Audit and Risk Committee consists of three Non-Executive Directors, one of which is independent, of which the Chairperson is not the Chairperson of the Board.

CORPORATE GOVERNANCE STATEMENT (continued)

Item	Best Practice Recommendations	Comments
4.3	The Audit Committee should have a formal charter.	A copy of the Audit and Risk Committee Charter is available on the Company's website (www.bmgl.com.au). The Audit Committee Charter also contains details on the procedure for the selection and appointment of the external Auditor, and the rotation of external audit engagement partners.
4.4	Provide the information indicated in <i>Guide to Reporting on Principle 4</i> .	<p>The following material is included in the Corporate Governance statement in the Company's Annual Reports:</p> <ul style="list-style-type: none"> (a) the names and qualifications of those appointed to the Audit and Risk Committee and their attendance at meetings of the Committee; (b) the number of meetings of the Audit and Risk Committee; (c) explanation of any departures from Recommendations 4.1, 4.2, 4.3 or 4.4. <p>The following material is publicly available on the Company's website:</p> <ul style="list-style-type: none"> (a) the Audit and Risk Committee Charter.
5	Make timely and balanced disclosure	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	The Company has a Continuous Disclosure Policy in place designed to ensure the factual presentation of the Company's position. A copy of this policy is available on the Company's website (www.bmgl.com.au).
6	Respect the rights of Shareholders	
6.1	Design and disclose a communications strategy to promote effective communication with Shareholders and encourage their participation at general meetings.	The Company has a Shareholder Communication Policy in place which set out procedures to provide Shareholders with relevant information which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website and issuing media releases where required. A copy of this policy is available on the Company's website (www.bmgl.com.au).

CORPORATE GOVERNANCE STATEMENT (continued)

Item	Best Practice Recommendations	Comments
7	Recognise and manage risk	
7.1	Establish policies on risk oversight and management of material business risk.	<p>The Company's Risk Management and Internal Compliance and Control Policy and Audit and Risk Committee Charter are available on the Company's website (www.bmgil.com.au).</p> <p>Under the Risk Management and Internal Compliance and Control Policy the Board determines the Company's 'risk profile' and is responsible for overseeing and approving Risk Management Strategy and Policies for internal compliance and internal control.</p>
7.2	The Board should require management to design and implement the Risk Management and internal control system to manage the Company's material business risks and to report to the Board on whether those risks are being managed effectively.	The Risk Management and internal control system is reviewed annually in September, at the completion of the Financial Statements reporting.
7.3	The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that declaration in accordance with section 295A of the <i>Corporations Act 2001</i> is founded on the Company's Risk Management, internal compliance and control system is operating efficiently and effectively in all material respects.	The Board will request that the relevant Directors and Company Secretary provide such a statement at the relevant time.
7.4	Provide the information indicated in <i>Guide to Reporting on Principle 7</i> .	The Company will continue to recognise and manage risk in accordance with the methods referred to above and will explain any departures from Recommendations 7.1, 7.2 and/or 7.3 in its future reports if necessary.
8	Remunerate fairly and responsibly	
8.1	The Board should establish a Remuneration Committee.	A Nomination and Remuneration Committee has been established. The Nomination and Remuneration Committee Charter is available on the Company's website.

CORPORATE GOVERNANCE STATEMENT (continued)

Item	Best Practice Recommendations	Comments
8.2	<p>Structure the Remuneration Committee so that it consists of:</p> <ul style="list-style-type: none"> (a) a majority of independent Directors; (b) an independent Chairperson; and (c) at least three members. 	<p>The Nomination and Remuneration Committee has delegated responsibilities in relation to the Company's Remuneration Policies which reflect the matters set out in the commentary and guidance for Recommendation 8.1. Further details of the Nomination and Remuneration Committee is set out at point 2.4.</p> <p>The Company is at variance with Recommendation 8.2, in that, the Audit and Risk Committee does not consist of a majority of independent Directors. The Board considers that this composition is appropriate given the current size of the Company.</p>
8.3	<p>Clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executives.</p>	<p>Please refer to Remuneration Report.</p>
8.4	<p>Provide the information indicated in <i>Guide to Reporting on Principle 8</i>.</p>	<p>The following material is included in the Corporate Governance Statement in the Company's Annual Reports:</p> <ul style="list-style-type: none"> (a) the names of the members of the Nomination and Remuneration Committee and their attendance at meetings of the Committee; (b) the existence and terms of any schemes for retirement benefits, other than superannuation, for Non-Executive Directors; (c) an explanation of any departures from Recommendations 8.1, 8.2, 8.3 or 8.4. <p>The Company's Nomination and Remuneration Committee Charter and the Company's Share Trading Policy are publicly available on the Company's website.</p>

27 September 2012

Brazilian Metals Group Limited
Board of Directors
Level 14, 191 St Georges Terrace
PERTH, WA 6000

Dear Sirs,

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

As lead auditor of Brazilian Metals Group Limited for the year ended 30 June 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 audit; and
- any applicable code of professional conduct in relation to the audit.

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



CHRIS BURTON
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Notes	Consolidated	
		30 June 2012 \$	30 June 2011 \$
Revenue from continuing operations	7	99,507	274,277
Employee benefits expense	8	(515,448)	(163,746)
Employee share based payments	9	(336,399)	-
Loss on sale of investments		-	(646,067)
Depreciation and amortisation expense	13	(42,929)	(15,924)
Accounting & audit fee		(88,380)	(86,709)
Corporate and administration expenses		(609,054)	(727,980)
Exploration expenditure write off	14	(4,393,760)	(2,402,501)
Financial asset impairment		-	(153,599)
Other expenses from ordinary activities		(415,416)	(357,236)
LOSS BEFORE INCOME TAX		(6,301,879)	(4,279,485)
Income tax expense	10	-	-
LOSS FOR THE YEAR		(6,301,879)	(4,279,485)
Loss is attributable:			
Owner Of Brazilian Metals Group Limited		(6,301,879)	(4,279,485)
NET LOSS FOR THE YEAR		(6,301,879)	(4,279,485)
Other Comprehensive Loss			
Changes in fair value of available for sale assets		-	(198,999)
Changes in foreign operations translation		781,928	(2,135,608)
		781,928	(2,334,607)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(5,519,951)	(6,614,092)
Total comprehensive loss for the year is attributable to ordinary equity holders of the Consolidated Entity			
Owner Of Brazilian Metals Group Limited		(5,519,951)	(6,614,092)
Basic and diluted loss per share (cents per share)	20	4.32	4.27

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	Consolidated	
		30 June 2012	30 June 2011
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	11	166,054	4,466,452
Prepayments	12	112,318	114,728
Trade and other receivables	12	146,668	229,465
TOTAL CURRENT ASSETS		425,040	4,810,645
NON-CURRENT ASSETS			
Trade and other receivables	12	63,494	60,990
Property, plant and equipment	13	115,449	118,121
Exploration and evaluation expenditure	14	17,286,327	17,929,610
TOTAL NON-CURRENT ASSETS		17,465,270	18,108,721
TOTAL ASSETS		17,890,310	22,919,366
CURRENT LIABILITIES			
Trade and other payables	15	135,596	181,100
Borrowings	15	200,000	-
TOTAL CURRENT LIABILITIES		335,596	181,100
TOTAL LIABILITIES		335,596	181,100
NET ASSETS		17,554,714	22,738,266
EQUITY			
Contributed equity	16	35,406,374	35,406,374
Reserves	17	(938,798)	(2,057,125)
Retained earnings	18	(16,912,862)	(10,610,983)
TOTAL EQUITY		17,554,714	22,738,266

The Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	Contributed Equity \$	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 year	-	(6,301,879)	-	-	-	(6,301,879)
Foreign exchange movement	-	-	-	-	781,928	781,928
<i>Transactions with owners in their capacity as owners:</i>						
Employee share options	-	-	336,399	-	-	336,399
BALANCE AT 30 JUNE 2012	35,406,374	(16,912,862)	437,181	-	(1,375,979)	17,554,714
BALANCE AT 1 JULY 2010	13,686,885	(6,331,498)	100,782	198,999	(22,300)	7,632,869
Total comprehensive income for the year	-	(4,279,485)	-	-	-	(4,279,485)
Changes in fair value of financial assets	-	-	-	(198,999)	-	(198,999)
Foreign exchange movement	-	-	-	-	(2,135,607)	(2,135,607)
<i>Transactions with owners in their capacity as owners:</i>						
Share issued to raise capital	7,688,595	-	-	-	-	7,688,595
Share issued on acquisition	14,439,700	-	-	-	-	14,439,700
Share issue cost	(408,806)	-	-	-	-	(408,806)
BALANCE AT 30 JUNE 2011	35,406,374	(10,610,983)	100,782	-	(2,157,907)	22,738,266

The Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	Notes	Consolidated	
		30 June 2012	30 June 2011
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,480,795)	(1,159,178)
Interest received		99,507	226,457
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	19	(1,381,288)	(932,721)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(40,254)	(89,470)
Sale of financial assets		-	683,030
Payments for exploration and evaluation		(3,072,574)	(5,311,113)
Payments for deposits/prepayments		-	(173,844)
NET CASH USED IN INVESTING ACTIVITIES		(3,112,828)	(4,891,397)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of equity (net of costs)		-	7,279,789
Loan from related party		200,000	-
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES		200,000	7,279,789
NET INCREASE/(DECREASE) IN CASH HELD		(4,294,116)	1,455,671
Cash and cash equivalents at beginning of year		4,466,452	3,101,941
Effect of exchange rates on cash holdings in foreign currencies		(6,282)	(91,160)
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	166,054	4,466,452

The Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The primary accounting policies adopted in the preparation of the Financial Statements are set out below. These policies will consistently apply to all years presented, unless otherwise stated.

(a) Reporting Company

Brazilian Metals Group Limited ('the **Group**') is a company domiciled in Australia. Brazilian Metals Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial report of the Company as at and for the year ended 30 June 2012 comprises the Company and its subsidiaries (together referred to as the '**Consolidated Entity**').

The Group advises that in accordance with ASX Listing Rule 4.10.19 during the financial year ended 30 June 2012 it used its cash and assets that are readily convertible to cash in a way that is consistent with its business objectives.

The nature of the operations and principal activities of the Consolidated Entity are described in the Directors' Report.

(b) Basis of Preparation

(i) Statement of Compliance

The Consolidated Financial Statements are general purpose financial statements for the reporting year ended 30 June 2012 and have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the Australian Accounting Interpretations and the *Corporations Act 2001*. The Consolidated Financial Statements of Brazilian Metals Group Limited have been prepared using policies based on International Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board (IASB).

The Financial Statements were approved by the Board of Directors on 18 September 2012.

(ii) Historical cost convention

The Financial Statements have been prepared on a historical cost basis.

The Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Group the discharge of liabilities in the normal course of business.

The Board considers that the Group is a going concern. Any additional funding that may be required is anticipated to be obtainable and will allow the Group to continue to fund its operations and further develop their mineral exploration and evaluation assets during the twelve month period from the date of this financial report.

(iii) Change in accounting policy

In the financial year ended 30 June 2012, 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 2011 have been reviewed. It has been determined that there is no impact, material or otherwise, of the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

new and revised Standards and Interpretations on the operations of the Group and Consolidated Entity and, therefore, no change is necessary to the accounting policies.

(c) Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Financial Statements requires Management to make judgements, estimates and assumptions that affect the reported amounts in the Financial Statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the Financial Statements are outlined below:

(i) Significant Accounting Judgements

Exploration Expenditure

The write-off and carrying forward of exploration acquisition costs is based on an assessment of an area of interest's viability and/or the existence of economically recoverable reserves. Information may come to light in a later period which results in the asset being written off as it is not considered viable.

(ii) Significant Accounting Estimates and Assumptions

Estimation of Useful Lives of Assets

The estimation of the useful lives of assets has been based on historical experience. The condition of the assets is assessed at least once per year and considered against the remaining useful life. Depreciation charges are included in Note 13.

(iii) Critical Accounting Estimate

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes assumptions concerning the future. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to Management. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts and assets and liabilities within the next financial year are discussed below.

Impairment of Assets

At each reporting date the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the statement of comprehensive income where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

money and the risks specific to the asset. Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs. During the year the Group has impaired (write off) exploration and evaluation expenditure of \$4,393,760.

Share based payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes option pricing model, detailed in Note 5.

Going Concern

The Financial Statements have been prepared on the going concern basis. For the year ended 30 June 2012, the Group recorded a net loss of \$6,301,879 (2011: \$4,279,485) and incurred cash outflows from operating activities for the year ended 30 June 2012 of \$1,381,288. The Group had net assets of \$17,554,714 and continues to incur expenditure on its exploration tenements drawing on its cash balances. At 30 June 2012, the Group has \$166,054 (2011: \$4,466,452) in cash and cash equivalents.

The accounts have been prepared on a going concern basis. The Directors have determined that future capital raisings will be required in order to continue the Group's exploration and development of its mining tenements.

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. The success and timing of any future capital raising is currently uncertain. In the meantime, Transcontinental Investments Pty Ltd will provide financial support until the successful completion of the capital raising.

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 believe that they will be able to contain the operating and investment activities sufficiently to ensure that Brazilian Metals Group Limited can meet their debts as and when they become due and payable.

In the event that the events referred to above result 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.

(d) Summary of Significant Accounting Policies

(i) Principles of Consolidation

The Consolidated Financial Statements incorporate the assets and liabilities of all the subsidiaries that Brazilian Metals Group Limited ('the **Parent Entity**') has the power to control the financial and operating policies as at 30 June 2012 and the results of all subsidiaries for the year ended. All inter-company balances and transactions between the Group in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Consolidated Entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Subsidiaries

Subsidiaries are entities controlled by the Consolidated Entity. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Consolidated Entity.

In the Consolidated Entity's Financial Statements, investments in subsidiaries are carried at cost. The Financial Statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies.

In preparing the Consolidated Financial Statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from inter-entity transactions have been eliminated in full.

The investments in subsidiaries held by Brazilian Metals Group Limited are accounted for at cost in the separate Financial Statements of the Company less any impairment charges. The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Business Combinations

All business combinations occurring on or after 1 July 2011 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no material impact on earnings per share. The Consolidated Entity has applied the acquisition method for the business combination.

For every business combination, the Group identifies the Acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at date of exchange. Acquisition related expenses are expensed as incurred.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Consolidated Entity's share of the identifiable net assets acquired is recognised as goodwill.

If the cost of acquisition is less than the Consolidated Entity's share of the identifiable net assets acquired, the difference is recognised as goodwill. If the cost of acquisition is less than the Consolidated Entity's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the Statement of Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Measuring goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the Acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the Acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the Acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the Group and the Acquiree, then the lower of the termination amount, as contained in the Agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

(ii) Foreign Currency

Functional and presentation currency

Both the functional and presentation currency of Brazilian Metals Group Limited is Australian dollars (A\$).

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Statement of Financial Position date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of foreign operations

The Statement of Comprehensive Income is translated at the average exchange rates for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of the foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation will be recognised in the Statement of Comprehensive Income.

(iii) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic steering committee.

(iv) Cash and Cash Equivalents

'Cash and cash equivalents' includes cash at bank and in hand, deposits held at call with financial institutions, other short-term highly liquid deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(v) Trade and Other Receivables

Trade debtors are recognised at the amount receivable and are due for settlement within 30 days from the end of the month in which services were provided. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off against the receivable directly unless a provision for impairment has previously been recognised.

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Loans granted are recognised at the amount of consideration given or the cost of services provided to be reimbursed.

(vi) Revenue Recognition

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

(vii) Fair value estimation for financial instruments

Fair values may be used for financial asset and liability measurement as well as for sundry disclosures. Fair values for financial instruments traded in active markets are based on quoted market prices at Statement of Financial Position date. The quoted market price for financial assets is the current bid price and the quoted market price for financial liabilities is the current ask price.

The fair values of financial instruments that are not traded in an active market are determined using valuation techniques. Assumptions used are based on observable market prices and rates at Statement of Financial Position date. The fair value of long-term debt instruments is determined using quoted market prices for similar instruments. Estimated discounted cash flows are used to determine fair value of the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the Statement of Financial Position date. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows.

The fair value of trade receivables and payables is their nominal value less estimated credit adjustments. A financial instrument is recognised if the Consolidated Entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Consolidated Entity's contractual rights to the cash flows from the financial assets expire or if the Consolidated Entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, (ie the date that the Consolidated Entity commits itself to purchase or sell the asset). Financial liabilities are derecognised if the Consolidated Entity's obligations specified in the contract expire or are discharged or cancelled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Cash and cash equivalents comprise cash balances and call deposits greater than 3 months are classified as held to maturity investments and valued at amortised costs.

(viii) Investments and Other Financial Assets

Classification

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (Note 12) and payables (Note 15) in the balance sheet.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investment are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

(ix) Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Exploration and evaluation expenditure incurred by the Group is accumulated for each area of interest and recorded as an asset if:

- A. the rights to tenure of the area of interest are current; and
- B. at least one of the following conditions is also met:
 - (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
 - (ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

For each area of interest, expenditure incurred on the Exploration of Tenements throughout Brazil is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition. A provision for unsuccessful exploration and evaluation is created against each area of interest by means of a charge to the Statement of Comprehensive Income. The recoverable amount of each area of interest is determined on a bi-annual basis and the provision recorded in respect of that area adjusted so that the net carrying amount does not exceed the recoverable amount. For areas of interest that are not considered to have any commercial value, or where exploration rights are no longer current, the capitalised amounts are written off against the provision and any remaining amounts are charged against profit. Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(e) Property, Plant and Equipment

Items of property, plant and equipment are initially recorded at cost, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition, and depreciated. Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	11 - 33%

(f) Impairment

Financial Assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-Financial Assets

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Income Tax Expenses or Benefit

The income tax expense or benefit (revenue) for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the Financial Statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit. Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities, associates and interests in joint ventures where the Parent Entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Current and deferred tax balances relating to amounts recognised directly in equity.

Brazilian Metals Group Limited and its resident subsidiaries have unused tax losses. However, no deferred tax balances have been recognised, as it is considered that asset recognition criteria have not been met at this time.

(h) Goods and Services Tax

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flow on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authorities are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(i) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(k) Trade and Other Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Consolidated Entity. Trade accounts payable are normally settled within 60 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(l) Employee Benefits

Short term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the Statement of Financial Position date are recognised in respect of employees' services rendered up to Statement of Financial Position date and measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable. Liabilities for wages and salaries are included as part of Other Payables and liabilities for annual and sick leave are included as part of Employee Benefit Provisions.

Other long-term employee benefit obligations

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the Statement of Financial Position date using the projected unit credit method. Consideration is given to expect future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the Statement of Financial Position date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

The fair value of options granted under Brazilian Metals Group Limited is recognised as an employee benefit expense with a corresponding increase in equity (share-based payments reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each Statement of Financial Position date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

The market value of shares issued to employees for no cash consideration under the Employee Share Scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

(m) Share-based Payment Transactions

The grant date fair value of options granted to employees (including Key Management Personnel) is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Share-based payment arrangements in which the Consolidated Entity receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Consolidated Entity.

(n) Contributed Equity

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

(o) Earnings or Loss per share

Basic earnings or loss per share are calculated by dividing the net profit or loss attributable to members of the Parent Entity for the reporting period by the weighted average number of ordinary shares of the Company.

(p) Determination of Fair Values

A number of the Consolidated Entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the Notes specific to that asset or liability.

Trade and Other Receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Depreciation

Items of property, plant and equipment are depreciated using the diminishing value method over their estimated useful lives to the Consolidated Entity. The depreciation rates used for each class of asset for the current period are as follows:

Plant and Equipment	33%
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Assets are depreciated from the date the asset is ready for use. The asset's residual values and useful lives are reviewed and adjusted, if appropriate, at each of the Statement of Financial Position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets continual use or subsequent disposal. The expected cash flows have been discounted to their present value in determining the recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(q) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently issued or amended but are not yet effective have not been adopted by the Consolidated Entity for the year ended 30 June 2012. These are outlined in the table below.

AASB reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments (AASB 2009-11)	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods beginning on or after 01 January 2015	Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. The Consolidated Entity has not yet made an assessment of the impact of these amendments.	01 January 2015
AASB 2012-5 (issued June 2012)	Annual Improvements to Australian Accounting Standards 2009-2011 Cycle	Non-urgent but necessary changes to IFRSs (IAS1, IAS 16 & IAS 32)	Periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2013, there will be no material impact.	1 July 2013
IFRS (issued December 2011)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods commencing on or after 1 January 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the Financial Statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.	01 July 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AASB reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
AASB 2011-9 (issued September 2011)	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	<p>Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP. Various name changes of statements in AASB 101 as follows:</p> <p>(a) Statement of Comprehensive Income – to be referred to as ‘Statement of Profit or Loss and Other Comprehensive Income’</p> <p>(b) statements – to be referred to as ‘Statement of Profit or Loss’ and ‘Statement of Comprehensive Income’.</p> <p>OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.</p>	Annual periods commencing on or after 1 July 2012	When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives).	1 July 2012
AASB 2011-4 [AASB 124] (issued July 2011)	Amendments to Australian Accounting Standards to remove Individual Key Management Personnel Disclosure Requirements	Amendments to remove individual key management personnel (KMP) disclosure requirements from AASB 124 to eliminate duplicated information required under the <i>Corporation Act 2001</i> .	Annual periods commencing on or after 1 July 2013	When this standard is first adopted for the year ended 30 June 2014 the Consolidated Entity will show reduced disclosures under Key Management Personnel Note to the Financial Statements.	1 July 2013
AASB 119 (reissued September 2011)	Employee Benefits	Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.	1 January 2013	When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date.	1 July 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AASB reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
AASB 10 (issued August 2011)	Consolidated Financial Statements	<p>Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present:</p> <p>(a) Power over investee (whether or not power used in practice)</p> <p>(b) Exposure, or rights, to variable returns from investee</p> <p>(c) Ability to use power over investee to affect the Consolidated Entity's returns from investee.</p> <p>Introduces the concept of 'defacto' control for Entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other Shareholders. This could result in more instances of control and more entities being consolidated.</p>	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the Financial Statements because the Consolidated Entity does not have 'defacto' control of any entities with less than 50% ownership interest in an entity.	01 July 2013
AASB 11	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement).	Periods beginning on or after 01 July 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the Financial Statements because the the Consolidated Entity has not entered into any joint arrangements.	01 July 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

AASB reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
AASB 12	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 <i>Consolidated and Separate Financial Statements</i> , AASB 128 <i>Investments in Associates</i> and AASB 131 <i>Interests in Joint Ventures</i> . Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the Financial Statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.	01 July 2013
AASB 13	Fair Value Measurement	<p>AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the Statement of Financial Position or disclosed in the Notes in the Financial Statements.</p> <p>Additional disclosures required for items measured at fair value in the Statement of Financial Position, as well as items merely disclosed at fair value in the Notes to the Financial Statements.</p> <p>Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments.</p>	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required about fair values.	01 July 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 (CODM) in order to allocate resources to the segment and to assess its performance. The Consolidated Entity has identified the following segments:

- (a) Exploration (Chile) – consists of the exploration expenditure involved in the search and discovery of minerals;
- (b) Exploration (Brazil) – consists of the exploration expenditure involved in the search and discovery of minerals;
- (c) Investment (Australia) – consists of financial investments made in Australia;
- (d) 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

Year ended 30 June 2012

	Exploration (Chile)	Exploration (Brazil)	Investment (Australia)	Corporate (Australia)	Total Consolidated Entity
External revenues	-	-	99,507	-	99,507
Inter-segment revenue	-	-	-	-	-
Corporate and administration	(5,667)	(216,886)	(15,524)	(377,161)	(615,238)
Depreciation and amortisation expense	(6,672)	(9,407)	(182)	(26,668)	(42,929)
Exploration expenditure write off	-	(4,393,760)	-	-	(4,393,760)
Other expenses	(18,549)	(158,316)	(79)	(1,172,515)	(1,349,459)
Reportable segment profit before income tax	(30,888)	(4,778,369)	83,722	(1,576,344)	(6,301,879)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended 30 June 2011

	Exploration (Chile)	Exploration (Brazil)	Investment (Australia)	Corporate (Australia)	Total Consolidated Entity
External revenues	-	-	274,277	-	274,277
Inter-segment revenue	-	-	-	-	-
Corporate and administration	(1,253)	(528)	-	(726,199)	(727,980)
Depreciation and amortisation expense	-	(52)	-	(15,872)	(15,924)
Exploration expenditure write off	(2,402,501)	-	-	-	(2,402,501)
Other expenses	16,780	(15,309)	-	(1,408,828)	(1,407,357)
Reportable segment profit before income tax	(2,386,974)	(15,889)	274,277	(2,150,899)	(4,279,485)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(b) Segment Assets and Liabilities

Year ended 30 June 2012

	Exploration (Chile)	Exploration (Brazil)	Investment (Australia)	Corporate (Australia)	Total Consolidated Entity
Assets					
Current assets	239,364	16,148	132,471	37,057	425,040
Property, plant & equipment	3,919	33,652	592	77,286	115,449
Investment & financial assets	-	-	-	-	-
Exploration and evaluation expenditure	-	17,286,328	-	-	17,286,328
Other non-current assets	1,587	61,906	-	-	63,493
Total Segment Assets	244,870	17,398,034	133,063	114,343	17,890,310
Liabilities					
Current liabilities	(2,179)	-	-	(133,417)	(135,596)
Borrowings	-	-	-	(200,000)	(200,000)
Total Segment Liabilities	(2,179)	-	-	(333,417)	(335,596)
Net Assets Employed	242,691	17,398,034	133,063	(219,074)	17,554,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended 30 June 2011

	Exploration (Chile)	Exploration (Brazil)	Investment (Australia)	Corporate (Australia)	Total Consolidated Entity
Assets					
Current assets	-	-	4,286,628	6,329,219	10,615,847
Property, plant & equipment	87,163	23,136	-	7,822	118,121
Investment & financial assets	-	-	-	-	-
Exploration and evaluation expenditure	-	17,929,610	-	-	17,929,610
Other non-current assets	1,632	59,358	-	-	60,990
Total Segment Assets	88,795	18,012,104	4,286,628	6,337,041	28,724,568
Current liabilities	(2,689,789)	(3,237,560)	-	(58,953)	(5,986,302)
Total Segment Liabilities	(2,689,789)	(3,237,560)	-	(58,953)	(5,986,302)
Net Assets Employed	(2,600,994)	14,774,544	4,286,628	6,278,088	22,738,266

(c) Major Customers

The Consolidated Entity continues to carry out exploration activities in Brazil and at this time does not provide product or services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. CONTINGENT LIABILITIES

In April 2011 Brazilian Metals Group Ltd, through its subsidiary, Minas Norte Mineração Ltda, entered into an arrangement with Mineração Granduvale Ltda and others for the acquisition of Mineral Rights. The consideration for this acquisition is US\$60,000,000 payable in instalments over a 6 year period. US\$1,000,000 was paid upon signing, with the instalments for the balance commencing 12 months after the grant of all relevant special licences for the performance of exploration works relating to a number of Mineral Rights. As at the date of this report a number of the special licences are still to be granted, and the initial 12 month period for the first instalment has not yet commenced.

The Company intends to fund payments associated with the acquisition of Mineral Rights predominantly via capital raising in the equity markets, however debt financing may be considered if available on terms favourable to the Company.

In November 2011 Brazilian Metals Group Ltd elected to withdraw from its arrangement with Dacal Mineração Ltda and others, thus removing any contingent liabilities associated with that arrangement.

There have been no other changes in contingent liabilities since 30 June 2012.

4. DIVIDENDS

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

5. 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.

Options Granted

During the year, the Company granted 8,500,000 options issued to the Directors on 09 December 2011. The table below are summaries of options granted to the Directors:

Name	Expiry Date	Exercise Price	Date Granted	Number of Options
Peter O'Connor	9/12/2015	\$0.20	9/12/2011	3,000,000
Bruce McCracken	1/07/2016	\$0.20	9/12/2011	1,400,000
	1/07/2016	\$0.22		2,600,000
Malcolm Castle	9/12/2014	\$0.22	9/12/2011	1,500,000

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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:

Grant Date	Expiry date	Exercise price	Balance at start of the year number	Granted during the year number	Exercised during the year number	Forfeited during the year number	Balance at end of the year number	Vested and exercisable at end of the year number
9/12/2011	9/12/2015	\$0.20	-	3,000,000	-	-	3,000,000	3,000,000
9/12/2011	1/07/2016	\$0.20	-	1,400,000	-	-	1,400,000	1,400,000
9/12/2011	1/07/2016	\$0.22	-	2,600,000	-	-	2,600,000	2,600,000
9/12/2011	9/12/2014	\$0.22	-	1,500,000	-	-	1,500,000	1,500,000
Total			-	8,500,000	-	-	8,500,000	8,500,000
Weight average exercise price			-	\$0.21	-	-	\$0.21	-

No options expired during the periods covered by the above tables.

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2012 was \$0.21 (2011—not applicable).

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.86 years (2011—not applicable).

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.

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2012 was one cent per option (2011—Nil). The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Options Expensed

Option expenses related to options issued to Directors in prior periods, with the expenses being recognised over the vesting period.

The fair value of option at grant date is independently determined using a Black Scholes option valuation methodology that takes into account the exercise price.

The following share based payment was made through the issue of equity:

	Number of Options	Value of options issued	Options expensed during the year **
Issue of Tranche A.1. management options exercisable at \$0.20, vesting immediately and expiring four years from issue	3,000,000	120,442	120,442
Issue of Tranche A.2. management options exercisable at \$0.20, vesting immediately and expiring four years from issue	1,400,000	56,206	56,206
Issue of Tranche B management options exercisable at \$0.22, vesting upon the first anniversary of the commencement 01 July 2011 and expiring five years from issue	1,300,000	50,730	50,484
Issue of Tranche C.1. management options exercisable at \$0.22, vesting 6 months from issue and expiring five years from issue	1,300,000	50,731	50,731
Issue of Tranche C.2. management options exercisable at \$0.22, vesting 6 months from issue and expiring five years from issue	1,500,000	58,536	58,536
Total	8,500,000	336,645	336,399

** - Options calculated on a per day ratio

The following inputs were used:

Input	Tranche A.1.	Tranche A.2.	Tranche B	Tranche C.1.	Tranche C.2.
Underlying share price	\$0.07	\$0.07	\$0.07	\$0.07	\$0.07
Exercise price	\$0.20	\$0.20	\$0.22	\$0.22	\$0.22
Expected volatility	100%	100%	100%	100%	100%
Expiry date	09/12/2015	1/07/2016	1/07/2016	9/12/2014	1/07/2016
Expected dividends	-	-	-	-	-
Risk free interest rate	3.29%	3.29%	3.29%	3.29%	3.29%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The options will be expensed over their vesting period in accordance with AASB 2. In the Statement of Financial Position all of the Tranche A.1, A.2, C.1, C.2 and proportional amounts from Tranche B have been expensed.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated	
	2012	2011
	\$	\$
Share-based payment		\$
Options issued under employee option plan	336,399	-
	336,399	-

6. FINANCIAL RISK MANAGEMENT

(a) Overview

The Company and the Consolidated Entity's have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This Note presents information about the Company's and Consolidated Entity's' exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and the management of capital.

The Group's Risk Management Framework is supported by the Board, Management and the Audit and Risk Committee. The Board is responsible for approving and reviewing the Company's and Consolidated Entity Risk Management Strategy and Policy. Management is responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. The Audit and Risk Committee is responsible for identifying, monitoring and managing significant business risks faced by the Company and Consolidated Entity and considering the effectiveness of its internal control system. Management and the Audit and Risk Committee report to the Board.

The Board has established an overall Risk Management Policy which sets out the Company's and Consolidated Entity's system of risk oversight, management of material business risks and internal control. The Consolidated Entity's hold the following financial instruments:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Consolidated	
	2012	2011
	\$	\$
Financial assets		\$
Cash and cash equivalents	166,054	4,466,452
Trade and other receivables	146,667	290,455
Financial assets (non-current)	-	-
	312,721	4,756,907
Financial liabilities		
Trade and other payable	335,596	181,100
	335,596	181,100

(b) Financial Risk Management Objectives

The overall financial Risk Management Strategy focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on financial performance and protect future financial security.

(c) Credit Risk

Credit risk is the risk of financial loss to the Consolidated Entity if counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash and cash equivalents, deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. For the Company it arises from receivables and cash held due from subsidiaries. The Consolidated Entity does not hold any credit derivatives to offset its credit exposure.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Consolidated	
	2012	2011
	\$	\$
Trade receivables		
<i>Counterparties without external credit rating *</i>		
Group 1	19,796	98,562
Group 2	126,871	191,893
	146,667	290,455
Cash at bank and short-term bank deposits		
AA	46,054	179,824
AA	120,000	4,286,628
	166,054	4,466,452

* Group 1 – new customers (less than 6 months).

Group 2 – existing customers (more than 6 months) with no defaults in the past.

Exposure to credit risk

The carrying amount of the Consolidated Entity's financial assets represents the maximum credit exposure. The Consolidated Entity's maximum exposure to credit risk at the reporting date was:

	Consolidated	
	2012	2011
	\$	\$
Cash and cash equivalents	166,054	4,466,452
Trade and other receivables	146,667	290,455
Financial assets (non-current)	-	-
	312,721	4,756,907

(d) Liquidity Risk

Liquidity risk arises from the financial liabilities of the Consolidated Entity and the Consolidated Entity's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

Ultimate responsibility for Liquidity Risk Management rests with the Board of Directors. The Board has determined an appropriate Liquidity Risk Management Framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

liquidity risk by maintaining adequate reserves and continuously monitoring budgeted and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

Contractual maturities of financial liabilities	Less than 6 months	6 – 12 months	Total	Carrying Amount
Group - at 30 June 2012	\$	\$	\$	\$
Trade payables	135,596	200,000	335,596	335,596
Total	135,596	200,000	335,596	335,596
Group - at 30 June 2011	\$	\$	\$	\$
Trade payables	181,100	-	181,100	181,100
Total	181,100	-	181,100	181,100

(e) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and commodity prices will affect the Consolidated Entity's income or the value of its holdings of financial instruments. The objective of Market Risk Management is to manage and control market risk exposures within acceptable parameters, while optimising return.

Foreign Currency Risk

The Consolidated Entity is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of the Consolidated Entity's, primarily the Australian dollar (AUD), but also US dollar (US\$) in Brazil and Chile.

The Company and the Consolidated Entity is exposed to changes in foreign exchange rates as it has operational liabilities in Brazilian Reals. There has been no material exposure to non-functional currency amounts during the financial year.

The Group wishes to highlight that its US dollar assets are subject to foreign currency movements due to changes in the exchange rates compared to the Australian dollar. The impact to the Group can be seen within the Statement of Change in Equity (foreign currency reserve) for 2012 with a total movement of \$781,928 representing a gain for the year.

Interest Rate Risk

The Company and Consolidated Entity's' exposure to interest rates primarily relates to the Consolidated Entity's cash and cash equivalents. The Consolidated Entity manages market risk by monitoring levels of exposure to interest rate risk and assessing market forecasts for interest rates.

Profile

At the reporting date the interest rate profile of the Company's and the Consolidated Entity's interest

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

bearing financial instruments was:

	2012	2011
	\$	\$
Variable Rate Instruments		
Financial Assets	166,054	4,466,452
	166,054	4,466,452

The Group manages its interest rate risk by monitoring available interest rates while maintaining an overriding position of security whereby the majority of cash and cash equivalents are held in AA- rated bank accounts. The Group's exposure to interest rate risk and effective weighted average interest rate by maturing periods is set out in tables below:

	Weighted Average Effective Interest Rate	Floating Interest Rate	Maturing within 1 Year	Non- Interest Bearing	Total
	2012	2012	2012	2012	2012
Financial Assets	%	\$	\$	\$	\$
Cash and cash equivalents	3.50		120,000	46,054	166,054
Trade and other receivables	-	-	-	146,667	146,667
Total Financial Assets		-	120,000	192,721	312,721
Trade and other payables	-	-	-	335,596	335,596
Total Financial Liabilities				335,596	335,596

	Weighted Average Effective Interest Rate	Floating Interest Rate	Maturing within 1 Year	Non- Interest Bearing	Total
	2011	2011	2011	2011	2011
Financial Assets	%	\$	\$	\$	\$
Cash and cash equivalents	5.46	-	4,286,628	179,824	4,466,452
Trade and other receivables	-	-	-	290,455	290,455
Total Financial Assets		-	4,286,628	470,279	4,756,907
Trade and other payables	-	-	-	181,100	181,100
Total Financial Liabilities		-	-	181,100	181,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Other Market Price Risk

The Company and Consolidated Entity are involved in the exploration and development of mining tenements for minerals. Should the Company successfully progress to a producer, revenues associated with mineral sales and the ability to raise funds through equity and debt will have some dependence upon commodity prices.

Cash Flow Sensitivity Analysis for Variable Rate Instruments

A change of 100 basis points in interest rates at reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. The Board assessed a 100 basis point movement as being reasonably possible based on forward treasury rate projections. This analysis assumes that all other variables remain constant.

A change of 100 basis points in interest rates would have increased or decreased the Consolidated Entity's profit or loss by \$44,665.

	Consolidated	
	+1% (100 basis points)	-1% (100 basis points)
	2012	2012
	\$	\$
Cash and cash equivalents	1,661	(1,661)
	1,661	(1,661)

(f) Capital Management

When managing capital, the Board's objective is to ensure the Consolidated Entity continues as a going concern as well as to maintain optimal returns to Shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the Consolidated Entity.

The Board is constantly adjusting the capital structure to take advantage of favourable costs of capital or high return on assets. As the market is constantly changing Management may issue new shares, sell assets to reduce debt.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position although there is no formal policy regarding gearing levels whilst this position has not changed, the Consolidated Entity has entered into short-term loan agreement with Transcontinental Investments Pty Ltd for the sum of \$200,000. Details of the loan agreement are discussed in Note 24.

The Consolidated Entity has no formal financing and gearing policy or criteria during the year having regard to the early status of its development and low level of activity. This position has not changed from the previous year.

The Board has determined that future capital raisings will be required in order to continue the Group's exploration and development of its mining tenements. The success and timing of any future capital raising is

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

currently uncertain. 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 believe that they will be able to contain the operating and investment activities sufficiently to ensure that Brazilian Metals Group Limited can meet their debts as and when they become due and payable. In the meantime, Transcontinental Investments Pty Ltd will provide financial support until the successful completion of the capital raising.

(g) Fair value measurements

The fair values of financial assets and liabilities are determined in accordance with generally accepted pricing models based on estimated future cash flow. There are currently no assets and liabilities which require fair valuing under the measurement hierarchy.

7. REVENUE FROM CONTINUING OPERATIONS

	Consolidated	
	2012	2011
	\$	\$
Interest received from continuing operation	99,507	226,457
Revenue from rendering services	-	47,820
	99,507	274,277

8. EMPLOYEE BENEFITS EXPENSE

	Consolidated	
	2012	2011
	\$	\$
Wages and salaries	17,554	5,068
Directors' fees	421,195	135,285
Superannuation	31,428	9,790
Other personnel expenses	45,271	13,603
	515,448	163,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. EMPLOYEE SHARE BASED PAYMENTS

	Consolidated	
	2012	2011
	\$	\$
Share based payment	336,399	-
	336,399	-

Details and Calculation of Share based payment is discussed in Note 5.

10. INCOME TAX

	Consolidated	
	2012	2011
	\$	\$
Income tax benefit	-	-

Tax Rates

The potential tax benefit in respect of tax losses not brought into account has been calculated at 30%.

Numerical reconciliation between tax expenses and pre-tax net loss

Income tax benefit at the beginning of the year	-	-
Loss before income tax expense	(6,301,879)	(4,279,485)
Income tax benefit calculated at rates noted above	(1,890,564)	(1,283,845)
Tax effect on amounts which are not tax deductible	131,813	764,067
Financial asset impairment	-	46,080
Write off of exploration costs	1,318,128	-
Tax effect on timing differences	26,023	208,044
Tax effect on deductible capital raising costs/other	(34,815)	(38,228)
Deferred tax asset on tax losses not brought to account	449,415	303,882
Income tax benefit	-	-

Net deferred tax assets not brought to account

Unused tax losses	7,220,272	6,027,290
Timing differences	25,134	29,753
Capital raising cost in equity	332,216	412,240
Tax at 30%	2,273,287	1,940,785

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The benefit for tax losses will only be obtained if:

- (a) the Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (b) the Company continues to comply with the conditions for deductibility imposed by Law; and
- (c) no changes in tax legislation adversely affect the ability of the Company to realise these benefits.

11. CASH AND CASH EQUIVALENTS

	Consolidated	
	2012	2011
	\$	\$
Cash at bank and on hand	46,054	179,824
Short term deposit	120,000	4,286,628
	166,054	4,466,452

(a) Reconciliation to cash at the end of the year

	Consolidated	
	2012	2011
	\$	\$

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	166,054	4,466,452
Balances per Statement of Cash Flows	166,054	4,466,452

(b) Risk exposure

The Group's exposure to interest rate risk is discussed in Note 6. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above. The Consolidated Entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are discussed in Note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2012	2011
	\$	\$
CURRENT		
Trade debtors	24,211	24,667
Taxation receivables	122,456	204,798
Prepayments	112,318	114,728
	258,985	344,193
NON-CURRENT		
Bonds and deposits	63,494	60,990
	63,494	60,990
	322,479	405,183

(a) Impaired trade receivables

There were no impaired trade receivables for the Group in 2012 or 2011. The ageing of these receivables is as follows:

	Consolidated	
	2012	2011
	\$	\$
1 to 3 months	258,895	344,193
3 to 6 months	-	-
Over 6 months	-	-
	258,895	344,193

(b) Past due but not impaired

As at 30 June 2012, bonds and deposits over operations office in Chile and Brazil of \$63,494 (2011: \$60,990) were treated as guarantee bonds and deposits but not impaired. The ageing analysis of these bonds and deposits are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Consolidated	
	2012	2011
	\$	\$
3 to 6 months	-	-
Over 6 months	63,494	60,990
	63,494	60,990

(c) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 6.

(d) Fair value and credit risk

Due to the short-term nature of the trade receivables the carrying amount is assumed to approximate their fair value. The exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to Note 6 for more information on the Risk Management Policy of the Group and the credit quality of the Entity's trade receivables.

13. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2012	2011
	\$	\$
Year Ended 30 June 2012		
At 1 July 2011, net of accumulated depreciation	118,121	47,514
Additions	40,254	89,470
Movement in foreign currency assets	3	(2,939)
Disposals	-	-
Depreciation Charge for the year	(42,929)	(15,924)
At 30 June 2011, net of accumulated depreciation	115,449	118,121
At 30 June 2012		
Cost	214,200	173,403
Accumulated Depreciation	(98,751)	(55,282)
Net carrying amount	115,449	118,121

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2012	2011
	\$	\$
Opening balance	17,929,610	2,631,263
Exchange movement	677,903	(1,312,908)
Exploration expenditure capitalised	3,072,574	4,729,312
Exploration capitalised on acquisition	-	14,284,444
Exploration expenditure write off (Chile)	-	(2,402,501)
Exploration expenditure write off (Brazil)	(4,393,760)	-
Exploration and Evaluation Expenditure	17,286,327	17,929,610

15. TRADE AND OTHER PAYABLES

	Consolidated	
	2012	2011
	\$	\$
CURRENT LIABILITIES		
Trade creditors and accruals	135,596	179,050
Other creditors (Borrowings)	200,000	2,050
	335,596	181,100

(a) Risk exposure

Information about the group's exposure to foreign exchange risk in relation to trade creditor and other payable is provided in Note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. CONTRIBUTED EQUITY

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

	Consolidated	
	2012	2011
	\$	\$
Contributed equity as at 1 July 2011	35,406,374	13,686,885
Share issued to raise capital	-	7,688,595
Share issued on acquisition	-	14,439,700
Share Issue Cost	-	(408,806)
	35,406,374	35,406,374

(a) Movements of share capital during the year

Date	Details	No of shares	Issue price\$	No of loyalty options	\$
01.07.2011	Opening Balance 36,099,260 fully paid ordinary shares (June 11: 36,099,260)	146,056,933	-	136,759,914	35,406,374
	Movement during the year	-	-	-	-
	Closing Balance as at 30/06/2012	146,056,933	-	136,759,914	35,406,374

Ordinary Shares

The holder of ordinary shares is entitled to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Options

During or since the end of the year, the unissued ordinary shares of the Company under option were as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Date of Expiry	Exercise Price	Options issued during period	Number Exercised	Balance
30/11/2012	\$0.20	750,000	-	750,000
30/11/2014	\$0.20	136,756,414	-	136,756,414
09/12/2014	\$0.22	1,500,000	-	1,500,000
09/12/2015	\$0.20	3,000,000	-	3,000,000
01/07/2016	\$0.20	1,400,000	-	1,400,000
01/07/2016	\$0.22	2,600,000	-	2,600,000
		146,006,414	-	146,006,414

* Refer to Note 6 for more information on the Capital Risk Management.

17. RESERVES

	Consolidated	
	2012	2011
	\$	\$
Reserve at the beginning of the year	(2,057,125)	277,481
Change in fair value of financial assets	-	(198,999)
Foreign exchange movement	781,928	(2,135,607)
Share based payment	336,399	-
Reserve at the end of the year	(938,798)	(2,057,125)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. RETAINED EARNINGS

	Consolidated	
	2012	2011
	\$	\$
Accumulated loss at the beginning of the year	(10,610,983)	(6,331,498)
Net profit/(loss) attributable to Shareholders	(6,301,879)	(4,279,485)
Accumulated loss at end of the year	(16,912,862)	(10,610,983)

19. CASH FLOW INFORMATION

	Consolidated	
	2012	2011
	\$	\$

Reconciliation of cash flow from operating activities with the loss from continuing operations after income tax:

Non-cash flows in profit from ordinary activities

Net (Loss) after Income Tax	(6,301,879)	(4,279,485)
Depreciation & Amortisation	42,929	15,924
Employee option expense	336,399	-
Exploration expenditure impaired	4,393,760	2,402,501
Financial asset impairment	-	153,599
Loss on disposal of financial assets	-	646,067
Expensed PP&E	-	-
Exchange movement	(92,201)	-

Changes in assets & liabilities net of purchase & disposal of subsidiaries

(Increase)/Decrease in receivables	85,208	(6,476)
Increase/(Decrease) in creditor & accruals	154,496	135,149
Cash flow from Operating Activities	(1,381,288)	(932,721)

20. LOSS PER SHARE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Consolidated	
	2012	2011
	\$	\$
(a) Reconciliation of earnings to profit or loss		
Net loss used in calculating basic loss per share	(6,301,879)	(4,279,485)
(b) Weighted average number of ordinary shares outstanding during the year		
Weighted average number of ordinary shares used in calculating basic loss per share	146,056,933	100,261,656

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.

21. EVENTS SUBSEQUENT TO REPORTING DATE

Since 1 July 2012 the monthly fee owed by Brazilian Metals Group Limited to Transcontinental Investments Pty Ltd under the Agreement has been reduced to \$10,000 (plus GST) and is being accrued interest free, instead of paid, until a capital raising is completed.

22. REMUNERATION OF AUDITOR

During the year the following fees were paid or payable for services provided by the Auditor of the entity and its related parties:

	30 June 2012	30 June 2011
	\$	\$
Audit and other assurance services		
BDO Audit (WA) Pty Ltd	37,773	46,051
Total remuneration for audit and other assurance services	37,773	46,051
Corporate finance		
BDO Corporate Finance (WA) Pty Ltd		
Independent accountant's report for inclusion in a prospectus	-	16,335
Preparation of a management accounting Cash Flow Model	15,329	-
Total remuneration for corporate finance	15,329	16,335

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. EXPENDITURE COMMITMENTS

Mineral Tenement Lease

Financial commitments for subsequent periods are contingent upon future exploration results have been disclosed in Note 3.

Management Fees Commitment

Brazilian Metals Group Limited has entered into an Agreement with Transcontinental Investments, under which the Company agreed to retain Transcontinental Investments to provide corporate administration services to the Company. The Agreement states that the Company must pay a monthly fee of \$20,000 (plus GST) to Transcontinental Investments plus reimbursement each month for certain costs, expenses and liabilities incurred and/or paid by Transcontinental Investments on behalf of the Company during the month. The initial term of the Agreement is two years from the date of Official Quotation and thereafter the Agreement continues on the same terms until it is terminated.

	30 June 2012	30 June 2011
	\$	\$
Not later than one year	120,000	240,000
Later than one year but not Later than five years	120,000	240,000
Later than five years	-	-
TOTAL	240,000	480,000

Since 1 July 2012 the monthly fee owed by Brazilian Metals Group Limited to Transcontinental Investments Pty Ltd under the Agreement has been reduced to \$10,000 (plus GST) and is being accrued interest free, instead of paid, until a capital raising is completed.

24. RELATED PARTY INFORMATION

Parent Entity

The legal Parent Entity within the Group is Brazilian Metals Group Limited. Brazilian Metals Group Limited owns 100% of the issued ordinary shares of King Energy Pty Ltd, Brilliant City Holdings Limited, Star Castle Holdings Limited (directly), Minas Norte Mineração Ltda (indirectly) and SLM Arauco Minerals Ltd (indirectly).

Wholly-owned Group transactions

Loans made by Brazilian Metals Group Limited to wholly-owned subsidiaries companies are contributed to meet required expenditure payable on demand and are not interest bearing.

Key Management Personnel

Disclosures relating to Key Management Personnel are set out in Note 26.

Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following transaction occurred with related parties for the year ended 30 June 2012:

	2012	2011
	\$	\$
Other transactions		
Administration and Office Services Fee to Transcontinental Investments	240,000	195,000

The aggregate amount recognised during the year relating to Key Management Personnel and their related parties were as follows:

Director	Transaction	Transactions Value for the Year Ended 30 June		Balance Outstanding as at 30 June	
		2012	2011	2012	2011
Anthony Trevisan (Director of Transcontinental Investments Pty Ltd)	Administration and Office Services fees	240,000	195,000	-	-

Notes in relation to the table of related party transactions:

A company associated with Mr. Trevisan's family provides office space, office equipment and supplies and corporate management and administration services in connection with the operations of the Company and amounts are payable on a monthly basis.

Corporate administration services include those services necessary for the proper administration of a small public company, including:

- (a) company secretarial and accounting, Corporate Governance and reporting and administration support, management of the Company's website, management of third party professional and expert service providers including legal, accounting, tax, audit and investment banking, independent technical expert and other services associated with proper administration of a listed public company;
- (b) operating, marketing, strategic and financial activities required in relation to the Company's Australian mining and exploration projects; and
- (c) provision of 'A' grade office space in a central business district office for the Company's main corporate office including use of IT, photocopying and other office equipment and supplies.

The Company must pay a monthly fee of \$20,000 (plus GST) to Transcontinental Investments plus reimbursement each month for certain costs, expenses and liabilities incurred and/or paid by Transcontinental Investments on behalf of the Company during the month.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Loans to/from related parties

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

	2012	2011
Loan at the beginning of the year	-	-
Borrowings	200,000	-
Loan at end of the year	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.

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 or for no less than 12 months from the signing of the accounts. In addition since 1 July 2012 the monthly fee owed by Brazilian Metals Group Limited to Transcontinental Investments Pty Ltd under the Agreement has been reduced to \$10,000 (plus GST) and is being accrued interest free, instead of paid, until a capital raising is completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. PARENT ENTITY INFORMATION

The following details information related to the Parent Entity, Brazilian Metals Group Limited, as at 30 June 2012. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2012	2011
Current assets	5,328,778	9,654,509
Non-current assets	77,286	96,915
Investment and Financial Assets	12,482,066	18,023,372
Total Assets	17,888,130	27,774,796
Current liabilities	333,416	179,486
Non-current liabilities	-	-
Total Liabilities	333,416	179,486
Contributed equity	35,406,374	35,406,374
Retained earnings/(accumulated losses)	(18,288,841)	(7,911,846)
Option reserve	437,181	100,782
Financial asset reserve	-	-
Total Equity	17,554,714	27,595,310
(loss) for the year	(10,314,839)	(3,405,144)
Other comprehensive (loss) for the year	(8,792)	(124,509)
Total Comprehensive (loss) for the Year	(10,323,631)	(3,529,653)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors

Names and positions held of Parent Entity Directors and Key Management Personnel in office at any time during the financial year are:

Director 1	Peter O'Connor	(Non-Executive Chairman)
Director 2	Bruce McCracken	(Chief Executive Officer)
Director 3	Anthony Trevisan	(Non-Executive Director)
Director 4	Robert Pett	(Non-Executive Director)
Director 5	Malcolm Castle	(Executive Technical Director)

Other Key Management Personnel

Fleur Louise Hudson	(Company Secretary)
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Key Management Personnel Compensation

The Key Management Personnel compensation disclosed below represents an allocation of the Key Personnel's estimated compensation from the Group in relation to their services rendered to the Company.

The Individual Directors & Executive compensation comprised as at 30 June 2012. The details are contained in the Remuneration Report in the Directors' Report set out on pages 15 to 22.

	Consolidated	
	2012	2011
	\$	\$
Short-term employee benefits		
Peter O'Connor	72,000	10,452
Anthony Trevisan ¹	240,000	195,000
Malcolm Castle ²	237,688	122,500
Bruce McCracken ³	309,195	-
Robert Pett	40,000	20,000
Thomas Kelly (resigned 16/05/2011)	-	34,667
Craig Bromley (resigned 16/05/2011)	-	34,667
Carl Swensson (resigned 9/12/2010)	-	18,000
Fleur Hudson	-	-
Jade Styants	-	46,388
	898,883	481,674

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Share-based payments

Peter O'Connor	120,442	-
Bruce McCracken	157,421	-
Malcolm Castle	58,536	-
	336,399	-

- (1) Mr Trevisan has not received remuneration from the Company for the year ended 30 June 2012. Brazilian Metals Group Ltd has an Agreement with Transcontinental Investments Pty Ltd as disclosed in Note 23 under Management Commitment which is a Director related entity (Anthony Trevisan). Transcontinental Investments Pty Ltd which charged a management and administrative fee for office space and services, accounting and administration services totalling \$240,000 during the financial year (2011: \$195,000) . Mr Trevisan is a Director of Transcontinental Investments Pty Ltd which is associated with Mr Trevisan's children.
- (2) Mr Castle received \$26,038 (2011: 122,500) in salary as Executive Technical Director until 11 July 2012 and received consultancy fees of \$211,650 paid to The MJ Castle Family Trust of which Mr Castle is a Director and Beneficiary.
- (3) Mr McCracken received \$300,000 in salary as Chief Executive Officer during the year and received \$9,195 for pre-employment consulting work in June 2011 which was paid in 05 July 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Equity instruments disclosure relating to Key Management Personnel

Shareholdings

Number of shares held by Parent Entity Directors and other Key Management Personnel of the Group, including their personally related parties, are set out below.

2012 Name	Balance at the start of the year	Allotment during the year	Received during the year on the exercise of options	Other Changes during the year	Balance at the end of the year
Directors of Brazilian Metals Group Limited Ordinary Shares					
<i>Non-Executive</i>					
Peter O'Connor ¹	-	-	-	500,000	500,000
Anthony Trevisan ²	11,978,599	-	-	165,000	12,143,599
Malcolm Castle ³	3,978,569	-	-	-	3,978,569
Bruce McCracken	75,000	-	-	-	75,000
Robert Pett	-	-	-	-	-
Other Key Management Personnel of the Group Ordinary Shares					
<i>Specified Executive</i>					
Fleur Hudson	-	-	-	-	-

Note 1: Relevant interest as Director and a Trustee of Avonmore Holdings Group Ltd.

Note 2: Relevant interest as Director and sole Shareholder of AAT Holdings Ltd and indirect interest as spouse of Karen Trevisan.

Note 3: Relevant interest as Director and sole Shareholder of Agricola Mining Consultants Pty Ltd and indirect interest as a spouse of Susan Castle.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2011 Name	Balance at the start of the year	Allotment during the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Brazilian Metals Group Limited Ordinary Shares					
<i>Non-Executive</i>					
Peter O'Connor	-	-	-	-	-
Anthony Trevisan ¹	-	-	-	11,978,599	11,978,599
Malcolm Castle ²	-	-	-	3,978,569	3,978,569
Thomas Kelly ³	5,679,164	-	-	(392,335)	5,286,829
Craig Bromley ⁴	7,578,657	-	-	(3,739,075)	3,839,582
Other Key Management Personnel of the Group Ordinary Shares					
<i>Specified Executive</i>					
Fleur Hudson	-	-	-	-	-
Jade Styants	-	-	-	-	-

Note 1: Relevant interest as Director and sole Shareholder of AAT Holdings Ltd and indirect interest as spouse of Karen Trevisan.

Note 2: Relevant interest as Director and sole Shareholder of Agricola Mining Consultants Pty Ltd and indirect interest as a Spouse of Susan Castle.

Note 3: Relevant interest as Director and beneficiary of Apnea Holdings Pty Ltd and Syzygy Holdings Pty Ltd and interest as a Parent of Finnegan Kelly. Thomas Kelly has resigned as a Director on 17 May 2011.

Note 4: Relevant interest as Director and beneficiary of Flue Holdings Pty Ltd and Hopetoun Nominees Pty Ltd and indirect interest as a Spouse of Susan Bromley. Craig Bromley has resigned as a Director on 17 May 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with term and conditions of the options, can be found in the Remuneration Report on page 15 to 22.

Option Holdings

The numbers of options over ordinary shares in the Company held during the financial year by each Director of Brazilian Metals Group Limited and other Key Management Personnel of the Group, including their personally related parties, are set out below.

2012 Directors	Balance at the start of the year	Granted as compensation	Exercised	Other changes during the year	Balance at the end of the year	Vested and exercisable	Unvested
Directors of Brazilian Metals Group Limited Option Holdings							
<i>Non-Executive</i>							
Peter O'Connor	-	3,000,000	-	-	3,000,000	3,000,000	-
Anthony Trevisan ¹	11,978,599	-	-	-	11,978,599	11,978,599	-
Bruce McCracken	75,000	4,000,000	-	-	4,075,000	4,075,000	-
Malcolm Castle ²	3,754,600	1,500,000	-	-	5,254,600	5,254,600	-
Robert Pett ³	-	-	-	2,098,242	2,098,242	2,098,242	-
Other Key Management Personnel of the Group Option Holdings							
<i>Specified Executive</i>							
Fleur Hudson	-	-	-	-	-	-	-

Note 1: Relevant interest as Director and sole Shareholder of AAT Holdings Ltd and indirect interest as a spouse of Karen Trevisan.

Note 2: Relevant interest as Director and sole Shareholder of Agricola Mining Consultants Pty Ltd and indirect interest as a spouse of Susan Castle.

Note 3: Relevant interest as Director and beneficiary of Apnea Holdings Pty Ltd and Syzygy Holdings Pty Ltd and interest as a parent of Finnegan Kelly. Thomas Kelly has resigned as a Director on 17 May 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 4: Relevant interest as Director and beneficiary of Flue Holdings Pty Ltd and Hopetoun Nominees Pty Ltd and indirect interest as a spouse of Susan Bromley. Craig Bromley has resigned as a Director on 17 May 2011.

2011 Directors	Balance at the start of the year	Granted as compensation	Exercised	Other changes during the year	Balance at the end of the year	Vested and exercisable	Unvested
Directors of Brazilian Metals Group Limited Option Holdings							
<i>Non-Executive</i>							
Peter O'Connor	-	-	-	-	-	-	-
Anthony Trevisan ¹	-	-	-	11,978,599	11,978,599	11,978,599	-
Malcolm Castle ²	-	-	-	3,754,600	3,754,600	3,754,600	-
Thomas Kelly ³	3,000,000	-	(1,500,000)	3,781,829	5,281,829	5,281,829	-
Craig Bromley ⁴	1,000,000	-	(500,000)	3,339,582	3,839,582	3,839,582	-
Other Key Management Personnel of the Group Option Holdings							
<i>Specified Executive</i>							
Fleur Hudson	-	-	-	-	-	-	-
Jade Styants	-	-	-	-	-	-	-

Note 1: Relevant interest as Director and sole shareholder of AAT Holdings Ltd and indirect interest as a spouse of Karen Trevisan

Note 2: Relevant interest as Director and sole shareholder of Agricola Mining Consultants Pty Ltd and indirect interest as a Spouse of Susan Castle.

Note 3: Relevant interest as Director and beneficiary of Apnea Holdings Pty Ltd and Syzygy Holdings Pty Ltd and interest as a Parent of Finnegan Kelly. Thomas Kelly has resigned as a Director on 17 May 2011.

Note 4: Relevant interest as Director and beneficiary of Flue Holdings Pty Ltd and Hopetoun Nominees Pty Ltd and indirect interest as a Spouse of Susan Bromley. Craig Bromley has resigned as a Director on 17 May 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Individual Key Management Personnel Compensation Disclosures

Information regarding individual Key Management Personnel compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors' Report on pages 15 to 22.

Other Key Management Personnel Transactions with the Company

A number of Key Management Personnel or their related parties hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of those entities transacted with the Company during the year. The terms and conditions of those transactions were no more favorable than those available or, which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

For details refer to the Note 24.

27. AFTER REPORTING DATE EVENTS

Since 1 July 2012 the monthly fee owed by Brazilian Metals Group Limited to Transcontinental Investments Pty Ltd under the Agreement has been reduced to \$10,000 (plus GST) and is being accrued interest free, instead of paid, until a capital raising is completed.

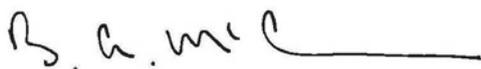
DIRECTORS' DECLARATION

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

- (a) the Financial Statements and Notes set out on pages 34 to 87, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2012 and of their performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*; and other mandatory professional reporting requirements.
- (b) the Financial Report also complies with International Financial Reporting Standards as disclosed in Note 1; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* by the Financial Officer for the financial year ended 30 June 2012.

Signed in accordance with a resolution of the Directors.



Bruce McCracken

Chief Executive Officer

Dated at Perth, Western Australia, this 27th September 2012.

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

Report on the Financial Report

We have audited the accompanying financial report of Brazilian Metals Group Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(b(i)), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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.

Opinion

In our opinion:

- (a) the financial report of Brazilian Metals Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(b(i)).

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(c(iii)) in the financial report, which indicates that the consolidated entity incurred a net loss of \$6,301,879, during the year ended 30 June 2012 and the consolidated entity will need to seek additional funding in order to progress its exploration and development of its mining tenements. These conditions, along with other matters as set forth in Note 1(c(iii)), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Brazilian Metals Group Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO


Chris Burton
Director

Perth, Western Australia
Dated this 27th day September 2012

ASX ADDITIONAL INFORMATION (continued)

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 31 August 2012.

(a) Distribution of equity securities as at 31 August 2012

Listed Fully Paid Ordinary Shares	Number of Holders	Number of Shares
1 - 1,000	26	9,398
1,001 - 5,000	115	418,171
5,001 - 10,000	120	1,038,288
10,001 - 100,000	314	12,768,734
100,001 - and over	132	131,822,342
	707	146,056,933

(b) Top twenty Shareholders at 31 August 2012

Listed Fully Paid Ordinary Shares	Number of Shares	Percentage of Shares
1 INDOCHINA MINERALS LIMITED	23,826,696	16.31%
2 TRG EQUITY INVESTMENTS PTY LTD	16,947,991	11.60%
3 AAT HOLDINGS LTD	11,953,599	8.18%
4 HSBC CUSTODY NOMINEES AUSTRALIA LTD	9,016,875	6.17%
5 UPPER RISE GROUP LIMITED	8,750,896	5.99%
6 NEFCO NOMINEES PTY LTD	5,675,106	3.89%
7 TRANSCONTINENTAL INVESTMENTS PTY LTD	5,123,019	3.51%
8 APNEA HOLDINGS PTY LTD	5,008,079	3.43%
9 AGRICOLA MINING CONSULTANTS PTY LTD	3,429,600	2.35%
10 MR DANIEL PAUL WISE	2,885,832	1.98%
11 MR SVEN JAMES ROBERTSON	2,875,472	1.97%
12 FLUE HOLDINGS PTY LTD	2,839,582	1.94%
13 MR ABDUL AZIZ BIN MHD HUSSAIN	1,750,000	1.20%
14 MR JOSE AGUSTIN BAHAMONDES	1,409,098	0.96%
15 MS SUSAN JACQUELINE BROMLEY	1,000,000	0.68%
16 MR MARSHALL BRIAN NATHANSON	1,000,000	0.68%
17 SURFBOARD PTY LTD	1,000,000	0.68%
18 ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	963,718	0.66%
19 JP MORGAN NOMINEES AUSTRALIA LTD	822,751	0.56%
20 MR STEPHEN JAMES GLOSSOP & CASSANDRA JOY GIBBENS	762,000	0.52%
	107,040,314	73.26%

ASX ADDITIONAL INFORMATION (continued)

(c) Top twenty Option Holders at 31 August 2012

		Number of Shares	Percentage of Shares
1	TRG EQUITY INVESTMENTS	16,947,991	12.39%
2	AAT HOLDINGS LTD	11,953,599	8.74%
3	NEFCO NOMINEES PTY LTD	9,858,283	7.21%
4	HSBC CUSTODY NOMINEES	8,890,000	6.50%
5	UPPER RISE GROUP LIMITED	8,732,900	6.39%
6	APNEA HOLDINGS PTY LTD	5,008,079	3.66%
7	CALLANDER NOMINEES PTY LTD	4,076,355	2.98%
8	AGRICOLA MINING CONSULTANTS	3,429,600	2.51%
9	TRANSCONTINENTAL INVESTMENTS	3,429,600	2.51%
10	MR BERNARD MARIE FRANCOIS LE CLEZIO	3,375,000	2.47%
11	MR DANIEL PAUL WISE	3,085,832	2.26%
12	FLUE HOLDINGS PTY LTD	2,339,582	1.71%
13	MR DENIS IVAN RAKICH	2,331,380	1.70%
14	MITICO PTY LTD	2,264,852	1.66%
15	ICON COMMUNICATIONS LIMITED	2,181,505	1.60%
16	GOFFACAN PTY LTD	1,851,954	1.35%
17	ECONOMIC CONSULTANTS PTY LTD	1,332,217	0.97%
18	SURFBOARD PTY LTD	1,000,000	0.73%
19	MS SUSAN JACQUELINE BROMLEY	1,000,000	0.73%
20	BERENES NOMINEES PTY LTD	908,054	0.66%
		93,996,783	68.73%

ASX ADDITIONAL INFORMATION (continued)

(d) Substantial Shareholders

The names of substantial Shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of Shares	Percentage of Ordinary Shares
Indochina Minerals Limited	23,826,696	16.63%
TRG Equity Investments Pty Ltd	20,527,591	14.33%
AAT Holdings Limited	11,953,599	8.34%
Upper Rise Group Limited	8,750,896	6.11%
City Natural Resources High Yield Trust Plc	7,500,000	5.23%

(e) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(f) Unlisted Options

There are 1,244,334 unlisted options over unissued shares on issue, in the class exercisable at 20 cents per share on or before 31 October 2011. There are 4 holders of this class of option.

There are 750,000 unlisted options over unissued shares on issue, in the class exercisable at 20 cents per share on or before 30 November 2012. There are 2 holders of this class of option.

(g) Cash Usage

Since the time of listing on the ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of the ASX in a manner which is consistent with its business objectives.

SCHEDULE OF MINING TENEMENTS AND INTERESTS

The list of tenements is situated and the percentage interest held by the Company in accordance with ASX Ruling 4.10.15 are:

Project Name	Location	Area (Ha)	Number	Year	Interest
Rio Pardo West	Rio Pardo	1839.85	832466/2010	2010	100%
Rio Pardo West	Rio Pardo	1756.75	832467/2010	2010	100%
Rio Pardo West	Rio Pardo	1,984.53	832468/2010	2010	100%
Rio Pardo West	Rio Pardo	1,977.73	832469/2010	2010	100%
Rio Pardo West	Rio Pardo	1,733.45	832470/2010	2010	100%
Rio Pardo West	Rio Pardo	174.11	832471/2010	2010	100%
Rio Pardo West	Rio Pardo	1,987.17	832472/2010	2010	100%
Rio Pardo West	Rio Pardo	1940.63	832473/2010	2010	100%
Rio Pardo West	Rio Pardo	1,938.79	832474/2010	2010	100%
Rio Pardo West	Rio Pardo	141.96	834164/2010	2010	100%
Rio Pardo West	Rio Pardo	163.61	834165/2010	2010	100%
Rio Pardo West	Rio Pardo	27.80	834718/2010	2010	100%
Rio Pardo West	Rio Pardo	46.90	833719/2011	2011	100%
Granduvale	Rio Pardo	1,999.96	830535/2008	2008	100%
Granduvale	Rio Pardo	2,000.00	830536/2008	2008	100%
Granduvale	Rio Pardo	1,972.94	830537/2008	2008	100%
Granduvale	Rio Pardo	1,999.30	830538/2008	2008	100%
Granduvale	Rio Pardo	2,000.00	830663/2008	2008	100%
Granduvale	Rio Pardo	1,995.40	830664/2008	2008	100%
Granduvale	Rio Pardo	1,149.41	831719/2008	2008	100%
Granduvale	Rio Pardo	466.93	831716/2008	2008	100%
Granduvale	Rio Pardo	207.18	831717/2008	2008	100%
Granduvale	Rio Pardo	1,983.46	832331/2007	2007	100%
Granduvale	Rio Pardo	1,936.92	832332/2007	2007	100%
Granduvale	Rio Pardo	1,089.47	831718/2008	2008	100%
Granduvale	Rio Pardo	118.00	831311/2006	2006	100%
Granduvale	Rio Pardo	730.03	830176/2004	2004	100%

SCHEDULE OF MINING TENEMENTS AND INTERESTS

Project Name	Location	Area (Ha)	Number	Year	Interest
Granduvale	Rio Pardo	969.03	830174/2004	2004	100%
Granduvale	Rio Pardo	994.50	832931/2003	2003	100%
Granduvale	Rio Pardo	999.87	832523/2003	2003	100%
Granduvale	Rio Pardo	999.97	832263/2003	2003	100%
Granduvale	Rio Pardo	999.94	832262/2003	2003	100%
Granduvale	Rio Pardo	999.96	831728/2003	2003	100%
Granduvale	Rio Pardo	995.66	832742/2003	2003	100%