ANNUAL REPORT 2011

BMG

ACN 107 118 678

BRAZILIAN METALS GROUP LIMITED

Brazilian Metals Group Limited

ACN 107 118 678

Annual Report

For the Year Ended

30 June 2011

Brazilian Metals Group Limited

ACN 107 118 678

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 – appointed 25/11/2010 Jade Styants – resigned 04/11/2010
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Dear Shareholders

I am very pleased to address you as Chairman of Brazilian Metals Group Ltd for the first time.

During the last year the Company has undergone significant change and since securing the Rio Pardo iron ore exploration assets the operation has progressed towards its goal of building a substantial iron ore project in northern Minas Gerais, Brazil.

Much has been achieved in the past 12 months to deliver the Company to this point and much remains to be done for the Company to demonstrate the value it is creating. BMG is now well positioned to pursue its strategy of exploration and development of a significant iron ore enterprise in the emerging world class iron province in northern Minas Gerais, Brazil. The Company has secured a strategic portfolio of iron ore mineral rights in the region, identified and advanced key prospects at Gema Verde and Rio Pardo (Josilene–Scorpion prospect) with the potential to deliver a large scale iron ore resource and built a team with the capability and experience to progress this strategy.

The BMG management team and Board have a number of new faces, including mine. Mr Anthony Trevisan and Mr Robert Pett (who joined the Board in December 2010) bring a depth of mining and corporate experience as non-Executive Directors. Mr Malcolm Castle (who joined the Board in December 2010), with over 40 years geological experience, much in iron ore exploration and development, has moved into the role of Executive Technical Director to lead and oversee the technical aspects of the Company and Mr McCracken (who joined the Board and commenced as CEO in July 2011) is an experienced corporate and finance executive.

The Company has now built its organisation in Brazil to support its local operations. Mr Phil Fox, a geologist with over 20 years' experience, most recently in South America, has been appointed COO – Brazil. BMG has established a country office in Belo Horizonte, the capital of Minas Gerais, and a regional office in Rio Pardo de Minas, close to the Company's operations.

The outlook for the global iron ore sector continues to be positive, largely driven by the strong demand from China and other BRIC countries. This is expected to remain strong, over the medium term horizon, which augurs well for BMG's strategy.

During the next 12 months the Company will focus on advancing its exploration drilling at its key prospects with the aim of delivering a JORC resource at both Gema Verde and Rio Pardo (Josilene–Scorpion prospect) and progressing the scoping work for the development of a mining operation. This will include the evaluation of infrastructure solutions to support the development of a mining operation. BMG will also evaluate its funding requirements and seek to secure additional capital as required to support its ongoing activities.

This is an exciting period for the Company and one of great opportunity as we continue to progress our iron ore strategy in Brazil. Much has been achieved in the relatively short time since the Company focussed on iron ore, and much is expected in the coming periods.

I thank you for your support of the Company, and look forward to updating you on our progress as we move forward.

Yours faithfully

Peter O'Connor
Chairman, Brazillian Metals Group Ltd

I am pleased to be providing my first report as CEO of BMG having joined the Company on 1 July 2011.

During the past 12 months BMG has undertaken significant change to transform its strategic and operational focus to iron ore exploration and development in the emerging world class iron province in northern Minas Gerais, Brazil.

The Company's business plan has been based on a certain strategy. Simply put this strategy translates to securing highly prospective and strategic iron ore mineral rights by way of option agreements, evaluating through a combination of geophysics, sampling and drilling, then either dropping in the event exploration is unsuccessful or moving on to the next level of exploration when warranted. We believe this strategy has served BMG well, and we are now poised to move forward with a nucleus of mineral rights which are strategically located and show very significant promise with the first JORC resource expected by the end of this year.

Iron-ore mineral rights in this region of Brazil are very valuable and command high prices, once a resource has been established. For example, ENRC recently acquired the Bahia project for an implied value of US$1,400m[1] and the Jiboia project for US$304m[2], and Honbridge paid up to US$405m[3] for the Vale Do Rio Pardo project.

Another aspect of the BMG's business strategy has been to negotiate long term staged payments on acquisitions of mineral rights and furthermore, structure completion with exit windows giving the Company additional flexibility in its dealings. This is enabling the Company to build its strategic assets in a structured and timely way.

The following highlights capture the Company's key achievements during this period.

Highlights

- BMG acquired the Rio Pardo iron-ore project and successfully undertook a capital raising to fund the establishment of the project in the emerging world class iron ore province in northern Minas Gerais, Brazil.
- BMG successfully established local operations in Minas Gerais, Brazil with a capable management and exploration team, led by experienced geologist Phil Fox.
- BMG has continued to build a strategic tenement holding in the region through option arrangements which allow it to evaluate and acquire prospective areas over extended periods – two key areas secured since re-listing were Granduvale (part of the Rio Pardo project) and Gema Verde.
- BMG has rapidly progressed exploration with two key projects to focus on:

  1. **Gema Verde project -** Current exploration target of 370 to 680 million tonnes at 16.6% to 19.9% Fe, with an initial JORC resource assessment anticipated during the final quarter of calendar 2011. This project is an extension of Honbridge's Block 8 resource on which Honbridge is undertaking a definitive feasibility study.

  2. **Josilene –** Scorpion Prospect - Rio Pardo project – an exploration target of 2 to 3 billion tonnes at the Josilene–Scorpion prospect with strike length of over 13km.

- BMG has also recently enhanced its holdings in the Rio Pardo Region with the acquisition of an option over the highly prospective Catuti Block. The Company has a 7 month evaluation period, and anticipates drilling will commence in October 2011.
- BMG's projects and exploration tenements are all located within a regional envelope that will allow joint infrastructure and development solutions to be pursued.

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1 ENRC acquired 50% of Bahia Minerals BV (BMBV) for US$670m, plus the assumption of US$65m of debt, implying an enterprise value for BMBV of US$1,400m. BMBV owns an iron ore project with a JORC resource of 1,808mt @ 32% Fe, comprising 932mt @ 35.3% Fe measured and indicated, and 876mt @ 28.4% Fe inferred. Refer ENRC release on 21 September 2010 titled "Acquisition of the outstanding 50% interest in Bahia Minerals BV and an Option to acquire 100% of Greystone".

2 The Jiboia project has a JORC resource of 2,856mt @ 25.9% Fe, comprising 824mt @ 27% Fe indicated, and 2,041mt @ 25.5% Fe inferred. Refer to ENRC release on 18 October 2010 titled "Acquisition of 100% of Mineracao Minas Bahia SA and 51% of Mineracao Peixe Bravo SA".

3 The Vale do Rio Pardo project has a JORC resource of 2,615mt @ 20.0% Fe at Block 8 (adjacent to BMG's Gema Verde project) comprising 1,135mt @ 20.57% Fe measured, 1,479mt @ 19.64% Fe indicated, and 1mt @ 18.34% Fe inferred; and at Block 7 a JORC resource of 1,056.2mt @ 20.6% Fe, comprising 25.2mt @ 21.7% Fe indicated, and 1,031mt @ 20.6% Fe inferred. Refer Honbridge release in July 2011 titled "Game Changer: The SAM Iron Ore Project".

Strategic Overview

BMG's goal is to develop a substantial mining enterprise in the northern Minas Gerais by establishing a mining, processing and transport operation with the scale to export in excess of 25 million tonnes of premium iron product per annum.

The key steps to implementing our goals are:

- Identify and acquire areas prospective for large iron deposits with the potential for development into an export mining operation.
- Undertake targeted exploration and drilling to confirm resource status in accordance with the JORC code of the project area.
- Undertake scoping study, pre-feasibility study and definitive feasibility study of the project.
- Establish structure and capability to support the mining operation.

BMG is well progressed in the initial phases of its strategy having secured an extensive portfolio of highly prospective iron ore mineral rights in the region, and advanced its drilling at its two key projects – Gema Verde and Rio Pardo (Josilene–Scorpion prospect).

- BMG has exclusive mineral rights for c. 1042km2 of Fe prospective ground, with 157km2 of tenements pegged and granted directly. The Company will continue to manage its portfolio by augmenting and releasing holdings as appropriate.
- BMG has advanced infill drilling at the Gema Verde project with an initial JORC resource statement expected in the December 2011 quarter. In-fill drilling for resource definition at Rio Pardo (Josilene–Scorpion prospect) is anticipated to deliver a JORC resource by mid-2012.
- BMG has started to progress pre-feasibility work at Gema Verde and Rio Pardo (Josilene–Scorpion prospect) and aims to make substantial progress in 2012.

Chilean Uranium Project

With the acquisition and focus on our Brazilian iron-ore operations the Company's uranium exploration project in Chile is no longer considered to be core to the Company's activities. BMG is now seeking options for the project through an agent in Chile and consequently has written down the $2.4m carrying value in the FY2011 accounts.

Financial Comments

The impact of the Chilean write-down has been to increase BMG's net loss for the period from $1.9m to $4.3m. In addition, the Company has booked a "change in foreign operations" charge of $2.1m as part of its total comprehensive loss. This foreign operations charge represents an adjustment made for the depreciation of the US dollar valued acquisition cost of the Brazilian operation resulting from the increase in the value of the Australian dollar relative to the US dollar over the last year. If in future periods the US dollar appreciates against the Australian dollar (as it has immediately before this report was completed) this charge will move the other way.

Finally, there is an unusually large corporate and administrative expenses charge this year. That charge was caused by the extraordinary third party legal and administrative expenses incurred in relation to BMG acquiring and establishing the Brazilian operations and relisting on the ASX.

Key Priorities for BMG

The following are BMG's key priorities during the next 12 months:

- Completing the work required to establish a maiden resource in accordance with the JORC code at Gema Verde during the December 2011 quarter.
- Undertaking evaluation drilling at Catuti from October 2011.
- Securing the next tranche of equity funding to progress the next phase of the Company's iron ore strategy.
- Completing the infill drilling program to establish a resource in accordance with the JORC code at Rio Pardo (Josilene – Scorpion prospect) by the mid 2012.
- Progressing infrastructure options for its projects in 2012. BMG will seek to leverage regional infrastructure solutions associated with a number of large scale iron ore projects under development in the region of BMG's projects.
- Continuing to optimise the Company's portfolio of iron ore mineral rights in the region to support large iron deposits with potential for development into an export mining operation.

Bruce McCracken
Chief Executive Officer, Brazilian Metals Group Ltd

Exploration Summary

BMG has two major projects in northern Minas Gerais iron ore province in Brazil.

- The whole of the **Rio Pardo project** covers a very large area 967km2 and comprises 66 exploration licences. This project is expected to be consolidated through further drilling and study into a smaller number of blocks which will include the **Josilene–Scorpion** prospect and the recently acquired option over the **Catuti** block. The Rio Pardo project (Josilene-Scorpion prospect) lies on the extension of magnetite bearing zones which host a number of major iron ore deposits.
- The **Gema Verde project** is the southern extension of a known iron ore deposit at Block 8 held by Honbridge Holdings Limited as part of its Vale Do Rio Pardo project.

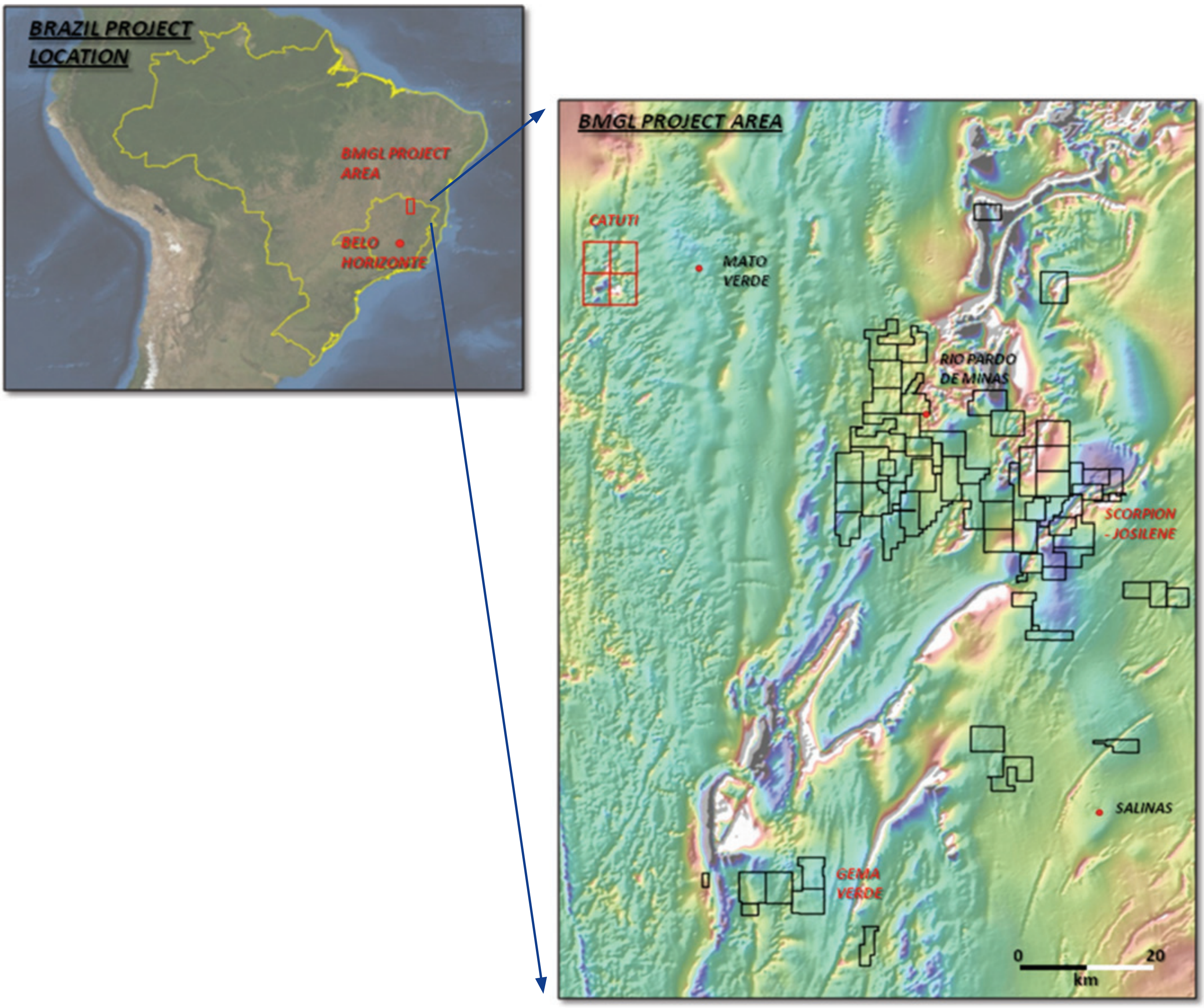

Figure 1 *- BMG's Project Area and Tenements, with underlying Aeromagnetics.*

Background to the Projects

Rapitan-type iron deposits are Neoproterozoic iron-formations that are characterised by their distinct association with glaciomarine sediments. Examples include the Rapitan Group (Canada), the Yudnamutara Subgroup (Braemar-Australia), the Chuos Formation (Namibia), and the Jacadigo Group and Macaubas Group (Brazil).

The Macaubas Group in northern Minas Gerais, was first explored in 1964 - 1978 by Vale and more recent work by Codemig, Miba, Vototantim, Mtransminas and Gema Verde, and has established a firm foundation for a large iron ore industry in the area with extensive surface indications of iron mineralisation. The Rio Pardo Iron Project straddles the northern extensions of the known mineralised area. Field examination has demonstrated the presence of iron ore and manganese mineralisation within the block, with a number of major drilling targets identified to date.

Several large iron deposits in the northern Minas Gerais province are being studied at definitive feasibility level and studies have focussed on the beneficiation aspects of the iron bearing material.

- The **Vale do Rio Pardo project** (formerly known as the Salinas project), located adjacent to BMG's Gema Verde project, was originally studied by Votorantim and more recently by the current owner, Honbridge Holdings Limited. Honbridge has announced a mineralised resource estimated in accordance with the JORC Code of 1,135 million tonnes at 20.57% Fe in the Measured Category, 1,479 million tonnes at 19.64% Fe in the Indicated Category and 1 million tonnes at 18.34% Fe in the Inferred Category in Block 8 and 25 million tonnes at 21.7% Fe in the Indicated Category and 1,031 million tonnes at 20.6% Fe in the Inferred Category in Block 7.The Vale do Rio Pardo project was purchased by Honbridge in 2010 for a maximum of US$405m. Beneficiation tests published by Honbridge indicate that the ROM feed material at grade of around 19% to 20% could readily be upgraded to pellet feed grades of 65% Fe for an estimated process operating cost of US$10.73, and an overall operating cost of US$23.73[4].
- The **Jiboia** deposit located near the Vale do Rio Pardo deposit was initially drilled by Minas Bahia Mineracao Ltda (MIBA) and sold to Steel do Brazil who undertook further drilling to allow an estimate of resource to be completed. In May 2010, Golder Associates confirmed a resource in accordance with the JORC code of 824 million tonnes at 27.0% Fe in the Indicated category and 2,041 million tonnes at 25.5% Fe in the Inferred category. The project was subsequently sold to Eurasian Natural Resources Corporation PLC (ENRC) for US$250m. The remaining 51% of an extensive exploration portfolio with very little work to date was also acquired for US$54m.
- Large deposits of iron ore are also known to be present on adjacent ground held by Vale, Mtransminas and Gema Verde though estimates have not been released to the required JORC standard.

BMG is targeting deposits similar in nature to the Vale do Rio Pardo and Jiboia deposits.

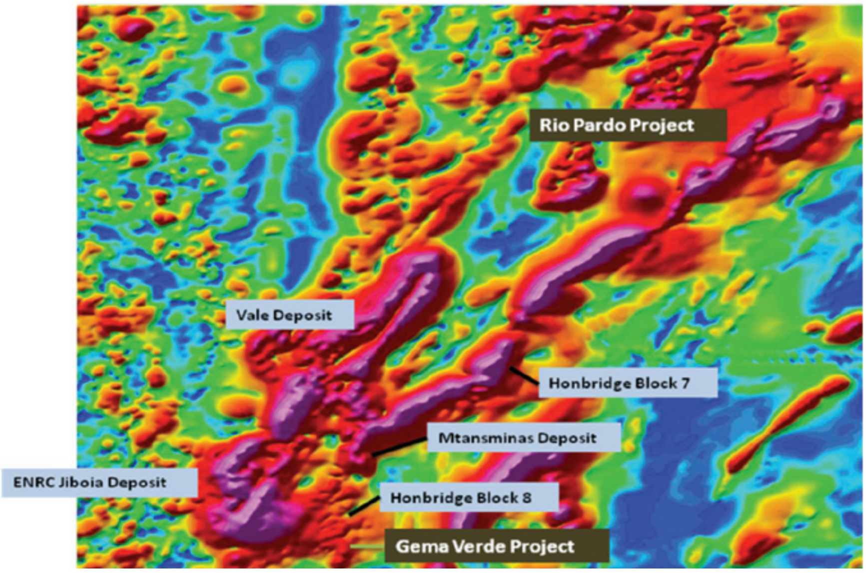

Figure 2 *- Aeromagnetics over the Northern Minas Gerais Province, major deposits and BMG's project areas.*

4 Golder Associates, 2010, "Vale do Rio Pardo Resource Estimation", 28 March 2011, for Honbridge Holdings Limited, Honbridge Holdings Ltd, "Game Changer, The SAM Iron Ore Project", July 2011 Presentation

Gema Verde Project

In April 2011 BMG entered into an option agreement with Gema Verde Comércio Exportação de Minerais & Serviços Ltda to acquire 100% of the Gema Verde iron deposit ("Gema Verde Project") in the Salinas Area, Minas Gerais State, Brazil for US$60m staged over five years from exercise of the option. The agreement covers four granted Exploration Licences covering 75.6km2.

BMG has an evaluation period currently until the first quarter into 2012 and is undertaking confirmatory and in-fill drilling to be completed this year. Exploration in Brazil historically is not reported in accordance with the JORC Code and BMG is undertaking infill drilling and supplementary analysis during the evaluation period to enable an estimate of the mineralised resource on the Gema Verde deposit to be completed.

Local Geology

Mineralisation on the Company's Rio Pardo Iron Project including the Gema Verde Project, is associated with hematite-rich diamictites (glaciomarine sediments)and, subordinately, to hematite quartzite's and rare layers of hematite schist, all belonging to the Riacho dos Poções Member of the Nova Aurora Formation.

The average orientation of the mineralised zone as measured in the field and confirmed by the drilling data indicates a gentle dip, of 15° to the east. Three phases of deformation are recognised in the mineralised zones.

The mineralised diamictites are embedded in less mineralised diamictite packages both on the hangingwall and footwall. The main ore minerals are lamellar and granular maghemite, hematite and goethite with magnetite being rarely associated. Enriched iron grades are distributed towards the top and bottom of the mineralised layer with lower grades in the central part.

Diamond Drilling

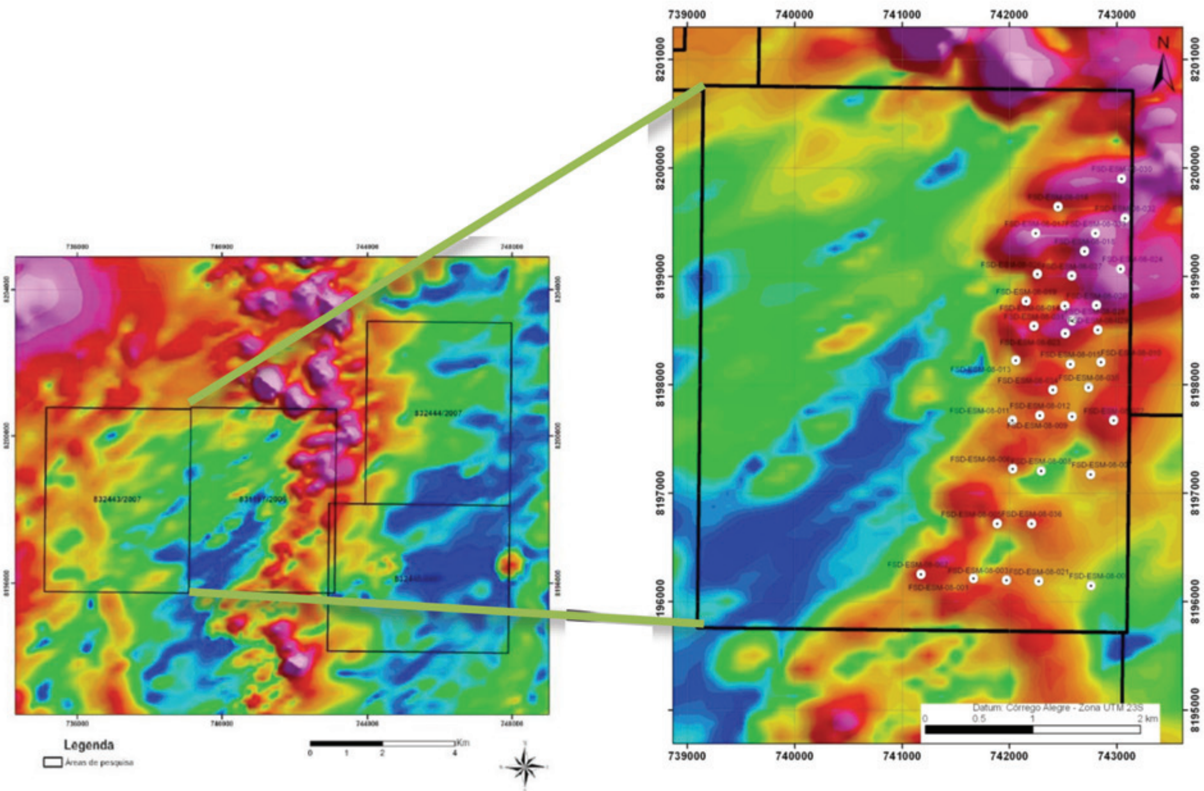

Figure 3 *– Gema Verde Diamond Drill Locations.*

The mineralised zone within the Gema Verde tenement 831.197/2006 was drilled in 2008 with diamond coring in 35 drill holes for a total of 5,514 metres. Further diamond core drilling was completed in 2011 with 7 holes for 1,313.95 metres. A series of Reverse Circulation drill holes were also completed to fill in earlier sparse drilling with 24 holes for 2,503 metres.

Highlights of the 2008 diamond core drilling*	
FSD019	8.73m at **30.7%** Fe from 4.65m
FSD031	10m at **29.3%** Fe from 24.76m
FSD023	15.06m at **21.0%** Fe from 74.45m
FSD012	20m at **20.3%** Fe from 62.62m
FSD005	17.4m at **24.8%** Fe from 16.65m
FSD014	20m at **21.6%** Fe from 68.7m
FSD033	20.4m at **21.5%** Fe from 59.8m
FSD028	20m at **22.0%** Fe from 76.95m
FSD013	16.8m at **27.8%** Fe from 2.9m
FSD024	28.3m at **20.2%** Fe from 152.85m
FSD032	25.7m at **23.4%** Fe from 103.7m
FSD011	27.35m at **24.0%** Fe from 3.2m

** Significant zones of mineralisation are based on a lower cut off of 15% Fe. All assay intercepts are down hole intervals in angled and vertical holes and at this stage the structure of the host rocks is not known in sufficient detail to estimate true widths. The assays quoted are based on weighted averages of the significant zone with included material of slightly lower grades. Weighting was based on down hole intercept length. All drill holes are by diamond coring at approximately HQ and size. Samples were collected by splitting to half core, compositing to 10 metre intervals, crushed and riffle split to an appropriate size for submission to a laboratory. Sample recovery was estimated by measurement of the drill core and was considered to be satisfactory. 1480 metres of the diamond core were assayed with an average grade of 15.6% Fe. 47% of the metres exceeded 15% Fe with an average grade of 20.2%*

Full details of the drill hole locations and surveys and assay results are included in the table at the end of this section.

Exploration Target

An Exploration Target of 370 to 680 million tonnes at 16.6% Fe to 19.9% Fe has been estimated at Gema Verde in accordance with the JORC code.

Exploration targets for Gema Verde are based on the previous diamond drilling of 35 holes for 5,514 metres and were compiled by creating wireframes that constrain the known ore zones, and in some cases extrapolated through parts of drill-holes that have not, as yet, been assayed. The wireframes are based on a reasonable degree of confidence in the geological interpretation. The shapes continue from surface to approximately 300 metre depth and are constrained by the tenement boundaries. Two cases were considered by modelling the upper and lower higher grade zones based off a 15% Fe lower cut off. This resulted in an estimate of 370 to 400 million tonnes at an average grade of 19.9 %Fe.

A second estimate was compiled by incorporating the lower grade mineralisation between the upper and lower zones and constraining the mineralisation with wireframes, topographic surface and tenement boundaries. This resulted in an estimate of 650 to 680 million tonnes at an average grade of 16.6 %Fe.

While the Company remains optimistic that it will report resources and reserves in the future, any discussion in relation to exploration targets or resource potential is only conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

The Rio Pardo Project

This includes the areas known as Dacal 1, Granduvale, Vargem Grande, Rio Pardo West and the recently acquired option of the Catuti Block amongst others, all of which are located in the iron-ore province around the Brazilian town of Rio Pardo, de Minas.

Exploration Strategy

One of the main guides to iron mineralisation is a strong aeromagnetic signature. This signature is coincident with major zones of strong iron mineralisation at Jiboia (ENRC), Nova Aurora (Vale), Mtransminas and Vale Do Rio Pardo (Honbridge). The strong aeromagnetic feature extends into the Rio Pardo Project area and has been traced for over 20 kilometres within the tenements.

Surface mapping and sampling, together with RAB drilling in 2010 confirmed the iron rich nature of the trend and identified canga (oxidised caps) related to magnetite bearing diamictites. In some areas weathering extends to 50 to 70 metres and at surface little rock texture is preserved. The current Reverse Circulation drilling has confirmed the exploration concept.

***Figure 4** – Canga outcrop and Scree at Rio Pardo.*

Interpretation of the aeromagnetic data is used to establish proposed drill sites and the Reverse Circulation drill rigs currently employed are focussed on the highest parts of the anomalies and the extensions along strike. Preliminary detailed interpretation of the aeromagnetic data suggests there is significant faulting and dislocation of the anomalous zone.

A number of target zones have been identified and are being drilled. The principal target is the Josilene-Scorpion prospect which can be traced for 13 kilometres within BMG's tenements and to the Vale do Rio Pardo (Salinas), Vale and ENRC mineralised zones.

Two reverse circulation drilling rigs were mobilised to the eastern side of the tenement block and drilling has commenced on a strong magnetic anomaly at the Josilene Prospect. This prospect represents a strike length of over 20 kilometres with multiple broad magnetic zones. Current drilling is focussed on a zone which covers an area of 3000 metres by 1100 metres. RC drilling along the strike length of the zone within tenement 831.719/2008 has encountered oxidised rock overlying magnetite bearing diamictites.

The results received so far are very encouraging. The assayed holes penetrated wide zones of magnetite and hematite bearing material from the surface to the bottom of the hole in every case on the Josilene prospect. This represents a significant volume of mineralisation and is open to depths below the current drilling and open along strike.

The Josilene prospect covers a strike length of 3,000 metres and the first series of holes were drilled at 400 metre intervals along this strike.

Reverse Circulation Drilling

A major Reverse Circulation (RC) drilling program commenced in December 2010 to provide initial information on selected targets.

Prospect	No Holes	Total Metres
Josilene	15	1,673
Teiu	16	2,883
Sem Terra	2	229
Scorpion	13	1,933
Vargam Grande	4	428
Total	50	7,146

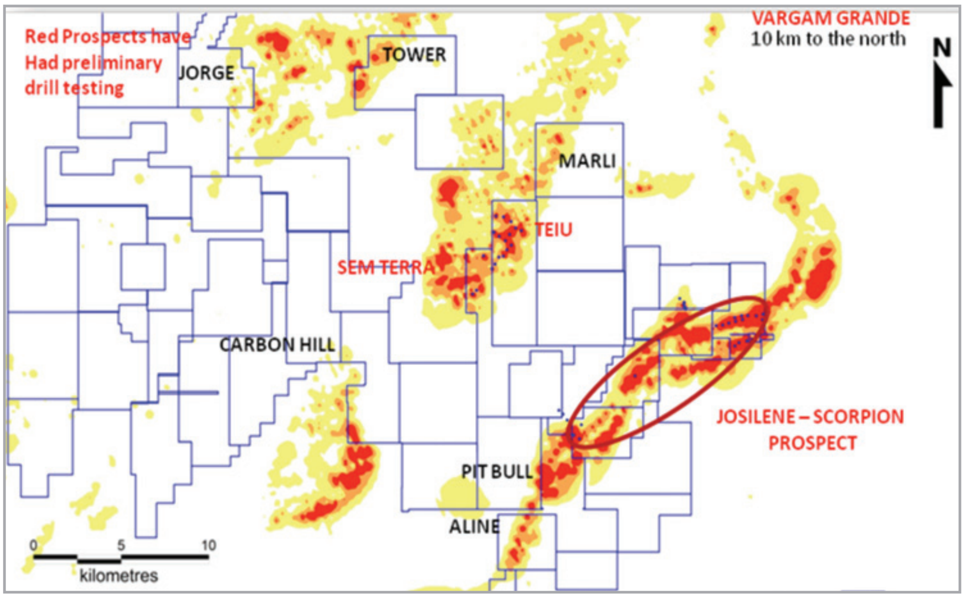

Figure 5 *– Drill Testing at Rio Pardo.*

RC Drilling Highlights from Josilene – Scorpion Prospects*	
Josilene Prospect	
JORC012	16 metres at **26.9%** Fe from surface
JORC003	20 metres at **18.7%** Fe from 112m incl. 4m at **36.22%** Fe from 128m
JORC004	44 metres at **17.0%** Fe from surface
JORC007	12 metres at **17.0%** Fe from 56m
JORC007	20 metres at **16.3%** Fe from surface
JORC006	76 metres at **17.0%** Fe from surface
JORC005	64 metres at **16.8%** Fe from surface
JORC013	44 metres at **16.3%** Fe from surface

RC Drilling Highlights from Josilene – Scorpion Prospects*	
Scorpion Prospect	
SCRC026	4 metres at **20.50%** Fe from 12m
SCRC024	16 metres at **20.08%** Fe from 24m
SCRC022	40 metres at **19.45%** Fe from 140m
SCRC022	4 metres at **19.40%** Fe from surface
SCRC021	40 metres at **18.89%** Fe from 152m
SCRC030	44 metres at **18.75%** Fe from 92m
SCRC002	16 metres at **17.75%** Fe from 20m
SCRC023	4 metres at **17.60%** Fe from 20m
SCRC003	24 metres at **17.4%** Fe from 88m
SCRC030	4 metres at **17.30%** Fe from 60m
SCRC008	1 metre at **17.3%** Fe from 144m

** Significant zones of mineralisation are based on a lower cut off of 15% Fe. All assay intercepts are down hole intervals in vertical holes and at this stage the structure of the host rocks is not known in sufficient detail to estimate true widths. The assays quoted are based on weighted averages of the significant zone with included material of slightly lower grades. Weighting was based on down hole intercept length. All drill holes are by Reverse Circulation at approximately 13.25 cm size. Samples were collected by splitting the RC return material, compositing to 4 metre intervals, riffle split to an appropriate size for submission to a laboratory. Sample recovery was estimated by measurement of the weight of the return and was considered to be satisfactory.*

Exploration Target

An Exploration Target has been estimated and is expected to be 2 to 3 billion tonnes based on current drilling over the full strike length.

Exploration targets for Josilene – Scorpion at the Rio Pardo Project were estimated by considering the strike length of 13 kilometres which has been successfully drilled with 28 Reverse Circulation drill holes for 3,606 metres. Drill holes were closely spaced over a surface width of 1.5 to 2.0 kilometres. In the absence of firm evidence of the true dip for the mineralised zones the width was reduced to 300 to 500 metres which has been demonstrated in the fences of holes and depth was extended to 200 metres to the limit of drilling. Density was assumed to be 2.5 tonnes per cubic metre. The Exploration target was assessed at 2,000 to 3,000 million tonnes at a weighted average grade of 17% Fe.

While the Company remains optimistic that it will report resources and reserves in the future, any discussion in relation to exploration targets or resource potential is only conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

Beneficiation Test Work

BMG is currently carrying our metallurgical test work with METS in Perth, WA, to determine the suitability of its Run of Mine feed from Gema Verde and Rio Pardo (Josilene – Scorpion) to beneficiation. This refers to the process by which lower grade iron ore which cannot be used directly in metallurgical plants is upgraded to increase the iron content and reduce the impurity content. Extensive test work undertaken by Honbridge suggests the ore at its Vale Do Rio Pardo project (adjacent to Gema Verde) can be readily beneficiated for a very economic cost[5].

Catuti Block

The Company has, subject to a 7 month period of evaluation to the end of March 2012, entered into an agreement to acquire the Catuti block, which comprises a block of 4 iron ore tenements, over an area of 80 square kilometres.

The landscape of the project area is highly accessible, and consists largely of rolling fields and patches of native scrub with occasional rocky sub-crops. There are a number of sub-cropping areas, with consistent iron mineralisation from surface sampling of between 18% and 55% Fe (block average of 30% Fe) (based on XRF[6]testing).

During the evaluation period the Company intends to drill test areas associated with the high magnetic trends and sub-cropping areas of iron mineralisation. BMG plans to commence the evaluation drilling once landholder agreements are finalised, which it anticipates will be during October 2011.

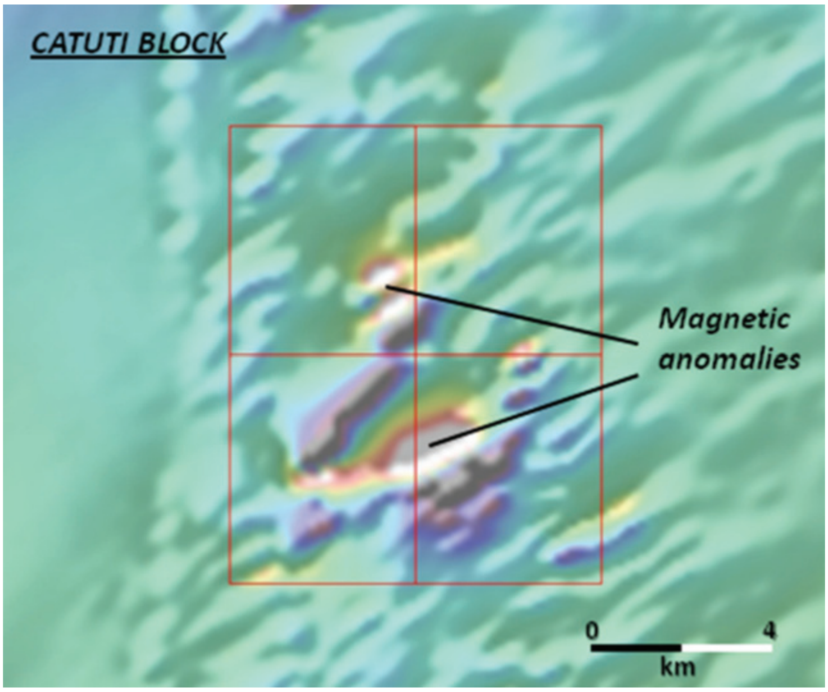

Figure 6 *– Catuti, North Minas Gerais Brazil*

[5] Coffey Mining, 2010, Independent Technical Adviser's Report, Very Substantial Acquisition, Honbridge Holdings Limited, 5 November 2010, Honbridge Holdings Ltd, Game Changer, The SAM Iron ore Project, July 2011 Presentation.

[6] Delta DP-6000 (INNOV-X SYSTEMS INC.).

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 reviewed the information relating to the estimation of Exploration Targets and is satisfied that it fairly represents the scope of the deposits. Mr Castle 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” (The JORC code). 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.

RC AND DD DRILLING

LOCATION INFORMATION (SAD69 Grid)							SIGNIFICANT ASSAYS					BASED ON 15% FE CUTOFF			
Josilene Prospect (GRANDUVALE) - RC 2011															
Hole ID	**Easting**	**Northing**	**RL**	**Azi**	**Decl**	**Depth**	**Hole ID**	**From**	**To**	**Int.**	**Fe,%**	**SiO2, %**	**Al2O3,%**	**P,%**	**LOI,%**
JORC 001	792,756	8,261,935		0/360	-90.00	143.00	JORC001	104	128	24	14.97	62.28	9.46	0.128	
JORC 002	792,785	8,262,250		0/360	-90.00	118.00	JORC002	36	60	24	15.76	64.90	7.91	0.056	3.57
JORC 003	792,395	8,262,158		0/360	-90.00	160.00	JORC003	36	132	96	16.90	58.62	9.89	0.106	2.04
JORC 004	792,006	8,262,066		0/360	-90.00	150.00	JORC004	0	44	44	17.04	59.05	10.40	0.058	4.56
JORC 005	791,617	8,261,974		0/360	-90.00	120.00	JORC005	0	64	64	16.81	58.69	10.45	0.098	3.75
JORC 006	791,228	8,261,882		0/360	-90.00	94.00	JORC006	0	76	76	17.00	57.51	9.97	0.102	3.86
JORC 007	790,838	8,261,790		0/360	-90.00	115.00	JORC007	0	20	20	16.29	56.34	13.03	0.053	6.01
							and	56	68	12	17.03	58.91	9.50	0.123	
JORC 008	790,449	8,261,699		0/360	-90.00	164.00	JORC008	0	36	36	15.17	59.74	11.66	0.064	5.42
JORC 009	790,157	8,261,630		0/360	-90.00	120.00	JORC009	8	24	16	15.15	58.83	12.38	0.034	5.66
JORC 011	791,161	8,260,545		0/360	-90.00	91.00	JORC011	64	80	16	15.69	62.97	8.23	0.132	
JORC 012	791,397	8,260,722		0/360	-90.00	100.00	JORC012	0	16	16	26.91	44.87	9.01	0.086	6.75
JORC 013	791,570	8,262,178		0/360	-90.00	121.00	JORC013	0	44	44	16.25	58.48	11.86	0.060	5.19
JORC 014	791,842	8,260,800		0/360	-90.00	81.00	JORC014	No significant Results							
JORC 015	792,138	8,260,904		0/360	-90.00	115.00	JORC015	No significant Results							
JORC 017	791,183	8,262,080		0/360	-90.00	124.00	JORC017	0	40	40	18.51	57.23	10.36	0.057	4.23
Number of holes		**15**		**Total Metres**		**1,673.00**	**Weighted Average**			**528**	**16.92**	**58.56**	**10.33**	**0.085**	**3.65**

Josilene Prospect (GRANDUVALE) -DD 2011															
Hole ID	**Easting**	**Northing**	**RL**	**Azi**	**Decl**	**Depth**	**Hole ID**	**From**	**To**	**Int.**	**Fe,%**	**SiO2, %**	**Al2O3,%**	**P,%**	**LOI,%**
JODD001	792,190	8,262,100	772	0/360	90.00	109.45	JODD001	Results Awaited							
JODD002				0/360	90.00	119.80	JODD002	Results Awaited							
Number of holes		**2**		**Total Metres**		**229.25**	**Weighted Average**								

Scorpion (GRANDUVALE) - RC 2011															
Hole ID	Easting	Northing	RL	Azi	Decl	Depth	Hole ID	From	To	Int.	Fe,%	SiO2,%	Al2O3,%	P,%	LOI,%
SCRC 001	781,910	8,255,826		0/360	-90.00	164.00	SCRC001	20	124	104	15.03	61.90	9.83	0.143	2.75
SCRC 002	782,347	8,256,381		0/360	-90.00	109.00	SCRC002	20	36	16	17.75	57.63	10.43	0.057	5.41
SCRC 003	781,540	8,256,644		0/360	-90.00	116.00	SCRC003	16	24	8	15.55	56.85	13.00	0.036	6.85
							and	88	112	24	17.40	60.73	8.43	0.179	
SCRC 008	785,449	8,258,996		0/360	-90.00	145.00	SCRC008	28	52	24	16.02	60.80	10.10	0.076	4.36
							and	144	145	1	17.30	63.50	4.37	0.137	3.53
SCRC 021	788,329	8,262,672		0/360	-90.00	210.00	SCRC021	0	12	12	16.93	58.33	10.34	0.045	4.70
							and	152	192	40	18.89	58.51	8.56	0.152	
SCRC 022	788,264	8,262,795		0/360	-90.00	184.00	SCRC022	0	4	4	19.40	54.20	10.80	0.063	7.07
							and	140	180	40	19.45	56.83	8.40	0.156	
SCRC 023	781,665	8,252,240		0/360	-90.00	126.00	SCRC023	20	24	4	17.60	58.90	8.51	0.060	5.60
SCRC 024	781,308	8,256,969		0/360	-90.00	134.00	SCRC024	24	40	16	20.08	53.58	10.92	0.037	6.62
SCRC 025	781,073	8,257,182		0/360	-90.00	175.00	SCRC025	12	16	4	16.20	57.30	12.90	0.020	5.89
SCRC 026	788,044	8,263,125		0/360	-90.00	102.00	SCRC026	12	16	4	20.50	53.00	7.65	0.179	6.74
SCRC 027	782,229	8,255,624		0/360	-90.00	86.00	SCRC027	4	12	8	20.45	51.60	10.75	0.045	7.11
SCRC 030	788,300	8,262,913		0/360	-90.00	172.00	SCRC030	60	64	4	17.30	61.80	9.38	0.121	
							and	76	84	8	16.20	61.85	9.24	0.117	
							and	92	136	44	18.75	58.15	9.05	0.141	
SCRC 031	788,384	8,262,581		0/360	-90.00	210.00	SCRC031	152	172	20	16.42	60.40	9.95	0.135	
Number of holes		**13**		**Total Metres**		**1,933.00**	**Weighted Average**			**385**	**17.30**	**59.17**	**9.54**	**0.124**	**2.22**

Gema Verde Diamond Drilling 2008				10M Composite Samples											
Hole ID	Easting	Northing	RL	Azi	Decl	Depth	Hole ID	From	To	Int.	Fe,%	SiO2,%	Al2O3,%	P,%	LOI,%
FSD 08-001	741,668	8,196,214	924	0	-90.00	169.15	FSD 08-001	42.95	52.95	10.00	20.90	65.20	2.92	0.086	
FSD 08-002	741,177	8,196,252	921	330	-75.00	102.00	FSD 08-002	No significant Results							
FSD 08-003	741,973	8,196,197	924	340	-75.00	144.70	FSD 08-003	122.50	132.50	10.00	21.80	63.00	3.14	0.251	

Gema Verde Diamond Drilling 2008				10M Composite Samples											
Hole ID	Easting	Northing	RL	Azi	Decl	Depth	Hole ID	From	To	Int.	Fe,%	SiO2, %	Al2O3,%	P,%	LOI,%
FSD 08-004	742,760	8,196,146	924	0	-90.00	130.65	FSD 08-004	No significant Results							
FSD 08-005	741,886	8,196,717	914	315	-75.00	79.50	FSD 08-005	16.65	34.05	17.40	24.82	53.32	6.05	0.070	
							and	54.05	64.05	10.00	22.20	63.90	3.19	0.029	
FSD 08-006	742,031	8,197,224	899	320	-75.00	83.57	FSD 08-006	43.57	63.57	20.00	19.65	67.85	2.90	0.029	
FSD 08-007	742,757	8,197,173	911	280	-75.00	181.90	FSD 08-007	No significant Results							
FSD 08-008	742,296	8,197,205	904	280	-75.00	195.80	FSD 08-008	133.07	138.07	5.00	23.80	56.80	1.93	0.276	
FSD 08-009	742,586	8,197,707	894	280	-75.00	196.25	FSD 08-009	176.25	196.25	20.00	18.20	64.50	2.99	0.187	
FSD 08-010	742,853	8,198,208	894	280	-75.00	203.75	FSD 08-010	No significant Results							
FSD 08-011	742,028	8,197,671	873	0	-90.00	125.76	FSD 08-011	3.20	30.55	27.35	23.95	60.70	3.07	0.029	
FSD 08-012	742,283	8,197,716	880	280	-75.00	109.10	FSD 08-012	62.62	82.62	20.00	20.25	66.00	3.03	0.027	
FSD 08-013	742,059	8,198,225	864	0	-90.00	73.10	FSD 08-013	2.90	19.70	16.80	27.83	56.37	2.59	0.038	
FSD 08-014	742,518	8,198,726	864	280	-75.00	129.45	FSD 08-014	68.70	88.70	20.00	21.60	61.90	3.01	0.220	
FSD 08-015	742,568	8,198,190	878	0	-90.00	242.68	FSD 08-015	56.00	66.00	10.00	18.10	63.50	3.93	0.244	
							and	121.00	126.46	5.46	20.50	61.60	2.59	0.230	
FSD 08-016	742,455	8,199,641	830	0	-90.00	172.95	FSD 08-016	8.05	17.20	9.15	26.70	56.20	3.30	0.040	
FSD 08-017	742,246	8,199,397	867	280	-75.00	302.00	FSD 08-017	No significant Results							
FSD 08-018	742,700	8,199,233	851	280	-75.00	201.35	FSD 08-018	35.75	93.00	57.25	17.21	67.14	3.71	0.148	
	4 metre composites Resampled 2011						FSD 08-018	0.00	93.20	93.20	16.26	66.59	4.97	0.12	2.00
FSD 08-019	742,155	8,198,771	870	0	-90.00	160.50	FSD 08-019	4.65	13.38	8.73	30.70	50.00	2.99	0.033	
FSD 08-020	742,812	8,198,732	879	280	-75.00	210.10	FSD 08-020	145.50	70.50	25.00	18.14	64.86	3.19	0.197	
	4 metre composites Resampled 2011						FSD 08-020	17.40	21.30	3.90	16.20	63.80	7.98	0.04	2.37
							FSD 08-020	96.00	99.00	3.00	15.50	66.70	4.81	0.32	0.90
							FSD 08-020	108.00	112.00	4.00	16.10	62.10	4.87	0.25	2.76
							FSD 08-020	120.00	128.00	8.00	17.25	65.00	3.73	0.23	1.66
							FSD 08-020	145.50	170.60	25.10	19.37	61.45	3.07	0.22	2.44

Gema Verde Diamond Drilling 2008				0M Composite Samples											
Hole ID	**Easting**	**Northing**	**RL**	**Azi**	**Decl**	**Depth**	**Hole ID**	**From**	**To**	**Int.**	**Fe,%**	**SiO2,%**	**Al2O3,%**	**P,%**	**LOI,%**
FSD 08-021	742,274	8,196,186	924	0	-90.00	262.60	FSD 08-021	164.00	194.00	30.00	16.90	63.33	4.62	0.258	
							FSD 08-021	224.00	234.00	10.00	21.60	60.10	2.64	0.236	
	4 metre composites Resampled 2011						FSD 08-021	13.0	18.2	5.20	15.4	52.5	16.4	0.0	7.4
							FSD 08-021	117.2	121.3	4.10	15.6	60.5	6.6	0.2	2.1
							FSD 08-021	164.0	195.0	31.00	16.3	63.6	4.6	0.3	2.1
							FSD 08-021	223.0	234.0	11.00	20.9	60.4	2.8	0.3	1.8
FSD 08-022	742,971	8,197,670	909	280	-75.00	232.15	FSD 08-022	No significant Results							
FSD 08-023	742,521	8,198,475	867	280	-75.00	214.85	FSD 08-023	34.45	44.45	10.00	20.60	63.90	3.88	0.110	
							and	74.45	89.51	15.06	21.02	60.55	2.53	0.222	
FSD 08-024	743,037	8,199,069	874	280	-75.00	185.30	FSD 08-024	152.85	181.15	28.30	20.22	61.65	2.75	0.211	
FSD 08-026	742,262	8,199,020	865	280	-75.00	86.75	FSD 08-026	No significant Results							
FSD 08-027	742,581	8,199,004	858	280	-75.00	101.90	FSD 08-027	36.60	90.84	54.24	19.46	64.74	3.38	0.155	
	4 metre composites Resampled 2011						FSD 08-027	3.0	91.1	88.05	17.9	63.6	5.0	0.1	2.5
FSD 08-028	742,586	8,198,588	874	280	-75.00	114.20	FSD 08-028	76.95	96.95	20.00	22.00	60.75	2.64	0.225	
	4 metre composites Resampled 2011						FSD 08-028	0.0	9.4	9.40	18.8	61.7	7.1	0.0	3.3
							FSD 08-028	38.0	57.4	19.40	16.9	66.3	4.0	0.2	1.3
							FSD 08-028	81.9	96.8	14.85	18.9	63.5	2.6	0.2	1.9
FSD 08-029	742,826	8,198,505	885	280	-75.00	220.70	FSD 08-029	193.60	203.60	10.00	19.60	62.70	2.73	0.211	
FSD 08-030	743,044	8,199,901	795	280	-75.00	63.85	FSD 08-030	5.20	28.23	23.03	18.43	68.27	3.55	0.023	
FSD 08-031	742,230	8,198,540	867	280	-75.00	99.30	FSD 08-031	24.76	34.76	10.00	29.30	54.40	2.70	0.028	
FSD 08-032	743,077	8,199,537	836	280	-75.00	150.55	FSD 08-032	103.70	129.40	25.70	23.37	57.51	2.62	0.262	
FSD 08-033	742,802	8,199,397	840	280	-75.00	101.50	FSD 08-033	59.80	80.20	20.40	21.54	60.55	2.85	0.237	
	4 metre composites Resampled 2011						FSD 08-033	14.35	24	9.65	16.53	67.05	5.46	0.089	1.23
							FSD 08-033	59.8	80	20.20	20.65	61.80	2.85	0.247	1.6
FSD 08-034	742,405	8,197,952	870	280	-75.00	107.90	FSD 08-034	77.30	86.89	9.59	24.40	61.30	2.82	0.141	
FSD 08-035	742,738	8,197,976	894	280	-75.00	245.85	FSD 08-035	222.55	232.55	10.00	22.30	59.30	2.54	0.259	
FSD 08-036	742,208	8,196,719	916	280	-75.00	112.62	FSD 08-036	No significant Results							
Number of holes		**35**		**Total Metres**		**5,514.28**	**Weighted Average**			**918.51**	**19.61**	**63.05**	**3.81**	**0.155**	
All 2008 Diamond Drill holes were resampled as 4 metre composites in mineralised zoned and assay results for the holes not reported above are awaited.															

Gema Verde – RC 2011

Hole ID	Easting	Northing	RL	Azi	Decl	Depth	Hole ID	From	To	Int.	Fe,%	SiO_2, %	Al_2O_3,%	P,%	LOI,%
GVRC001	739,984	8,196,325		0/360	-90.00	100.00	GVRC001	No significant Results - outside mineralised envelope							
GVRC002	740,234	8,196,310		0/360	-90.00	121.00	GVRC002	No significant Results - outside mineralised envelope							
GVRC003	740,484	8,196,295		0/360	-90.00	105.00	GVRC003	No significant Results - outside mineralised envelope							
GVRC004	740,734	8,196,279		0/360	-90.00	101.00	GVRC004	No significant Results - outside mineralised envelope							
GVRC005	740,984	8,196,266		0/360	-90.00	101.00	GVRC005	16	20	4	17.00	62.10	7.92	0.01	4.22
GVRC006	741,570	8,195,894		0/360	-90.00	108.00	GVRC006	12	68	56	15.72	67.64	6.12	0.09	1.58
							and	96	108	12	21.67	63.47	2.55	0.24	0.58
GVRC007	741,820	8,195,879		0/360	-90.00	122.00	GVRC007	56	92	36	16.67	66.62	5.05	0.16	1.61
							and	120	122	2	18.60	64.70	3.41	0.16	2.39
GVRC008	742,070	8,195,864		0/360	-90.00	168.00	GVRC008	120	160	40	15.28	64.35	5.18	0.24	2.29
GVRC009	742,330	8,198,209		0/360	-90.00	105.00	GVRC009	40	56	16	19.65	66.47	2.72	0.14	0.61
GVRC010	742,215	8,197,958		0/360	-90.00	84.00	GVRC010	0	40	40	20.29	61.81	4.36	0.05	3.14
GVRC011	742,460	8,197,185		0/360	-90.00	123.00	GVRC011	16	24	8	20.25	52.80	10.08	0.03	5.17
GVRC012	742,918	8,200,521	801	0/360	-90.00	169.00	GVRC012	0	32	32	21.00	57.65	6.37	0.14	2.79
GVRC013	742,613	8,199,190	904	0/360	-90.00	121.00	GVRC013	0	88	88	18.75	63.01	5.13	0.115	2.46
GVRC014	742,902	8,199,223		0/360	-90.00	119.00	GVRC014	0	4	4	23.20	52.10	7.06	0.05	5.20
							and	40	96	56	15.71	66.11	5.3	0.133	1.96
							and	112	119	7	18.37	63.17	3.59	0.092	2.66
GVRC015	742,782	8,199,624	815	0/360	-90.00	110.00	GVRC015	16	48	32	19.27	65.83	3.19	0.163	0.98
GVRC016	742,670	8,199,932	800	0/360	-90.00	120.00	GVRC016	0	40	40	21.87	60.29	4.22	0.06	2.2
GVRC017	742,716	8,200,501		0/360	-90.00	105.00	GVRC017	0	4	4	24.3	56	5.22	0.059	2.31
GVRC018	742,515	8,200,500	816	0/360	-90.00	151.00	GVRC018	No significant Results - outside mineralised envelope							
GVRC019	742,315	8,200,500	818	0/360	-90.00	114.00	GVRC019	No significant Results - outside mineralised envelope							
GVRC021	742,523	8,200,729	852	0/360	-90.00	88.00	GVRC021	0	28	28	24.69	57.89	3.63	0.046	1.39
GVRC022	742,320	8,200,727	848	0/360	-90.00	121.00	GVRC022	0	4	4	41.5	33.1	3.48	0.031	2.58
GVRC023	742,722	8,200,727	863	0/360	-90.00	31.00	GVRC023	0	24	24	25	58.55	3.46	0.039	1.05
Number of holes		**22**		**Total Metres**		**2,487.00**	**Weighted Average**			**533**	**19.16**	**62.85**	**4.87**	**0.115**	

Gema Verde - DD 2011															
Hole ID	**Easting**	**Northing**	**RL**	**Azi**	**Decl**	**Depth**	**Hole ID**	**From**	**To**	**Int.**	**Fe,%**	**SiO2, %**	**Al2O3,%**	**P,%**	**LOI,%**
GVDD001	742,208	8,196,719	904	280	-70.00	210.15	GVDD001	Results Awaited							
GVDD002	742,078	8,195,871	916	0/360	-90.00	195.20	GVDD002	Results Awaited							
GVDD003	742,433	8,197,198	887	0/360	-90.00	205.65	GVDD003	Results Awaited							
GVDD004	740,730	8,196,279	850	0/360	-90.00	201.00	GVDD004	Results Awaited							
GVDD005	742,807	8,199,010	830	0/360	-90.00	201.00	GVDD005	Results Awaited							
GVDD007	742,807	8,199,010	904	0/360	-90.00	300.95	GVDD007	Results Awaited							
Number of holes		**6**		**Total Metres**		**1,313.95**									

RAB DRILLING - 2010 Based on 10% Fe cut off															
Hole ID	**Easting**	**Northing**	**RL**	**Azi**	**Decl**	**Depth**	**Hole ID**	**From**	**To**	**Int.**	**Fe,%**	**SiO2, %**	**Al2O3,%**	**P,%**	**LOI,%**
Pit Bull prospect															
PTRH002	779,913	8,253,191	905			71.00	PTRH002	9	71	62	15.84	59.58	10.20	0.131	4.63
PTRH003	779,991	8,253,754	904			73.00	PTRH003	60	73	13	15.17	61.90	9.51	0.132	2.10
Number of Holes		**2**		**Total Metres**		**144.00**	**Weighted Average**			**75**	**15.73**	**59.98**	**10.08**	**0.13**	**4.19**

Your director's present their report together with the consolidated financial report of Brazilian Metals Group Limited (**Company**), being the Company and its subsidiaries (**Consolidated Entity**), for the financial year ended 30 June 2011 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 – appointed 18/05/2011)
- Bruce McCracken (Chief Executive Officer – appointed 01/07/2011)
- Malcolm Castle (Executive Technical Director – appointed 25/11/2010)
- Anthony Trevisan (Executive Director – appointed 25/11/2010; Non-Executive Director since 10 September 2011)
- Robert Pett (Non-Executive Director – appointed 25/11/2010)
- Craig Bromley (Non-Executive Director – resigned on 16/05/2011)
- Thomas Kelly (Non-Executive Director– resigned on 16/05/2011)
- Carl Swensson (Non-Executive Director– resigned on 09/12/2010)

Mr O'Connor was appointed as director on 18 May 2011 and continues in office at the date of this report.

Mr Trevisan, Mr Pett and Mr Castle were appointed as directors on 25 November 2010 and continue in office at the date of this report.

Mr Bromley and Mr Kelly were the directors from the beginning of the financial year until their resignation on 16 May 2011.

Mr Swensson was a director from the beginning of the financial year until his resignation on 09 December 2010.

Mr McCracken was appointed as director on 01 July 2011 and is currently acting as Chief Executive Officer of the Company.

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

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 is 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$500m) and NEO Material Technologies Inc (a producer of rare earth/magnetic products in China and Thailand listed on the Toronto Stock Exchange).

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 effective from 19 September 2011.

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

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 Resources Group and a director of Regalpoint Resources Limited in 2010.

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.

Mr Anthony Augustine Trevisan – Executive Director

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. 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), Acqua 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 Share Trading Committee.

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

Mr McCracken is an experienced business executive having spent 20 years working across a broad range of industries based in Perth, Melbourne and Sydney. Most recently Mr McCracken was Corporate Development Director of the Kirin Group-owned Lion Nathan National Foods (previously Lion Nathan) focussing on the execution of strategic opportunities, primarily through M&A. Prior to this, Mr McCracken was the Group Manager, Corporate Development for the private equity owned Amatek Group. Before working in the corporate environment Mr McCracken spent 8 years as 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 Chairman of the Share Trading Committee effective from 6th of July 2011.

Mr Robert James Pett BA (Hons), MA(Econ), FAICD, Minerals Economist – Non Executive Director

Mr Pett is a minerals economist with over 27 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 Chairman of Ausgold Ltd and A-Cap Resources Ltd and is also a director of Regalpoint Resources Ltd, Senex Energy Ltd and Indochina Minerals Ltd.

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.

Mr Craig Bromley (Non-Executive Director – resigned 16 May 2011)

Mr Thomas Kelly (Non-Executive Director – resigned 16 May 2011)

Mr Carl Swensson (Non-Executive Director – resigned 09 December 2010)

COMPANY SECRETARY

Ms Fleur Hudson BA, LLB, LLM (Disp. Res.) – appointed 25 November 2010

Fleur Hudson has a Bachelor of Arts, a Bachelor of Laws and Master of Laws degrees. Fleur has been a director of Transcontinental Group since 2009 and was appointed as company secretary of Ausgold Limited in 2010. Prior to that, Fleur has practiced as a solicitor with international law firms in Perth and in London since 1998. As a solicitor, Fleur has advised large national and international companies with respects to a variety of civil construction, infrastructure and commercial issues.

Ms Jade Styants – resigned 04 November 2010

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
Bruce McCracken	75,000	75,000
Malcolm Castle	150,000	150,000
Malcolm Castle[3]	398,969	175,000
Malcolm Castle[4]	3,429,600	3,429,600
Peter O'Connor	-	-
Robert Pett	-	-
Thomas Kelly[5]	5,286,829	5,281,829
Craig Bromley[6]	3,839,582	3,839,582

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 beneficiary of Apnea Holdings Pty Ltd and Syzygy Holdings Pty Ltd and interest as a Parent of Finnegan Kelly.
Note 6: 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.

DIRECTORS' REMUNERATION

Information about the remuneration of directors is set out in the Remuneration Report of this Directors' Report.

PRINCIPAL ACTIVITIES

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

The Company's uranium exploration project in Chile is no longer considered to be core to the Company's activities and the Company is considering other options to pursue the project and therefore the carrying value of $2.4m was treated as an exploration expenditure write off at the end of the financial year.

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 2011 amounted to $4,279,485 (2010: $2,071,271).

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 2011.

REVIEW OF OPERATIONS

The Consolidated Entity's operations are discussed in the Operations Report on page 5.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

AFTER BALANCE DATE EVENTS

Option to Acquire Highly Prospective Iron Ore Mineral Rights

Brazilian Metals Group Limited entered into an option agreement to add a highly prospective block of iron ore tenements to its Rio Pardo iron project in Northern Minas Gerais, in Brazil. The new block of tenements is called the Catuti Block.

The Company paid US$70,000 for the option to acquire the block of tenements, plus payments of US$20,000 per month during the 7 month evaluation period (to the end of March 2012).

Chief Executive Officer – New Appointment

Mr McCracken agreed to join the Company as Chief Executive Officer and Director from July 2011. Mr McCracken brings significant commercial, financial and corporate experience from a background in investment banking and executive management to the Company.

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 Company and its shareholders.

ENVIRONMENTAL ISSUES

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.

MEETINGS OF DIRECTORS

During the financial year, 9 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	1	1	-	-	-	-
Anthony Trevisan	7	6	-	-	-	-
Bruce McCracken	-	-	-	-	-	-
Malcolm Castle	7	7	-	-	-	-
Robert Pett	7	7	1	1	1	1
Craig Bromley	7	6	1	1	1	1
Thomas Kelly	7	4	1	1	1	1

* *During the financial year Mr Pett was chairman of the Audit and Risk Committee with Mr Bromley and Mr Kelly being a member.*
** *During the financial year Mr Pett was chairman of the Nomination and Remuneration Committee with Mr Trevisan being a member.*
*** *During the financial year the members of the Share Trading Committee were Anthony Trevisan, Robert Pett and Craig Bromley.*

OPTIONS GRANTED

During or since the end of the year, the Company issued the following loyalty options over unissued ordinary shares:

Class	Expiry Date	Exercise Price	Date Granted	Number of Options
Loyalty Options	31 March 2014	$0.20	12 April 2011	136,759,914

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
31/10/2011	$0.20	1,244,334
30/11/2012	$0.20	750,000
31/03/2014	$0.20	136,756,414
	TOTAL	**138,750,748**

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. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

No fees for non-audit services were paid to the external auditors during the year ended 30 June 2011 (2010: nil).

AUDITORS INDEPENDENCE DECLARATION

The auditors independence declaration for the year ended 30 June 2011 has been received and can be found on Page 34.

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 does presently employ three non-Executive Directors.

Remuneration Policy

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

- Remuneration policies and practices;
- Remuneration of the Chief Executive Officer and Executive Directors;
- Composition of the Board; and
- 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.

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:

- strategies in relation to executive remuneration policies;
- compensation arrangements for the Chief Executive Officer, Executive Directors and other senior executives as appropriate;
- performance related incentive policies;
- the Company's recruitment, retention and termination policies;
- the composition of the Board having regard to the skills/experience desired and skills/experience represented;
- the appointment of Board members;
- the evaluation of the performance of the Chief Executive Officer and the Directors;
- consideration of potential candidates to act as Directors; and
- 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 Company. During the period ended 30 June 2011, 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 26 June 2011, the Company paid an insurance premium of $12,599 covering the period 30 April 2011 to 30 April 2012 (2010: $13,099).

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:

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 Company 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 Company during the year:

Key Management Personnel Remuneration

2011 Key Management Person	Short-term Benefits		Post-employment Benefits	Share-based payment		
Directors	Salary $	Other Fees $	Superannuation $	Equity $	Options (a) $	Total $
Anthony Trevisan[1]	-	195,000 (1)	-	-	-	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
Specified Executives	-	-	-	-	-	-
Fleur Hudson	-	-	-	-	-	-
Jade Styants[4]	-	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.*
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.*
4. *Ms Styants received consultancy fees of $46,388 paid to Jade Lauren Pty Ltd, of which Ms Styants is a director and beneficiary.*

2010 Key Management Person	Short-term Benefits		Post-employment Benefits	Share-based payment			
Directors	**Salary $**	**Other Fees $**	**Superannuation $**	**Equity $**	**Options (a) $**	**Total $**	**Performance related %**
Non-Executive							
Craig Bromley[1]	36,000	-	3,240	-	5,813	45,053	12.90
Thomas Kelly[1]	36,000	-	3,240	-	17,438	56,678	30.77
Carl Swensson[2]	12,000	142,000	1,080	-	17,438	172,518	10.11
	84,000	**142,000**	**7,560**	**-**	**40,689**	**274,249**	**14.84**
Specified Executives							
Jade Styants[3]	55,000	-	-	-	10,213	65,213	15.66
	55,000	**-**	**-**	**-**	**10,213**	**65,213**	**15.66**

(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 Kelly and Mr Bromley received $36,000 in salary for Non-Executive duties.*
2. *Mr Swensson received $12,000 in salary for Non-Executive duties. Consultancy fees of $142,000 were paid to Swensson Resource Management Pty Ltd, of which Mr Swensson is a director and beneficiary.*
3. *Ms Styants received consultancy fees of $55,000 paid to Jade Lauren Pty Ltd, of which Ms Styants is a director and beneficiary.*

Service Agreements

The Company has entered the following service agreement with Non-Executive Chairman and Chief Executive Officer.

Mr Peter O'Connor, Non-Executive Chairman has an employment agreement effective from 09 May 2011.

In accordance with the terms of his employment agreement with the Company, Mr O'Connor is entitled to receive $6,000 per month plus superannuation as determined by statutory superannuation requirements.

Subject to Shareholder approval the Company proposes to issue 3,000,000 options to Mr O'Connor. The proposed grant of options to Mr O'Connor is pursuant to the terms of his agreement with the Company entered into on 10 May 2011. Options were included in the agreement as part of Mr O'Connor's overall remuneration package, to encourage his continuing involvement in the achievement of the Company's objectives and to provide an incentive for him to strive to that end by participating in the future growth and prosperity of the Company through share ownership. The options will be issued on the following basis:

a) No monies will be payable for the issue of the options.

b) The options will expire 4 years from the date of issue (**expiry date**), and may be exercised at any time upon vesting and prior to the expiry date.

c) The exercise price of the options is $0.20 and will be payable in full on exercise.

Mr McCracken, Chief Executive Officer has an employment agreement effective from 01 July 2011.

In accordance with the terms of his engagement, Mr McCracken is entitled to $300,000 per annum plus superannuation as determined by statutory superannuation requirements. Subject to Shareholder approval the Company proposes to issue 5,000,000 options to Mr McCracken.

The proposed grant of options to Mr McCracken is pursuant to the terms of his employment contract entered into on 18 April 2011. Options were included in the employment contract as part of Mr McCracken's overall remuneration package, to encourage his continuing involvement in the achievement of the Company's objectives and to provide an incentive for him to strive to that end by participating in the future growth and prosperity of the Company through share ownership. These options were benchmarked against a key performance indicator (acquiring a JORC certified resource).

The options will be issued on the following basis:

a) No monies will be payable for the issue of the options.

b) The options are granted as follows:
   - 1,400,000 options to vest on commencement with the Company;
   - 1,300,000 options to vest on the first anniversary of Mr McCracken's commencement with the Company;
   - 1,300,000 options to vest on the Company achieving milestones related to acquiring a JORC compliant iron ore resource and capital raising; and
   - 1,000,000 options to vest on the Company achieving further milestones related to acquiring a JORC compliant iron ore resource and capital raising.

c) The options will expire 1 July 2016 (**expiry date**) unless Mr McCracken's employment with the Company ceases prior to that date in which case the options will expire on the date which is 6 months after his employment ceases, and may be exercised at any time upon vesting and prior to the expiry date.

d) The exercise price of the options is $0.20 for the first tranche of 1,400,000 options and $0.22 for all subsequent tranches and will be payable in full on exercise.

Mr Malcolm Castle, Executive Technical Director has a services agreement effective from 11 July 2011. In accordance with the terms of his engagement, Mr Castle's consulting company Agricola Mining Consultant's Pty Ltd is entitled to be paid a consulting fee on a rate of 1,300 per day or pro rata.

Subject to Shareholder approval the Company proposes to issue 3,000,000 options to Mr Castle or his nominee. The proposed grant of options to Mr Castle is pursuant to the terms of his services agreement. Options were included in the services agreement as part of Mr Castle's overall remuneration package, to encourage his continuing involvement in the achievement of the Company's objectives and to provide an incentive for him to strive to that end by participating in the future growth and prosperity of the Company through share ownership. These options were benchmarked against a key performance indicator (acquiring a JORC certified resource).

The options will be issued on the following basis:

a) No monies will be payable for the issue of the options.

b) The options are granted as follows:
   - 1,500,000 options to vest on the Company achieving milestones related to acquiring a JORC compliant iron ore resource and capital raising; and
   - 1,500,000 options to vest on the Company achieving further milestones related to acquiring a JORC compliant iron ore resource and capital raising.

c) The exercise price of the options is $0.22.

Mr Malcolm Castle, Executive Technical Director has a services agreement effective from 11 July 2011.

Options issued as part of remuneration for the year ended 30 June 2011

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

There are no options granted as remuneration to the directors' during the financial year ended 30 June 2011.

The service and performance criteria set to determine remuneration are included in this remuneration report. All options were granted for nil consideration.

2010				Terms and Conditions		
Key Management Personnel	**Vested No.**	**Granted No.**	**Grant Date**	**Value per Option atGrant Date ($)**	**Exercise Price ($)**	**Last Exercise Date**
Non-Executive Directors						
Craig Bromley	500,000	500,000	26/11/2009	0.0116	0.10	30/11/2012
Thomas Kelly	1,500,000	1,500,000	26/11/2009	0.0116	0.10	30/11/2012
Carl Swensson	1,500,000	1,500,000	26/11/2009	0.0116	0.10	30/11/2012
	3,500,000	**3,500,000**				
Specified Executives						
Jade Styants (1)	500,000	500,000	21/10/2009	0.0204	0.10	30/11/2012
	500,000	**500,000**				

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

(1) Options were issued to Ms Styants under the Brazilian Metals Group Limited Option Scheme.

Shares Issued on Exercise of Compensation Options

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

2,375,000 options exercised by directors or key management personnel during the year ended 30 June 2011.

Class	Number of Options	Exercise Price	Date Granted	Number of shares issued
Ordinary shares	1,125,000	$0.20	26/11/2009	1,125,000
Ordinary shares	1,250,000	$0.20	26/11/2009	1,250,000

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 29th September 2011.

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 2011.

Board Composition

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

- less than 10% of Company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- 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;
- 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;
- no sales are made to or purchases made from any entity directly or indirectly associated with the director; and
- 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 pages 19 and 20 of the Directors' Report.

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 to the Board include:

- setting objectives, goals and strategic direction with management with a view to maximising shareholder value;
- overseeing the financial position and monitoring the business and affairs of the Company;
- establishing corporate governance, ethical, environmental and health and safety standards;
- ensuring significant business risks are identified and appropriately managed; and
- 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.

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:

- 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.
- 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.
- 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.

Compliance to Best Practice Recommendations

Item	Best Practice Recommendation	Comment
1.	**Lay solid foundations for management and oversight**	
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	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. A copy of the Board Charter and the Code of Conduct is available on the Company's website (www.bmgl.com.au).
2.	**Structure the Board to add value**	
2.1	A majority of the Board should be independent directors.	A majority of the Board is considered independent.
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.	A Nomination and Remuneration Committee has been established.
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).
3.	**Promote ethical and responsible decision-making**	
3.1	Establish a code of conduct as to: (a) the practices necessary to maintain confidence in the Company's integrity; (b) the practices necessary to take into account legal obligations and the reasonable expectations or their stakeholders; and (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).

Item	Best Practice Recommendation	Comment
4.	**Safeguard integrity in financial reporting**	
4.1	The Board should establish an Audit Committee.	An Audit and Risk Committee has been established.
4.2	Structure the Audit Committee so that it consists of: only non-Executive Directors; a majority of independent directors; an independent chairperson, who is not Chairperson of the Board; and 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.
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.
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).
7.	**Recognise and manage risk**	
7.1	Establish policies on risk oversight and management of material business risk.	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.bmgl.com.au). 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.

Item	Best Practice Recommendation	Comment
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 Corporations Act 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.
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.
8.2	Clearly distinguish the structure of Non-Executive Directors' remuneration from that of executives.	Please refer to Remuneration Report.

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Australia

29 September 2011

Brazilian Metals Group Limited
The 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 2011, 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.

C Burton

Chris Burton
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

For the year ended 30 June 2011

	Notes	Consolidated 30 June 2011 $	30 June 2010 $
Revenue		274,277	139,243
Employee benefits expense	8	(163,746)	(146,560)
Employee share based payments		-	(50,902)
Loss on Sale of Investments		(646,067)	-
Depreciation and amortisation expense	12	(15,924)	(15,236)
Accounting & audit fee		(86,709)	-
Corporate and administration expenses		(727,980)	-
Exploration expenditure write off		(2,402,501)	(1,368,579)
Financial asset impairment		(153,599)	(387,229)
Other expenses from ordinary activities		(357,236)	(242,008)
Loss before income tax		**(4,279,485)**	**(2,071,271)**
Income tax expense	9	-	-
NET LOSS FOR THE YEAR		**(4,279,485)**	**(2,071,271)**
Other Comprehensive Loss			
Changes in fair value of available for sale assets		(198,999)	(291,228)
Changes in foreign operations translation		(2,135,608)	63,291
		(2,334,607)	**(227,937)**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(6,614,092)**	**(2,299,208)**
Basic and diluted loss per share (cents per share)		4.27	2.87

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

As at 30 June 2011

	Notes	Consolidated 30 June 2011 $	Consolidated 30 June 2010 $
CURRENT ASSETS			
Cash and cash equivalents	10	4,466,452	3,101,941
Prepayments		229,465	58,658
Trade and other receivables	11	114,728	164,332
TOTAL CURRENT ASSETS		4,810,645	3,324,931
NON-CURRENT ASSETS			
Trade and other receivables	11	60,990	1,874
Property, plant and equipment	12	118,121	47,514
Investment and financial Assets	13	-	1,673,238
Exploration and evaluation expenditure	14	17,929,610	2,631,263
TOTAL NON-CURRENT ASSETS		18,108,721	4,353,889
TOTAL ASSETS		22,919,366	7,678,820
CURRENT LIABILITIES			
Trade and other payables	15	181,100	45,951
TOTAL CURRENT LIABILITIES		181,100	45,951
TOTAL LIABILITIES		181,100	45,951
NET ASSETS		**22,738,266**	**7,632,869**
EQUITY			
Contributed equity	16	35,406,374	13,686,885
Reserves	17	(2,057,125)	277,481
Retained earnings		(10,610,983)	(6,331,497)
TOTAL EQUITY		**22,738,266**	**7,632,869**

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

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2011

	Contributed Equity $	Accumulated Losses $	Option Reserve $	Financial Assets Reserve $	Foreign Currency Reserve $	Total $
BALANCE AT 1 JULY 2010	13,686,885	(6,331,497)	100,782	198,999	(22,300)	7,632,869
Total comprehensive income for the year	-	(4,279,485)	-	-	-	(4,279,485)
Changes in fair value of financial assets	-	-	-	(198,999)	-	(198,999)
Foreign exchange movement	-	-	-	-	(2,135,608)	(2,135,608)
Cost of share-based payment	-	-	-	-	-	-
Transactions with owners in their capacity as owners:						
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**	**(10,610,982)**	**100,782**	**-**	**(2,157,908)**	**22,738,266**
BALANCE AT 1 JULY 2009	13,686,885	(4,393,789)	183,443	490,227	(85,591)	9,881,175
Total comprehensive income for the year	-	(2,071,271)	-	-	-	(2,071,271)
Cost of share-based payment	-	-	50,902	-	-	50,902
Share based payments lapsed	-	133,563	(133,563)	-	-	-
Changes in fair value of financial assets	-	-	-	(291,228)	-	(291,228)
Foreign exchange movement	-	-	-	-	63,291	63,291
BALANCE AT 30 JUNE 2010	**13,686,885**	**(6,331,497)**	**100,782**	**198,999**	**(22,300)**	**7,632,869**

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

For the Year Ended 30 June 2011

	Notes	Consolidated 30 June 2011 $	30 June 2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,159,178)	(315,960)
Interest received		226,457	121,522
NET CASH (USED IN) / PROVIDED BY OPERATING ACTIVITIES	18	**(932,721)**	**(194,438)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(89,470)	(1,910)
Sale of financial assets		683,030	-
Tenement bonds refunded		-	84,168
Payments for exploration and evaluation		(5,311,113)	(875,001)
Payments for deposits/prepayments		(173,844)	-
NET CASH USED IN INVESTING ACTIVITIES		**(4,891,397)**	**(792,743)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of equity (net of costs)		7,279,789	-
NET CASH (USED IN) / PROVIDED BY FINANCING ACTIVITIES		**7,279,789**	**-**
NET INCREASE/(DECREASE) IN CASH HELD		1,455,671	(987,181)
Cash and cash equivalents at beginning of year		3,101,941	4,089,335
Effect of exchange rates on cash holdings in foreign currencies		(91,160)	(213)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**4,466,452**	**3,101,941**

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

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 2011 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

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 2011 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 28 September 2011.

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 2011, all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2010 have been reviewed. It has been determined that there is no impact, material or otherwise, of the 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 12.

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 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.

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 2011, the Group recorded a net loss of $4,279,485 (2010: $2,017,217) and incurred cash outflows from operating activities for the year ended 30 June 2011 of $932,721. The Group had net assets of $22,738,266 and continues to incur expenditure on its exploration tenements drawing on its cash balances. At 30 June 2011, the Group has $4,466,452 (2010: $3,101,941) 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 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 results in a negative outcome, then the going concern basis of accounting may not be appropriate with the result that the Group may have to realise its assets and extinguish its liabilities other than in the normal course of business and in amount different from that stated in the financial report.

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

(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 2011 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.

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 2010 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.

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 period.

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 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.

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

All investments and other financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognised on trade date which is the date on which the Group commits to purchase or sell the asset. Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below.

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 reporting date, which are classified as current assets.

Available-for-Sale Financial Assets

Available-for-sale financial assets comprise investments in listed and unlisted entities and any non-derivatives that are not classified as any other category, and are classified as non-current assets. After initial recognition, these investments are measured at fair value with gains or losses recognised as a separate component of equity (available-for-sale investments revaluation reserve).

Where losses have been recognised in equity and there is objective evidence that the asset is impaired, the cumulative loss, being the difference between the acquisition cost and current fair value less any impairment loss previously recognised in the statement of comprehensive income, is removed from equity and recognised in the statement of comprehensive income.

Reversals of impairment losses on equity instruments classified as available-for-sale cannot be reversed through the statement of comprehensive income. Reversals of impairment losses on debt instruments classified as available-for-sale can be reversed through the statement of comprehensive income where the reversal relates to an increase in the fair value of the debt instrument occurring after the impairment loss was recognised in the statement of comprehensive income.

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.

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:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

- 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
- 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 & 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 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 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 are also 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.

(l) Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

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.

Long Service Leave

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.

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%

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.

(q) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by ASIC, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest dollar.

(r) 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 2011. 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)	Financial Instruments (AASB 2009-11)	Amendments to the requirements for classification and measurement and derecognition of financial assets and financial liabilities.	Periods beginning on or after 01 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made an assessment of the impact of these amendments.	01 January 2013
AASB 2010-3 Interpretation 19 (issued December 2009)	Extinguishing Financial Liabilities with Equity Instruments	Equity instruments issued to a creditor to extinguish all or part of a financial liability are 'consideration paid' to be recognised at the fair value of the equity instruments issued, unless their fair value cannot be measured reliably, in which case they are measured at the fair value of the debt extinguished. Any difference between the carrying amount of the financial liability extinguished and the 'consideration paid' is recognised in profit or loss.	Periods beginning on or after 01 July 2011	These amendments are unlikely to have any impact on the consolidated entity as the entity has not undertaken any debt for equity swaps.	01 July 2011
AASB 2010-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.	Periods beginning on or after 01 January 2011	These amendments are unlikely to have any impact on the consolidated entity.	01 July 2011

AASB reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	Periods beginning on or after 01 January 2011	These amendments have no major impact on the requirements of the amended pronouncements on the consolidated entity.	01 July 2011
AASB 2010-6 [AASB 1 & AASB 7]	Amendments to Australian Accounting Standards Disclosures on Transfers of Financial Assets	Amendments made to AASB 7 Financial Instruments: will affect particularly entities that sell, factor, securities, lend or otherwise transfer financial assets to other parties.	Periods beginning on or after 01 July 2011	The amendment is not expected to have any significant impact on the group's disclosure therefore not expected to have any impact on the group's financial statements.	01 July 2011
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	Amendments made to AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities that is through use or through sale.	Periods beginning on or after 01 January 2012	These amendments are unlikely to have any impact on the consolidated entity.	01 July 2012
AASB 1053	Application of Tiers of Australian Accounting Standards	Amendment to Australian Accounting Standards arising from Reduce Disclosure Requirement (AASB 2010-2).	Periods beginning on or after 01 July 2013	Brazilian Metals Group Limited is listed on the ASX and is not eligible to adopt the new Accounting Standards – Reduced Disclosure Requirement, therefore amendments are unlikely to have any impact on the consolidated entity.	01 July 2013

AASB reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	Periods beginning on or after 01 January 2011	These amendments are unlikely to have any impact on the consolidated entity during the financial year.	01 July 2011

AASB reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
	Consolidated Financial Statements	IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.	Periods beginning on or after 01 July 2013	These amendments are unlikely to have any impact on the consolidated entity.	01 July 2013

AASB reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
	Joint Arrangements	IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly- controlled Entities – Non-monetary Contributions by Ventures. IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	Periods beginning on or after 01 July 2013	These amendments are unlikely to have any impact on the consolidated entity.	01 July 2013
	Disclosure of Interests in Other Entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	Periods beginning on or after 01 July 2013	These amendments are unlikely to have any impact on the consolidated entity.	01 July 2013

AASB reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
	Fair Value Measurement	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	Periods beginning on or after 01 July 2013	These amendments are unlikely to have any impact on the consolidated entity during the financial year.	01 July 2013

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:

- Exploration (South America) – consists of the exploration expenditure involved in the search and discovery of minerals
- Investment (Australia) – consists of financial investments made in Australia
- Corporate (Australia) – includes corporate and other costs incurred by the parent entity.

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

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

(i) Segment Performance

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)**

Year ended 30 June 2010

	Exploration (South America)	Investment (Australia)	Corporate (Australia)	Total Company
External revenues	-	139,243	-	139,243
Inter-segment revenue	-	-	-	-
Share based payments	-	-	(50,902)	(50,902)
Depreciation and amortisation expense	(4,036)	-	(11,200)	(15,236)
Exploration expenditure write off	(1,368,579)	-	-	(1,368,579)
Other expenses	(1,630)	-	(386,938)	(388,568)
Reportable segment profit before income tax	**(1,374,245)**	**139,243**	**(449,040)**	**(1,684,042)**

(ii) Segment Assets and Liabilities

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**

Year ended 30 June 2010

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

(iii) Major Customers

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

3. CONTINGENT LIABILITIES

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

Scheduled Payment (US)	Due Date
$5 million	3 January 2012
$5 million	3 July 2012
$10 million	3 July 2013
$10 million	3 July 2014
$10 million	3 July 2015
$15 million	3 July 2016

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

On 1 April 2011, Brazilian Metals Group Ltd through its subsidiary, Minas Norte Mineracao Ltda, has entered into a Mineral Rights Assignment Agreement with Mineracao Granduvale Ltda, Dacal Mineracao Ltda, and Aline Carvalho Felix for the acquisition of Mineral Rights.

The consideration for this acquisition is US$60,000,000 payable in instalments over a 6 year period commencing after the grant of special licences for the performance of exploration works relating to a number of the Mineral Rights. As at the date of this report all of the required special licences had not been granted. The acquisition price will reduce proportionately to those portions of Mineral Rights not taken up, such price reduction being limited to 10% of the acquisition price and is also subject to a right to withdraw and transfer back the mineral rights.

There have been no other changes in contingent liabilities since 30 June 2011.

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.

The following share-based payment arrangements existed at 30 June 2010:

Option details	Number of options issued	Black Scholes Valuation	Expensed/ Amortised	Lapsed	Balance at 30 June 2010
Issued on 28/11/06	500,000	-	-	(27,516)	-
Issued on 04/10/07	2,650,000	-	-	(106,047)	-
Issued on 21/10/08	250,000	3,696	-	-	6,696
Issued on 24/11/08	3,750,000	34,556	-	-	34,556
		38,252	**-**	**(133,563)**	**38,252**
Issued on 21/10/09	500,000	10,213	10,213	-	10,213
Issued on 26/11/09	3,500,000	40,689	40,689	-	40,689
		50,902	**50,902**	**-**	**50,902**

No share based payments were made during the year ended 30 June 2011.

6. FINANCIAL RISK MANAGEMENT

(a) Overview

The Company and the consolidated entities 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 entities' 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

	Consolidated	
	2011	**2010**
Financial Assets	$	$
Cash and cash equivalents	4,466,452	3,101,941
Trade and other receivables	405,183	166,206
Financial assets (non-current)	-	1,673,238
	4,871,635	4,941,385
Financial Liabilities		
Trade and other payable	181,100	45,951
	181,100	45,951

(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.

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	
	2011	**2010**
	$	**$**
Cash and cash equivalents	4,466,452	3,101,941
Trade and other receivables	405,183	166,206
Financial assets (non-current)	-	1,673,238
	4,871,635	4,941,385

(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.

The following are the contractual maturities of financial liabilities on an undiscounted basis, including estimated interest payments. Cash flows for liabilities without fixed amount or timing are based on conditions existing at year end.

	2011	2010
	$	$
Trade and other payable	181,100	45,951
	181,100	45,951

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 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 2011	$	$	$	$
Trade payables	181,100	-	181,100	181,100
Total	181,100	-	181,100	181,100
Group - at 30 June 2010	$	$	$	$
Trade payables	45,951	-	45,951	45,951
Total	45,951	-	45,951	45,951

(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 or the consolidated entities, primarily the Australian dollar (AUD), but also US dollar (US$) and Brazilian Real dollar (BRL).

The Company and the consolidated entity is exposed to changes in foreign exchange rates as it has operational liabilities in Brazilian Reals. The Company's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollar, was as follows:

	30 June 2011			30 June 2010	
	PESO	BRL	US$	PESO	US$
Trade receivables	-	-	-	-	13,073
Trade payables	-	814	-	-	8,838

The Board believes the Reporting risk exposures are representative of the risk exposure inherent in financial instruments.

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 2011 with a total movement of $2.13million representing a loss for the year.

Interest Rate Risk

The Company and consolidated entities' 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.

At the reporting date the interest rate profile of the Company's and the consolidated entity's interest bearing financial instruments was:

Profile

	30 June 2011	30 June 2010
Variable Rate Instruments	$	$
Financial Assets	4,466,452	3,101,941
	4,466,452	3,101,941

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
	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	-	-	-	405,183	405,183
Total Financial Assets		-	4,286,628	585,007	4,871,635
Trade and other payables	-	-	-	181,100	181,100
Total Financial Liabilities	-	-	-	181,100	181,100

	Weighted Average Effective Interest Rate	Floating Interest Rate	Maturing within 1 Year	Non- Interest Bearing	Total
	2010	2010	2010	2010	2010
Financial Assets	%	$	$	$	$
Cash and cash equivalents	4.75	1,594,073	1,474,803	33,065	3,101,941
Trade and other receivables	-	-	-	166,206	166,206
Total Financial Assets		1,594,073	1,474,803	199,271	3,268,147
Trade and other payables	-	-	-	45,951	45,951
Trade Financial Liabilities				45,951	45,951

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)
	2011	2011
	$	$
Cash and cash equivalents	44,665	(44,665)
	44,665	(44,665)

(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 or consider payment of dividends to shareholders.

The Board has no current plans to issue further shares on the market. 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.

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.

There were no changes in the consolidated entity's approach to capital management during the year. The consolidated entity is not subject to any externally imposed capital requirements.

(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

	Consolidated	
	2011	2010
	$	$
Interest received	226,457	139,243
Revenue from rendering services	47,820	-
	274,277	139,243

8. EMPLOYEE BENEFITS EXPENSE

	Consolidated	
	2011	2010
	$	$
Wages and salaries	5,068	-
Directors' fees	135,285	84,000
Superannuation	9,790	7,560
Other personnel expenses	13,603	55,000
	163,746	146,560

9. INCOME TAX

	Consolidated	
	2011	2010
	$	$
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-taxnet loss		
Income tax benefit at the beginning of the year	-	-
Loss before income tax expense	(4,279,485)	(2,071,271)
Income tax benefit calculated at rates noted above	(1,283,846)	(621,381)
Tax effect on amounts which are not tax deductible	764,067	443,442
Financial asset impairment	46,080	116,168
Tax effect on timing differences	208,044	(252,091)
Tax effect on deductible capital raising costs/other	(38,228)	-
Deferred tax asset on tax losses not brought to account	303,882	313,862
Income tax benefit	-	-
Net deferred tax assets not brought to account		
Unused tax losses	6,027,290	5,282,213
Timing differences	29,753	-
Capital raising cost in equity	412,240	-
Tax at 30%	1,940,785	1,584,664

a) The benefit for tax losses will only be obtained if:
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.

10. CASH AND CASH EQUIVALENTS

	Consolidated	
	2011	2010
	$	$
Cash at bank and on hand	179,824	1,627,138
Short term deposit	4,286,628	1,474,803
	4,466,452	3,101,941

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

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

	Consolidated	
	2011	2010
	$	$
Income tax benefit	-	-
Balances per statement of cash flows	4,466,452	3,101,941

(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.

11. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2011	2010
	$	$
CURRENT		
Trade debtors	24,667	-
Taxation receivables	204,798	124,560
Other receivables	-	39,772
Prepayments	114,728	-
	344,193	164,332
NON-CURRENT		
Bonds and deposits	60,990	1,874
	60,990	1,874
	405,183	166,206

(a) Impaired trade receivables

There were no impaired trade receivables for the group in 2011 or 2010.

The ageing of these receivables is as follows:

	Consolidated	
	2011	2010
	$	$
1 to 3 months	344,192	124,560
3 to 6 months	-	39,772
Over 6 months	-	-
	344,192	164,332

(b) Past due but not impaired

As at 30 June 2011, bonds and deposits over operations office in Chile and Brazil of $60,990 (2010: $1874) were treated as guarantee bonds and deposits but not impaired. The ageing analysis of these bonds and deposits are as follows:

	Consolidated	
	2011	2010
	$	$
3 to 6 months	-	-
Over 6 months	60,990	1,874
	60,990	1,874

(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.

12. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2011	2010
	$	$
Year Ended 30 June 2011		
At 1 July 2010, net of accumulated depreciation	47,514	60,980
Additions	89,470	1,910
Movement in foreign currency assets	(2,939)	(140)
Disposals	-	-
Depreciation Charge for the year	(15,924)	(15,236)
At 30 June 2011, net of accumulated depreciation	**118,121**	**47,514**
At 30 June 2011		
Cost	173,403	88,687
Accumulated Depreciation	(55,282)	(41,173)
Net carrying amount	**118,121**	**47,514**

13. FINANCIAL ASSETS

	Consolidated	
	30 June 2011	30 June 2010
	$	$
Opening balance	1,673,238	2,351,695
Increase/(Decrease) Value during the year	-	(678,457)
Sale of financial assets during the year	(1,673,238)	-
Available-for-sale financial assets (i)	**-**	**1,673,238**

(i) Available-for-sale assets comprise investments in the ordinary issued capital of the Beaconsfield Gold NL (Beaconsfield). As at 30 June 2011 the Company held nil (2010: 11,660,323) ordinary shares in Beaconsfield (market value 2010: $1,399,238) and nil (2010: 3,425,000) ordinary shares in Torrens Energy Limited (market value 2010: $274,000).

14. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	30 June 2011	30 June 2010
	$	$
Opening balance	2,631,263	3,159,539
Exchange movement	(1,312,908)	(2,992)
Exploration expenditure capitalised	4,729,312	843,295
Exploration capitalised on acquisition	14,284,444	-
Exploration expenditure write off (Chile)	(2,402,501)	(1,368,579)
Exploration and evaluation expenditure	**17,929,610**	**2,631,263**

15. TRADE AND OTHER PAYABLES

	Consolidated	
	30 June 2011	30 June 2010
	$	$
CURRENT LIABILITIES		
Trade creditors and accruals	179,050	45,951
Other creditors	2,050	-
	181,100	**45,951**

16. CONTRIBUTED EQUITY

Ordinary Shares

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

	Consolidated	
	30 June 2011	30 June 2010
	$	$
72,198,501 (June 10: 72,198,501) fully paid ordinary shares	13,686,885	13,686,885
Consolidation of share capital on a one for two basis 36,099,260 (June 10: 72,198,501) fully paid ordinary shares	-	-
35,000,000 ordinary shares issued @ 20 cents per share	7,000,000	-
Share issued on exercise of option	551,834	-
136,759,914 loyalty option issued @ 1 cents per options	136,761	-
Share Issue Cost	(408,806)	-
	20,966,674	**13,686,885**
Issue of 72,198,501 shares at $0.20 each for acquisition of the Holdings Companies (see note 20)	14,439,700	-
	35,406,374	**13,686,885**

a) Movements of share capital during the year

Date	Details	No of shares	Issue price$	No of loyalty options	$
01.07.2010	Opening Balance 72,198,501 fully paid ordinary shares (June 10: 72,198,501)	72,198,501	-	-	13,686,885
	Consolidation of share capital on a one for two basis	(36,099,241)	-	-	-
26.11.2010	Acquisition of the Holdings Companies	72,198,501	0.20		14,439,700
03.12.2010	35,000,000 ordinary shares issued @ 20 cents per share	35,000,000	0.20	-	7,000,000
	Less: Transaction costs arising on share issue	-	-	-	(408,806)
	Share issued on exercise of option during the year	2,759,172	0.20	-	551,834
12.04.2011	Loyalty option issued at 1 cents per options		0.001	136,759,914	136,761
		146,056,933	**-**	**136,759,914**	**35,406,374**

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

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

Date of Expiry	Exercise Price	Options issued during period	Number Exercised	Balance
31/10/2011	$0.20	2,750,006	(1,505,672)	1,244,334
30/11/2012	$0.20	2,000,000	(1,250,000)	750,000
30/11/2014	$0.20	136,759,914	(3,500)	136,756,414
		141,509,920	2,759,172	138,750,748

Refer to Note 6 for more information on the capital risk management.

17. RESERVES

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.

18. CASH FLOW INFORMATION

	Consolidated	
	2011 $	2010 $
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	(4,279,485)	(2,071,271)
Depreciation & Amortisation	15,924	15,236
Employee option expense	-	50,902
Exploration expenditure impaired	2,402,501	1,368,579
Financial asset impairment	153,599	387,229
Loss on disposal of financial assets	646,067	-
Expensed PP&E	-	-
Exchange movement	-	60,695
Changes in assets & liabilities net of purchase & disposal of Subsidiaries.		
(Increase) / Decrease in receivables	(6,476)	(34,875)
Increase / (Decrease) in creditor & accruals	135,149	29,067
Cash flow from Operating Activities	(932,721)	(194,438)

19. LOSS PER SHARE

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

	Consolidated	
	2011 $	2010 $
a) Reconciliation of earnings to profit or loss		
Net loss used in calculating basic loss per share	(4,279,485)	(2,299,208)
a) Weighted average number of ordinary shares outstanding during the year		
Weighted average number of ordinary shares used in calculating basic loss per share	100,261,656	80,125,898

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.

20. ASSET ACQUISITION

a) Summary of acquisition

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

b) Purchase consideration

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

c) Acquisition-related cost

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

d) Asset & liabilities acquired

The Group acquired interests in tenements which resulted in a value of $14,284,444 on consolidation.

21. EVENTS SUBSEQUENT TO REPORTING DATE

Option to Acquire Highly Prospective Iron Ore Mineral Rights

Brazilian Metals Group Limited entered into an option agreement to add a highly prospective block of iron ore tenements to its Rio Pardo iron project in Northern Minas Gerais, in Brazil. The new block of tenements is called the Catuti Block.

The Company paid US$70,000 for the option to acquire the block of tenements, plus payments of US$20,000 per month during the 7 month evaluation period (to the end of March 2012).

Chief Executive Officer – New Appointment

Mr McCracken agreed to join the Company as Chief Executive Officer and Director from July 2011. Mr McCracken brings significant, commercial, financial and corporate experience from a background in investment banking and executive management to the Company.

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:

Audit and other assurance services	30 June 2011 $	30 June 2010 $
BDO Audit (WA) Pty Ltd	46,051	-
Somes & Cooke	22,500	31,730
Total remuneration for audit and other assurance services	68,551	31,730
Corporate finance		
BDO Corporate Finance (WA) Pty Ltd		
Independent accountant's report for inclusion in a prospectus	16,335	-
Total remuneration for corporate finance	16,335	-

23. EXPENDITURE COMMITMENTS

Mineral Tenement Lease

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

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 2011 $	30 June 2010 $
Not later than one year	240,000	-
Later than one year but not Later than five years	240,000	-
Later than five years	-	-
TOTAL	480,000	-

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.

The following transaction occurred with related parties for the year ended 30 June 2011:

	2011	2010
	$	$
Other transactions		
Administration and Office Services Fee to Transcontinental Investments	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	
		2011	2010	2011	2010
Anthony Trevisan (Director of Transcontinental Investments Pty Ltd)	Administration and Office Services fees	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:

1) 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;

2) operating, marketing, strategic and financial activities required in relation to the Company's Australian mining and exploration projects; and

3) 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.

25. PARENT ENTITY INFORMATION

The following details information related to the parent entity, Brazilian Metals Group Limited, as at 30 June 2011. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2011 $	2010 $
Current assets	9,654,509	3,104,264
Non-current assets	13,263,243	6,535,426
Total assets	22,917,752	9,639,690
Current liabilities	179,486	35,216
Non-current liabilities	-	-
Total Liabilities	179,486	35,216
Contributed equity	35,406,374	13,686,885
Retained earnings / (accumulated losses)	(12,768,890)	(4,382,192)
Option reserve	100,782	100,782
Financial asset reserve	-	198,999
Total equity	22,738,266	9,604,474
Profit / (loss) for the year	(3,405,144)	(240,482)
Other comprehensive (loss) for the year	(124,509)	(678,457)
Total comprehensive (loss) for the year	(3,529,653)	(918,939)

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	Malcolm Castle (Chief Executive Officer)
Director 3	Anthony Trevisan (Executive Director)
Director 4	Robert Pett (Non-Executive Director)
Director 5	Thomas Kelly (Non-Executive Director – resigned 17/05/2011)
Director 6	Craig Bromley (non-Executive Director – resigned 17/05/2011)
Director 7	Carl Swensson (Non-Executive Director – resigned 09/12/2010)

Other Key Management Personnel

Fleur Louise Hudson	(Company Secretary)
Jade Styants	*(Company Secretary – resigned 04/11/2010)*

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 2011. The details are contained in the Remuneration Report in the Directors' Report set out on Pages 24 to 28.

	Consolidated	
	2011	2010
Short-term employee benefits	**$**	**$**
Peter O'Connor	10,452	-
Anthony Trevisan	-	-
Malcolm Castle	134,750	-
Bruce McCracken	-	-
Robert Pett	21,800	-
Thomas Kelly	37,787	39,240
Craig Bromley	37,787	39,240
Carl Swensson	-	155,080
Fleur Hudson	-	-
Jade Styants	-	55,000
	242,576	288,560
Share-based payments		
Thomas Kelly	-	17,438
Craig Bromley	-	5,813
Carl Swensson	18,000	17,438
Jade Styants	46,388	10,213
	64,388	50,902

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.

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					
Non-Executive					
Peter O'Connor	-	-	-	-	-
Anthony Trevisan [1]	-	-	-	11,978,599	11,978,599
Malcolm Castle [2]	-	-	-	3,978,599	3,978,599
Bruce McCracken	-	-	-	75,000	75,000
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					
Specified Executive					
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.

2010 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					
Non-Executive					
Craig Bromley [1]	5,179,164	-	-	500,000	5,679,164
Thomas Kelly [2]	6,154,497	-	-	1,424,160	7,578,657
Carl Swensson [3]	186,858	-	-	-	186,858
Other key management personnel of the group Ordinary Shares					
Specified Executive					
Jade Styants [4]	-	-	-	-	-

Note 1: 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.
Note 2: Relevant interest as director and beneficiary of Apnea Holdings Pty Ltd and Syzygy Holdings Pty Ltd and interest as a Parent of Finnegan Kelly.
Note 3: Relevant interest as director and controlling shareholder of Swensson Resource Management Pty Ltd.
Note 4: Relevant interest as director and beneficiary of Jade Lauren Pty Ltd.

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 27 to 33.

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.

2011 Directors	Balance at the start of the year	Granted as compen-sation	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							
Non-Executive							
Peter O'Connor	-	-	-	-	-	-	-
Anthony Trevisan [1]	-	-	-	11,978,599	11,978,599	11,978,599	-
Bruce McCracken	-	-	-	75,000	75,000	75,000	-
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 Ordinary Shares							
Specified Executive							
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.

2010 Directors	Balance at the start of the year	Granted as compen-sation	Options Exercised	Options Lapsed	Balance at the end of the year	Vested and exercisable	Unvested
Directors of Brazilian Metals Group Limited Option Holdings							
Non-Executive							
Craig Bromley [1]	1,700,000	500,000	-	(1,200,000)	1,000,000	1,000,000	-
Thomas Kelly [2]	2,700,000	1,500,000	-	(1,200,000)	3,000,000	3,000,000	-
Carl Swensson [3]	1,500,000	1,500,000	-	-	3,000,000	3,000,000	-
Other key management personnel of the group Ordinary Shares							
Specified Executive							
Jade Styants [4]	250,000	500,000	-	-	750,000	750,000	-

Note 1: 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.
Note 2: Relevant interest as director and beneficiary of Apnea Holdings Pty Ltd and Syzygy Holdings Pty Ltd and interest as a Parent of Finnegan Kelly.
Note 3: Relevant interest as director and controlling shareholder of Swensson Resource Management Pty Ltd.
Note 4: Relevant interest as director and beneficiary of Jade Lauren Pty Ltd Individual Key Management Personnel Compensation Disclosures

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 24 to 28.

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.
Details refer to the Note 24.

27. RETIREMENT BENEFIT OBLIGATIONS

a) Superannuation

The Company contributes to a non-company sponsored superannuation fund. Contributions are made to an accumulation fund and are at least the minimum required by the law. There is no reason to believe that funds would not be sufficient to pay benefits as vested in the event of termination of the fund on termination of employment of each employee.

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

a) the financial statements and notes set out on pages 35 to 77, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2011 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.

(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 2011.

Signed in accordance with a resolution of the directors.

Bruce McCracken
Director

Perth, 29th September 2011

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Australia

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 2011, 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 entity 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 is free from material misstatement, whether due to fraud or error. In Note 1(b), the directors also state, 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 entity'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 entity'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.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

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 2011 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).

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(c) in the financial report, where the company will have to seek additional funding in order to progress its exploration and evaluation activities. If the company is unable to obtain additional funding it may indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the values stated in this financial report.

BDO Audit (WA) Pty Ltd

BDO Audit
C Burton

Chris Burton
Director

Perth, Western Australia
Dated this 29th day of September 2011

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 2010.

(a) Distribution of Equity Securities as at 31 August 2010:

Listed Fully Paid Ordinary Shares		Number of Holders	Number of Shares
1 - 1,000		8	2,025
1,001 - 5,000		34	117,541
5,001 - 10,000		81	719,834
10,001 - 100,000		277	11,091,518
100,001 - and over		99	60,267,583
		499	**72,198,501**

(b) Top Twenty Share Holders at 31 August 2011:

	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	9,702,875	6.64%
5	UPPER RISE GROUP LIMITED	8,750,896	5.99%
6	NEFCO NOMINEES PTY LTD	5,775,106	3.95%
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	3,085,832	2.11%
11	FLUE HOLDINGS PTY LTD	2,339,582	1.60%
12	MR ABDUL AZIZ BIN MHD HUSSAIN	1,750,000	1.20%
13	JP MORGAN NOMINEES AUSTRALIA LTD	1,572,751	1.08%
14	MR JOSE AGUSTIN BAHAMONDES	1,409,098	0.96%
15	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	1,111,723	0.76%
16	MS SUSAN JACQUELINE BROMLEY	1,000,000	0.68%
17	SURFBOARD PTY LTD	1,000,000	0.68%
18	MR STEPHEN JAMES GLOSSOP & CASSANDRA JOY GIBBENS	662,000	0.45%
19	MR SVEN JAMES ROBERTSON	613,756	0.42%
20	DR HENDRIK NAPP	600,000	0.41%
		105,662,603	**72.31%**

(c) Top Twenty Option Holders at 31 August 2011:

		Number of Shares	Percentage of Shares
1	TRG EQUITY INVESTMENTS	16,947,991	12.48%
2	AAT HOLDINGS LTD	11,953,599	8.81%
3	NEFCO NOMINEES PTY LTD	9,958,283	7.34%
4	HSBC CUSTODY NOMINEES	8,890,000	6.55%
5	UPPER RISE GROUP LIMITED	8,732,900	6.43%
6	APNEA HOLDINGS PTY LTD	5,008,079	3.69%
7	AGRICOLA MINING CONSULTANTS	3,429,600	2.53%
8	TRANSCONTINENTAL INVESTMENTS	3,429,600	2.53%
9	MR DANIEL PAUL WISE	3,085,832	2.27%
10	FLUE HOLDINGS PTY LTD	2,339,582	1.72%
11	MR DENIS IVAN RAKICH	2,331,380	1.72%
12	CALLANDER NOMINEES PTY LTD	2,181,505	1.61%
13	ICON COMMUNICATIONS LIMITED	2,181,505	1.61%
14	MITICO PTY LTD	2,164,852	1.59%
15	ECONOMIC CONSULTANTS PTY LTD	1,332,217	0.98%
16	MR RICHARD OWEN PYVIS	1,332,217	0.98%
17	COPIAPO METALS PTY LTD	1,300,000	0.96%
18	MR ABDUL AZIZ BIN MHD HUSSAIN	1,250,000	0.92%
19	ABN AMRO CLEARING SYDNEY	1,225,250	0.90%
20	MS SUSAN JACQUELINE BROMLEY	1,000,000	0.74%
		90,074,392	**66.36**

(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%

(f) Voting rights

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

(g) 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.

(h) 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.

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	
Dacal 1	Rio Pardo	1,917.02	831687/2008	2008	100%	
Dacal 1	Rio Pardo	1,927.16	831688/2008	2008	100%	
Dacal 1	Rio Pardo	1,933.35	832416/2008	2008	100%	
Dacal 1	Rio Pardo	1,192.51	832417/2008	2008	100%	
Dacal 1	Rio Pardo	1,538.98	832451/2008	2008	100%	
Dacal 1	Rio Pardo	1,878.59	832452/2008	2008	100%	
Dacal 1	Rio Pardo	1,819.19	832453/2008	2008	100%	
Dacal 1	Rio Pardo	1,611.01	832454/2008	2008	100%	
Dacal 1	Rio Pardo	1,938.96	831393/2009	2009	100%	
Dacal 1	Rio Pardo	1,982.03	831394/2009	2009	100%	
Dacal 1	Rio Pardo	1,948.50	832379/2009	2009	100%	
Dacal 1	Rio Pardo	1,942.12	832380/2009	2009	100%	
Dacal 1	Rio Pardo	796.27	832381/2009	2009	100%	
Dacal 1	Rio Pardo	1,975.13	832384/2009	2009	100%	
Dacal 1	Rio Pardo	1,991.71	831392/2009	2009	100%	
Dacal 1	Rio Pardo	1,843.44	832382/2009	2009	100%	
Dacal 1	Rio Pardo	1,879.49	832383/2009	2009	100%	
Dacal 1	Rio Pardo	1,665.21	832385/2009	2009	100%	
Dacal 1	Rio Pardo	1,837.40	832450/2008	2008	100%	
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%	
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%	

Project Name	Location	Area (Ha)	Number	Year	Interest	
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	865.11	831108/2005	2005	100%	
Granduvale	Rio Pardo	730.03	830176/2004	2004	100%	
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%	
Granduvale	Rio Pardo	984.95	830665/2003	2003	100%	
Granduvale	Rio Pardo	999.97	830666/2003	2003	100%	
Granduvale	Rio Pardo	987.66	830664/2003	2003	100%	
Granduvale	Rio Pardo	1,000.00	830530/2003	2003	100%	
Granduvale	Rio Pardo	1,000.00	830471/2003	2003	100%	
Granduvale	Rio Pardo	1,833.86	833342/2004	2004	100%	
Granduvale	Rio Pardo	1,999.89	833222/2004	2004	100%	
Granduvale	Rio Pardo	1,119.73	833564/2008	2008	100%	
Vargem Grande	Vargem Grande	1,999.86	831465/2010	2010	100%	
Gema Verde	Salinas	2,000.00	831197/2006	2006	100%	Earning
Gema Verde	Salinas	1,977.26	832443/2007	2007	100%	Earning
Gema Verde	Salinas	1,717.00	832444/2007	2007	100%	Earning
Gema Verde	Salinas	1,864.87	832445/2007	2007	100%	Earning
Catuti	Mato Verde	2,000.00	830680/2011	2011	100%	Earning
Catuti	Mato Verde	2,000.00	830093/2011	2011	100%	Earning
Catuti	Mato Verde	2,000.00	830679/2011	2011	100%	Earning
Catuti	Mato Verde	2,000.00	830092/2011	2011	100%	Earning

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