



QUARTERLY ACTIVITIES REPORT

For the period ended 30 September 2012

FOR THE QUARTER TO 30 SEPTEMBER 2012

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

Rio Pardo Project

The Company's Rio Pardo Iron Project in Northern Minas Gerais is at an advanced exploration stage. The exploration program conducted by the Company has delineated a large area of Fe mineralisation at the Josilene – Scorpion prospect across a 13km strike length, and an exploration target of 2 to 3 billion tonnes at 16.2% to 18.5% Fe. This is based on surface mapping and drilling with 28 RC holes to date and the potential quantity and grade is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

The Rio Pardo project remains a longer term opportunity with the potential to support a large scale, low cost mining operation. In the near term there are minimal expenditure requirements and the Company will seek to incrementally progress the opportunity without committing any significant cash expenditure, and revisit the program as market conditions improve. The Company has actively managed the project tenement holdings to focus on the core Josilene – Scorpion prospect, with areas of lower potential being relinquished.

New Projects

The low holding cost of the Company's core Rio Pardo project has enabled it to reprioritise its focus while awaiting a recovery in the iron ore outlook. The Company's key near term priority is to secure a new investment opportunity in the broader resources sector, ideally leveraging its position in Brazil, though it will consider projects outside Brazil if sufficiently attractive. The Company currently has a number of potential opportunities under review, though recognises that any new investment opportunity will need to be sufficiently attractive to bring in fresh capital and secure the support of existing investors.

The Company completed its evaluation and due diligence of the Carrapato Iron Project during the quarter. However with the recent volatility in the iron ore market and difficult capital market conditions the Company determined it was not viable and elected not to proceed with the acquisition.

Corporate Matters

The Company is continuing to closely manage and evaluate its capital requirements to meet its key business objectives. The Company continues to operate with the financial support of its significant shareholder, the Transcontinental Resources Group, which has confirmed it will continue to support the Company while it secures a capital raising.

ENDS

For further information please contact:

Bruce McCracken, Managing Director

Brazilian Metals Group

Ph: +61 8 9424 9390

Email: info@bmgl.com.au

Website: www.bmgl.com.au

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

BRAZILIAN METALS GROUP LIMITED

ABN

96 107 118 678

Quarter ended ("current quarter")

30 September 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date 3 months \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(122)	(122)
(b) development	-	-
(c) production	-	-
(d) administration	(136)	(136)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(257)	(257)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(257)	(257)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(257)	(257)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	170	170
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	(25)	(25)
Net financing cash flows		145	145
Net increase (decrease) in cash held		(112)	(112)
1.20	Cash at beginning of quarter/year to date	165	165
1.21	Exchange rate adjustments to item 1.20	(3)	(3)
1.22	Cash at end of quarter	50	50

Payments to directors of the entity and associates of the directors

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

		Current quarter \$A'000
1.2	Aggregate amount of payments to the parties included in item 1.2	71
1.2	Aggregate amount of loans to the parties included in item 1.10	-

1.2 Explanation necessary for an understanding of the transactions

Payment of consulting fees to directors & salaries to employees

Non-cash financing and investing activities

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

None

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

Financing facilities available

Add notes as necessary for an understanding of the position.

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

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	20
4.2	Development	-
4.3	Production	-
4.4	Administration	65
Total		85

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	50	45
5.2 Deposits at call	-	120
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	50	165

Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	146,056,933	74,108,445		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	136,756,414	136,756,414	<i>Exercise price</i> \$0.20	<i>Expiry date</i> 31 March 2014
	750,000	-	\$0.20	30 November 2012
	1,500,000	-	\$0.22	09 December 2014
	3,000,000	-	\$0.20	01 April 2013
	1,400,000	-	\$0.20	01 July 2016
	2,600,000	-	\$0.22	01 July 2016
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

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



Sign here:
(Company secretary)

31 October 2012
Date:

Print name: Fleur Hudson

Notes

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

== == == == ==