



QUARTERLY ACTIVITIES REPORT

For the period ended 31 December 2012

FOR THE QUARTER TO 31 DECEMBER 2012

HIGHLIGHTS

- The Company agreed to acquire 100% of Treasure Project - a portfolio of high quality Copper-Gold assets in Cyprus.
- VHMS deposits with identified Copper-Gold mineralisation and a series of strong exploration targets
- Walk up drill target on Black Pine prospect with high grade Cu and Au reported in drilling, adits and surface mapping/ sampling on a mineralised zone of approximately 1km long by 150m wide.
- Potential for significant credits from Cobalt and Nickel

During the quarter Brazilian Metals Group Limited (ASX:BMG) took a significant step forward with an agreement to acquire a portfolio of high quality Copper-Gold licences in Cyprus (**Treasure Project**). The Company is well advanced in progressing the due diligence associated with the acquisition, including the completion of an independent geologist's report from SRK Consulting (Australia) Pty Ltd released to the ASX on 25 January 2013 (SRK Report).

The Company recently announced two board and management appointments with Mr Christopher Eager to become non-executive Chairman effective 15 February 2013, and Dr Michael Green joining the board from 16 January 2013, and commencing as Chief Operating Officer from 15 February 2013.

- Mr Eager has a long association with the mining industry being a mining engineer with over 25 years' experience across a broad range of roles. He is currently the Executive Chairman of Resmin Plc, a private mining group based in the UK. During his career Mr Eager has successfully founded and developed a number of listed mining companies,

including Monterrico Metals Plc and Asia Energy Plc, and spent time as a resources banker with NM Rothschild (Australia) Limited.

- Dr Green is a geologist with over 15 years' experience in Australia and overseas managing all aspects of exploration programs across a broad range of minerals, including Copper, Gold and Nickel. He is currently operating as an independent geological consultant with 'Remote Area GeoScience', and has been the consulting geologist to the Treasure Project for the past 4 years. Dr Green is a member of the Australian Institute of Geoscientists (MAIG) and a Competent Person for the purposes of ASX releases on mineral resources.

THE TREASURE PROJECT

The Treasure Project hosts a number of strong exploration targets with Copper and Gold mineralisation identified across major target areas. The most advanced project area – Black Pine – has anomalous to high grade Cu and Au reported in drilling, adits and surface mapping and sampling, with a walk up drill target on a mineralised zone of approximately 1km long by 150m wide. High grade results from adit sampling within this zone include 18.36% Cu over 2m and a weighted average of 5.57% Cu over 17m. The weighted average for all adit samples was 2.94% Cu over 122.3 metres.

The Treasure Project areas have strong indications of significant gold credits from surface sampling, with material traces of Cobalt and Nickel present in many samples. When combined with the average mined Cu grades of around 0.5% to 2%, the potential for commercial exploitation of mineral interests is greatly enhanced.

Mineral exploration in Cyprus has been low during the past few decades, and BMG believes there is a strong possibility for the discovery of additional massive sulphide bodies that either did not outcrop or may extend beyond previously abandoned workings.

The metal deposits of Cyprus are dominantly copper-bearing volcanogenic hosted massive sulphide "VHMS" deposits. These deposits are hosted within the pillow lava sequence of the Troodos Ophiolite Complex. The pillow lava sequence is divided into Upper and Lower Pillow Lavas, with the majority of massive sulphide bodies located along the contact between the two pillow lava sequences. All of the Treasure Project areas overlie this important contact. Gold mineralisation associated with the massive sulphide ores has not historically been evaluated, providing significant opportunity for exploration.

The Treasure Project includes three advanced project areas **Black Pine**, **Kambia** and **Vrechia** where previous drilling and adits have clearly demonstrated the presence of copper – gold mineralisation. These projects total over 200 square kilometres across 23 tenements.

Historic exploration in the 1950s to 1970s at the lead **Black Pine Project** identified pyrrhotite dominated massive sulphide mineralisation with anomalous to high grade copper

and gold reported in drilling, adits and surface mapping and sampling. Two target areas – Pevkos and Laxia - have been identified within this project 5.5 km apart and along strike.

Historic and recent exploration data including drilling and adits have defined a potential mineralised zone approximately 1 km long and up to 150 metres wide which is considered to be an immediate drill target (Laxia deposit).

There is a long mining history at the **Kambia project** with six abandoned copper mines within 500 metres of the tenement boundaries and two historic mines within the project area. Historic production records indicate significant tonnages with low or unknown copper grades. Gold grades were not reported in the historical records but elevated values have been returned from recent sampling. The Kambia project is 20 km south of Nicosia and covers around 60 square kilometres.

Records for the **Vrechia project** area report numerous slag dumps and copper sulphide localities with historic open pit production of 200,000 tonnes at 0.5% Cu. The historic records did not report on gold grades though recent sampling has returned encouraging grades. The project is 30 km northeast of Paphos and covers around 23.5 square kilometres.

Proposed Exploration Programme

The SRK Report provides an extensive review of the Treasure Project and verification of BMG's proposed exploration program. SRK conclude that the Treasure Project, including Black Pine, Kambia and Vrechia, have high potential and drill ready targets.

Once acquisition of the Treasure Project is completed, BMG's immediate priority will be on advancing Black Pine through exploration and infill drilling aimed at establishing a Mineral Resource in accordance with the JORC code, and advancing scoping and pre-feasibility work for a potential mining operation. Additionally, BMG will carry out further exploration sampling, mapping and geophysical work at Kambia and Vrechia to prioritise targets for scout drilling. The other project areas under application are at an earlier stage and will be incrementally progressed through further research, reconnaissance, and geophysical work.

The Terms of the Agreement

BMG has entered an agreement to acquire 100% of Treasure Development Ltd ("TDL"), a privately owned Cypriot company that owns the Treasure Project, on favourable commercial terms.

BMG will pay a maximum consideration of \$1.6 million for the TDL acquisition in a combination of cash and shares, as follows:

- \$100,000 first instalment – paid in December 2012.
- \$300,000 on completion of the acquisition, which will occur once the conditions precedent are satisfied.

- \$450,000 in fully paid ordinary shares in BMG on completion of the acquisition.

A further \$750,000 in fully paid ordinary shares in BMG will be payable contingent on the completion of a Bankable Feasibility Study (BFS) confirming the exploitation of the TDL mining interests is commercially viable. The issue price will be based on BMG's volume weighted average share price for the last 5 days of trading immediately prior to the BFS being concluded.

Conditions Precedent

Completion of the proposed acquisition is conditional upon a number of conditions precedent for BMG's benefit including:

- BMG completing satisfactory due diligence on TDL and its mineral interests; and
- BMG obtaining all required regulatory and stock exchange approvals.

CORPORATE

BMG continued to meet its working capital requirements during the quarter with the ongoing financial support of its major shareholder, the Transcontinental Resources Group (TRG). The Company is currently in the process of undertaking a capital raising which it anticipates will be completed by the end of the next quarter.

BMG's NORTHERN MINAS GERAIS IRON PROJECTS

The Company retains its interest in the Rio Pardo Project in northern Minas Gerais, Brazil which contains 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.

ENDS

For further information please contact:

Bruce McCracken, Managing Director
Brazilian Metals Group
Ph: +61 8 9424 9390
Email: info@bmgil.com.au

Fleur Hudson, Company Secretary
Brazilian Metals Group
Ph: +61 8 9424 9390
Email: enquiry@bmgil.com.au

Website: www.bmgil.com.au

Competent Persons Statement

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Malcolm Castle, a competent person who is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM"). Malcolm Castle is a consultant geologist employed by Agricola Mining Consultants Pty Ltd and is a non-executive Director of Brazilian Metals Group Limited. Malcolm Castle has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Malcolm Castle consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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.

BMG Overview

BMG is mining exploration and development company. 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.

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")

31 December 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date 6 months \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(30)	(152)
(b) development	-	-
(c) production	-	-
(d) administration	(95)	(231)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	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	(125)	(382)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(115)	(115)
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	2	2
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(113)	(113)
1.13 Total operating and investing cash flows (carried forward)	(238)	(495)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(238)	(495)
	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	232	402
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	(31)	(56)
	Net financing cash flows	201	346
	Net increase (decrease) in cash held	(37)	(149)
1.20	Cash at beginning of quarter/year to date	50	165
1.21	Exchange rate adjustments to item 1.20	(2)	(5)
1.22	Cash at end of quarter	11	11

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	50
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	30
4.2	Development	-
4.3	Production	-
4.4	Administration	60
Total		90

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	11	50
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	11	50

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	146,056,933		
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
	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: Date: 31 January 2013
(Company secretary)

Print name: Fleur Hudson

Notes

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

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