**BRAZILIAN RESOURCES, INC.**
**Management's Discussion and Analysis**
**of Financial Condition and Results of Operations**
**in respect of the year ended December 31, 2008**

This Management's Discussion and Analysis has been prepared as of June 11, 2009 and should be read in conjunction with the audited financial statements of Brazilian Resources, Inc. (the "Company") for each of the years ended December 31, 2008 and December 31, 2007. All amounts are expressed in US$ unless otherwise indicated. The average rates of exchange for the Canadian dollar (Cdn.$) per US$1.00 for 2008 and 2007 were 1.07 and 1.07 respectively. The average rates of exchange for the Brazilian real (R$) per US$1.00 for 2008 and 2007 were 1.84 and 1.95 respectively.

The Company's ability to meet its targets and to execute on its strategy is subject to the various risks and the assumptions that can be found in the "Forward-Looking Statements" below.

## FORWARD-LOOKING STATEMENTS

Certain statements in this Management's Discussion and Analysis ("MD&A") constitute "Forward-Looking Statements" within the meaning of Canadian securities legislation. These Forward-Looking Statements include, among others, statements concerning the Company's future objectives. Forward-Looking Statements can be identified by the use of words, such as "are expected", "is forecast", "is targeted", "approximately" or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-Looking Statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results or performance to be materially different from any future results or performance expressed or implied by the Forward-Looking Statements. These factors include but are not limited to: the inherent risks and uncertainties involved in the exploration and development of mineral properties; the uncertainties involved in interpreting drilling results and other ecological data; fluctuating gold and base metal prices; fluctuating monetary exchange rates; the possibility of project cost delays and overruns or unanticipated costs and expenses; uncertainties relating to the availability and costs of financing needed in the future; uncertainties related to production commencement and rates thereafter, timing of production and the cash and total costs of production; changes in applicable laws including laws related to mining development, environmental protection, and the protection of the health and safety of mine workers; the availability of labor and equipment; the possibility of labor strikes and work stoppages; the ability of the Company to initiate and complete various corporate transactions with third parties; the enactment of laws and regulations allowing the export of irradiated food products from Brazil and the import to the United States and the timing and enforcement thereof; the ability of the Company to establish commercial relationships with third-party agricultural growers in Brazil and food wholesalers/retailers in the United States in sufficient quantity, on commercially feasible and reasonable terms or at all; the ability of the Company to seek and develop new businesses; and changes in general economic conditions. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in Forward-Looking Statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.

These Forward-Looking Statements represent our views as of the date of this discussion. The Company anticipates that subsequent events and developments may cause the Company's views to change. The Company does not undertake to update each and every Forward-Looking Statement, either written or oral, that may be made from time to time by or on behalf of the Company subsequent to the date of this discussion except as required by law.

Further information about the Company is available on System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

## OVERVIEW

Brazilian Resources, Inc. is a company with expertise in seeking, evaluating, financing and owning interests in mining, agriculture, infrastructure, and other industries in Brazil. Corporate offices are located in Concord, New Hampshire, USA. The Company is a U.S. company and a reporting issuer in the Provinces of Alberta, British Columbia and Ontario, Canada.

In 2008, the Company focused on paying down debt, advancing existing projects, and evaluating and entering into new projects. During the year ended December 31, 2008, the Company:

- Acquired an 80% share of a limestone property in Brazil;
- Made significant progress on permits and licenses for food irradiation;
- Sold or exchanged 1,974,105 shares of Jaguar Mining Inc. ("Jaguar") for gross value of $19,251,283;
- Repaid all bridge loans and convertible debentures;
- Purchased and retired 10 million shares of the Company stock;
- Deconsolidated the financial results of PML as of August 31, 2008.

## BASIS OF PRESENTATION

Prometálica Mineração Ltda. ("PML"), the Company's 49% owned joint venture, entered into a Judicial Restructuring (a form of bankruptcy proceeding) procedure in Brazil. The petition to file was completed on August 11, 2008 and the court decision ordering the commencement of the proceedings was received on September 5, 2008. An agreement to shut down PML operations was signed on September 3, 2008. The Judicial Restructuring process allows PML to hold all properties and stay all debts pending court approval of a recovery plan, which was filed on November 6, 2008.

As a result of these actions, Brazilian Resources cannot continue exercise joint control of PML. Loss of control and the Judicial Restructuring proceedings resulted in the Company's decision to deconsolidate PML's financial results effective August 31, 2008. PML's activities are considered as "Discontinued Operations" in the consolidated financial statements. At August 31, 2008 the Company's consolidated balance sheet included a gain due to a reversal of net asset deficiency of $5,135,217 represented by the excess of the Company's proportionate share of the liabilities related to PML over PML's assets and net loss from January 1, 2008 to August 31, 2008. For further details refer to note 6 of the Company's consolidated financial statements.

## AGRICULTURE & INFRASTRUCTURE

***SecureFoods, Inc. ("SecureFoods")***

Brazil is one of the largest agricultural producing countries in the world. In June 2001 the Company formed SecureFoods, a U.S.-based wholly-owned subsidiary intending to develop gamma ray ionization facilities in Brazil and export treated food products to North America. SecureFoods has obtained exclusive rights in Brazil to an irradiation technology particularly well suited for application to food.

Gamma ray ionization is a process that exposes food products to a controlled amount of radiant energy. The irradiation process extends the shelf life of many agricultural products, thus permitting the opportunity for more cost effective transportation of these foods as well as extending the time for consumption. This process will also neutralize harmful bacteria like e-coli and salmonella. The Company believes this technology will replace many outdated food sanitation treatment processes necessary for food importation to the U.S.

All necessary permits and approvals have either been received or applied for and are currently being procured other than permits and approvals where it is premature to obtain. The additional licenses are expected to be obtained when needed. The Company's wholly-owned Brazilian subsidiary has acquired a property on which the first irradiator facility is expected to be built. This facility is expected to house four irradiators with possible expansion to eight. SecureFoods has identified four other localities as sites for additional facilities as demand grows. The Company believes it has a significant advantage by being the first in Brazil to begin this process.

SecureFoods is planned to be a value-added service to exporters of fruits and vegetables to the U.S. In addition, SecureFoods plans to purchase, treat and export its own fruits and vegetables. The Company is also working to develop the market in the U.S. for the Brazilian irradiated products. With heightened consumer awareness for food safety coupled with reduced transportation costs and increased shelf life, the Company believes that SecureFoods offers an opportunity to generate significant cash flow. Pending financing, the Company expects to commence construction of its first facility in 2009 and launch commercial operations in the first half of 2010.

***Brasagro Fertilizantes Minerais Ltda. ("BrasAgro")***

Plant nutrients and other inputs are essential to modern agricultural practices to maximize output for such industries as ethanol production. The Company invested in a feasibility study to determine if the Company should exercise its option to acquire an 80% stake in Petrocal Indústria e Comércio de Cal S.A. ("Petrocal"), a limestone property in Brazil. During Q2 2008 the Company contracted to acquire 80% of Petrocal through BrasAgro, a wholly-owned subsidiary. The project plans to sell the limestone produced initially to agricultural customers, and also eventually to industrial customers in the nearby region. The expectation is to build mining operations and seek the acquisition of similar properties with the intent of consolidating within the sector and having a long-lived asset generating significant cash flow. The Company expects to file a National Instrument 43-101 technical report based on the feasibility study in the near future.

The purchase price of $5,684,618 (R$9,819,040) was originally to be paid as follows: $199,943 was due upon signing of the contract, $4,000,000 was due 30 days after receiving the required environmental permits and contract for sufficient power to operate; $800,000 was due eight months after receiving the required environmental permits and contract for sufficient power to operate; and $684,675 was due 30 days after the third payment. The payable is due to the non-controlling shareholders of Petrocal and security is provided by the quota shares acquired. The amount is non-interest bearing.

During the year, the Company renegotiated its payment schedule with Petrocal. The balance due at December 31, 2008, $4,415,330 (R$8,468,360), was initially due on September 17, 2008. This was later extended to February 27, 2009. Subsequent to December 31, 2008 the Company did not pay the remaining balance due. On April 30, 2009 the terms of the agreement were renegotiated to retain the Company's 80% ownership and set new payment terms. The renegotiated payment terms are as follows: the first installment of $200,000 was due on signing of the April 30, 2009 amendment and was paid May 11, 2009; the second installment of $150,000 is due on May 30, 2009, the third installment of $65,330 is due 10 days after the after the documentation confirming the renovation for the environmental installation license has been received and the remaining balance of $4,000,000 is due March 2010. The parties agreed on a fixed exchange rate of R$2.00 per US$1.00 which will be used if the exchange rate on the date of the any payment is lower than R$2.00. (Refer to Note 10 to Consolidated Financial Statements)

On August 15, 2008, Petrocal signed a contract with Centrais Elétricas Matogrossenses S.A. ("CEMAT"), the electric utility in the state of Mato Grosso, Brazil, for CEMAT to provide power to the Petrocal mine site. Construction of the transmission lines is expected to cost approximately R$1.4 million, of which Petrocal was obligated to provide R$976,729 ($417,941) in a series of three installment payments that ended October 15, 2008. Total payments required to be made to CEMAT through the year ended December 31, 2008 were made. Petrocal anticipates the power line construction to begin in the fall of 2009 and be completed by the end of February 2010. Subsequent to obtaining financing for capital expenditures, the Company expects Petrocal to begin operations in April 2010. (Refer to Note 7 to Consolidated Financial Statements)

**MINING**

***Prometálica Mineração Ltda. ("PML")***

The Company is the holder of 49% of the quota shares of PML. The balance of the quota shares are owned by IMS Empreendimentos Ltda. ("IMS") (50%) and another individual quota holder (1%). The Company has a voting agreement with the individual quota holder whereby the Company controlled 50% of PML. The Company, IMS and the individual quota holder have paid their minimum required subscribed capital. PML was being used for the development of mineral resources, exploration, and mining of primarily base metals. The Company filed a National Instrument 43-101 technical report on SEDAR for the Monte Cristo property in 2007.

Management agreed to shutdown PML operations effective September 3, 2008. A combination of uncontrollable economic factors, primarily the falling prices of zinc and copper, caused a critical drop in operational working capital. That, coupled with financing based predominantly on short term loans and the tightening of global credit markets, rendered PML unable to meet all its liabilities.

One of the tools available to cope with the working capital issue and potentially reorganize PML is a Judicial Restructuring. The Company engaged one of the pre-eminent firms in Brazil to assist with this Judicial Restructuring process, and a court decision ordering commencement of the proceedings was received on September 5, 2008.

Judicial Restructuring allows PML to hold all properties while staying all debts pursuant to court approval of a restructuring plan. It also allows for the possible sale of the business. A Recovery Plan was filed with the courts on November 6, 2008 and is still under review. It included technical studies indicating that further investment in the property could delineate additional mineral resources and potential renewal of operations. A brief notification establishing the publication of a formal notice to creditors was issued September 5, 2008. Creditors had 30 days from the date of the formal notice to file objections against the plan. If no objections are filed, the plan is automatically approved upon judicial ratification. Currently, PML is in the process of updating the recovery plan and the judge has not made an official ruling on the plan or the date of the creditors meeting.

The Company is not responsible for PML's debts other than those for unpaid salaries or unremitted taxes. Based on the current restructuring plan PML should have sufficient funds to pay these liabilities as they have been deemed the highest priority on the creditor list. In addition, the Company and IMS have guaranteed payment of the Net Smelter Royalty ("NSR") to Mineração Serras do Oeste Ltda. ("MSOL") in the event of non-payment by PML or its successors. Due to this fact, as at December 31, 2008, the Company's proportional share of the NSR $581,746 was recorded in the consolidated balance sheet and consolidated statement of operations, deficit and comprehensive income (loss).

For accounting purposes, the Company determined that it lost joint control and is not able to exert significant influence over this joint venture as a result of the court's acceptance of the Judicial Restructuring. Accordingly, the financial results of PML have been deconsolidated effective August 31, 2008. The consolidated financial statements include PML results through August 31, 2008 on the statements of operations, deficit and comprehensive income (loss) and cash flows as Discontinued Operations, but do not include any amounts related to PML on the consolidated balance sheets for 2008. (Refer to Note 6 to Consolidated Financial Statements)

Based on the analysis performed by third parties experienced in the Judicial Restructuring process in conjunction with the court administrator, the amounts owed to the Company from PML would be among the last to be paid in the event that PML had enough working capital to repay its existing creditors.

***Jaguar Mining Inc.***

In 2001, when gold prices were below $300/oz, the Company recognized an opportunity to consolidate gold projects in the Iron Quadrangle region in the state of Minas Gerais, Brazil. The Company entered into a joint venture with a local engineering company and launched Jaguar. Jaguar produces gold and has its operating offices in Minas Gerais, Brazil. Jaguar is domiciled in Ontario, Canada, with corporate administrative affairs conducted at the Company's offices in New Hampshire, USA.

From 2002 through 2004, the Company focused significant efforts on further developing and growing Jaguar. Today, Jaguar is a publicly traded company on both the TSX and NYSE-Arca with a current market capitalization of approximately $581 million of which the Company's ownership is approximately 2.1%. The Company's initial investment in Jaguar was approximately $5 million. Since Jaguar became publicly-traded, the Company has sold approximately 3.9 million shares of Jaguar for proceeds of $24.9 million to redeploy into other areas, including investments and operations in Brazil, engineering, technical, and other analyses for growth projects, as well as providing sustaining capital for ongoing administrative costs.

At December 31, 2008, the Company owned 1,613,692 common shares of Jaguar (3,582,105 at December 31, 2007). During 2008 the Company sold 1,974,105 shares of Jaguar (935,345 shares for settlement of outstanding debt, 891,412 shares for cash and 147,348 to repurchase common shares of the Company) for gross proceeds of $19,251,284 resulting in a net gain of

$15,773,537 (Refer to Note 11 to Consolidated Financial Statements). The proceeds were used to repay all bridge loans, convertible debentures and fund operations.

At December 31, 2008, the fair value of the Company's investment in Jaguar was $8,222,634 ($43,829,217- December 31, 2007). This was determined based on the 1,613,692 shares owned, the period ending stock price of Cdn.$6.24 and an exchange rate of Cdn.$1.2246 per U.S. dollar.

At December 31, 2008 the Company had pledged 322,000 of its Jaguar common shares as security for the investment in Prometálica Centro Oeste Ltda. ("PMCO") (See "Other mineral projects"). The remaining 1,291,692 Jaguar shares are on deposit as security for its credit facility.

The Company may continue to sell portions of its Jaguar holdings in order to provide additional financing to existing projects, finance other projects, repay debt, or provide working capital. The Company has and may continue to use its Jaguar shares as collateral for loans.

***Other mineral projects***

During 2005, the Company acquired 23% of the quota shares of PMCO. The balance of the quota shares are held by IMS. Although the Company continues to own 23% of the quota shares of PMCO, the economic interests of IMS and the Company have been reduced by 50% in connection with the financing provided for the construction and development of the PMCO project. PMCO is being used for development of mineral resources, exploration, and mining of precious and base metals through a project known as Americano do Brazil. Construction of the project was completed and ramp-up production began in September 2006. IMS is the construction and operating manager of the project. On January 31, 2006 the Company, along with IMS, entered into a Pledge Agreement whereby the Company pledged 322,000 of its Jaguar shares, and IMS pledged 1,078,000 of its Jaguar shares as security for the above referenced financing agreement between PMCO and certain creditors.

The Company formerly controlled a 70% interest in a 20,862 acre mineral property, which included an inactive open pit/heap leach gold mine located in the state of Amapá in the Brazilian portion of the Guyana Shield. The property was subject to litigation by Brazilian authorities with respect to environmental issues, all of which were outlined by the Company's environmental plan at the time of acquisition. In March 2005, the Company's Brazilian subsidiary signed a formal rescission of the mine leasing contract, which recognized that the subsidiary was not directly responsible for the environmental liability, and a complete and general release has been provided. On June 5, 2008, the Company received notification of the conclusion of the environmental legal proceedings with no liability assigned to the Company, its Brazilian subsidiaries or their directors.

## RESULTS OF OPERATIONS

***Selected financial information***

| | **Years ended December 31,** | | |
|---|---|---|---|
| | **2008** | **2007** | **2006** |
| Net income from continuing operations | $ 5,299,563 | $ 2,640,262 | $ 1,898,532 |
| Net income (loss) | | | |
| - per share basic | $ 0.05 | $ 0.02 | $ 0.02 |
| - per share diluted | $ 0.05 | $ 0.02 | $ 0.02 |
| Net loss from discontinued operations | $ (678,843) | $ (3,582,362) | $ (2,204,605) |
| Net income (loss) | $ 4,620,720 | $ (942,100) | $ (306,073) |
| - per share basic | $ 0.04 | $ (0.01) | $ (0.00) |
| - per share diluted | $ 0.04 | $ (0.01) | $ (0.00) |
| Total assets | $ 18,840,005 | $ 47,014,231 | $ 9,985,366 |
| Total long-term liabilities | $ 2,234,912 | $ 8,458,066 | $ 4,748,451 |

The net income for the year ended December 31, 2008 amounted to $4,620,720 or $0.04 per share compared to a net loss of $(942,100) or ($0.01) per share for the year ended December 31, 2007. The primary factors contributing to the year-to-date net gain include, but are not limited to, the following:

Discontinued Operations

- $0.7 million loss related to discontinued operations

Agriculture and infrastructure:

- $0.9 million loss due to expenses related to the progression of the SecureFoods project
- $0.1 million loss due to expenses incurred by BrasAgro and corporate office expenses incurred directly on behalf of BrasAgro
- $0.8 million loss due to expenses related to the progression of other early-stage infrastructure projects

Corporate:

- $15.8 million gain due to sale of the Company's Jaguar stock
- $4.5 million loss due to income tax expense
- $1.0 million loss due to interest expense
- $2.1 million loss due to general and administrative expense
- $0.6 million loss due to the NSR

Summary of quarterly results (in thousands of dollars, except per share amounts)

| **Quarter ended** | **Dec 31** | **Sep 30** | **Jun 30** | **Mar 31** | **Dec 31** | **Sep 30** | **Jun 30** | **Mar 31** |
|---|---|---|---|---|---|---|---|---|
| **Year** | **2008** | **2008** | **2008** | **2008** | **2007** | **2007** | **2007** | **2007** |
| Net sales | $- | $- | $1,501 | $1,044 | $735 | $6,765 | $3,003 | $2,551 |
| Net income (loss) | ($1,593) | $6,500 | $2,777 | ($3,063) | $1,373 | $457 | ($2,949) | $179 |
| per share basic and diluted | ($0.01) | $0.06 | $0.03 | ($0.03) | $0.01 | $0.00 | ($0.03) | $0.00 |

Per share quarterly amounts do not add to annual amounts due to rounding.

The quarters presented with positive net income and earnings per share results shown above are primarily due to gains related to the Company's investment in Jaguar.

During Q4 2008, the company incurred a net loss of $1,592,993 ($1,373,000 gain at December 31, 2007) primarily due to general operating expenses.

The results of Q3 2008 have been restated. The results from the deconsolidation of PML are now reflected separately as discontinued operations. In addition, the Company has adjusted for certain items which were previously recorded directly within deficit and are now reflected within the consolidated statement of operations. As a result our net loss for the three months ended September 30, 2008 changed from $3,244,455 to a net gain of $6,500,096. Our income from continuing operations of $2,140,784 and income from discontinued operations of $4,359,309 results in a new net income of $6,500,093 for the three months ended September 30, 2008. As a result our net loss changed from $3,530,836 for the nine months ended September 30, 2008 to a net gain of $6,213,713. Our income from continuing operations was $6,892,556 and loss from discontinued operations of $678,843 results in a new net income of $6,213,713.

***Selected financial information from discontinued operations***

| | Period ending | | |
|---|---|---|---|
| | **August 31, 2008** | **December 31, 2007** | **December 31, 2006** |
| Net sales | $ 7,787,926 | $ 13,054,445 | $ 1,639,720 |
| Net loss | $ (4,274,018) | $ (3,582,362) | $ (2,204,608) |
| - per share basic | $ (0.04) | $ (0.03) | $ (0.02) |
| - per share diluted | $ (0.04) | $ (0.03) | $ (0.02) |
| Total assets | $ N/A | $ 19,480,344 | $ 12,633,307 |
| Total long-term liabilities | $ N/A | $ 8,773,738 | $ 1,284,115 |

***PML production and operating performance***

The Monte Cristo project is used for the development of mineral deposits, extraction and processing of polymetallic ore to produce and sell concentrates of zinc (“Zn”) and copper (“Cu”). Gold (“Au”) and silver (“Ag”) are associated metals.

**PML Resources and Reserves**

PML Resource Statement at a 3.0% Zinc Equivalent Cut-off Grade

| Classification | Tonnes | ZnEq | Zn | Cu | Au | Ag |
|---|---|---|---|---|---|---|
| Measure in Situ | 595,000 | 9.03 | 5.84 | 1.17 | 1.23 | 40.43 |
| Indicated | 488,000 | 10.30 | 6.47 | 1.44 | 1.37 | 43.30 |
| Stockpile | 37,000 | 13.60 | 8.39 | 2.08 | 1.23 | 39.52 |
| Total M&I | 1,120,000 | 9.73 | 6.20 | 1.32 | 1.29 | 41.65 |
| Inferred | 37,000 | 9.28 | 5.81 | 1.29 | 1.28 | 40.94 |

Effective date is December 31, 2006

PML Reserves

| Classification | Tonnes | Zn (%) | Cu (%) | Au (g/t) | Ag (g/t) | ZnEq (%) |
|---|---|---|---|---|---|---|
| Proven in Situ | 632,538 | 5.49 | 1.10 | 1.16 | 38.02 | 8.49 |
| Stockpile | 36,891 | 8.39 | 2.08 | 1.23 | 39.52 | 13.60 |
| Total Proven | 669,429 | 5.65 | 1.16 | 1.16 | 38.10 | 8.77 |
| Probable | 519,217 | 6.09 | 1.35 | 1.29 | 40.47 | 9.68 |
| Total Reserve | 1,188,646 | 5.84 | 1.24 | 1.22 | 39.14 | 9.17 |

Effective date is December 31, 2006

The Neal Rigby SRK NI 43-101 Technical Report on the Monte Cristo Base Metals Project is filed on SEDAR with a report date of May 30, 2007 and an effective date of December 31, 2006.

The Qualified Persons, as such term is defined in NI 43-101, who prepared the SRK Monte Cristo Base Metals Technical Report, were Neal Rigby CEng., MIMMM, PhD and Leah Mach C.P.G. Dr . Rigby, Group Chairman, Principal Mining Engineer and Ms. Mach, Principal Resource Geologist for SRK are independent for purposes of NI 43-101.

**CASH FLOW AND LIQUIDITY**

At December 31, 2008 the Company had a cash balance of $370,017. During the year ended December 31, 2008 the Company’s cash decreased by $0.2 million ($1.8 million - December 31, 2007). The decrease in cash during 2008 was primarily due to the following:

- Operating activities resulted in a cash decrease of $5.2 million primarily due to the non-cash changes in investments offset by future income tax expense and impairment of assets and uncollectible debt. Operating activities from discontinued operations resulted in a cash decrease of $1.2 million.

- Financing activities resulted in a cash decrease of $10.7 million primarily due to repayment of debt financing and retirement of convertible debentures. Financing activities from discontinued operations resulted in a cash increase of $0.05 million.

- Investing activities resulted in a cash increase of $16 million primarily due to proceeds of the sale of Jaguar shares offset by investment in mineral properties and purchase of capital assets. Investing activities from discontinued operations resulted in a cash increase of $0.9 million.

At December 31, 2008, the Company's assets, in particular the potential borrowing power or liquidation of its Jaguar shares, were sufficient to meet the current needs of the business projects. See the discussion in the "Risks and Uncertainties" and "Outlook" sections.

***Contractual Obligations***

The Company's contractual obligations and related interest at December 31, 2008 are summarized as follows:

| | **Payments due in $ 000's** | | | | |
|---|---|---|---|---|---|
| | **1 Year** | **2-3 Years** | **4-5 Years** | **beyond 5 Years** | **Total Due** |
| Accounts payable and accrued liabilities | $ 1,948 | $ - | $ - | $ - | $ 1,948 |
| Current taxes payable | 37 | - | - | - | 37 |
| Due to related parties | - | - | 162 | - | 162 |
| Due to non-controlling shareholders | 4,415 | - | - | - | 4,415 |
| Loans payable | 942 | 10 | 10 | - | 962 |
| **Total** | **$ 7,342** | **$ 10** | **$ 172** | **$ -** | **$ 7,524** |

## RELATED PARTY TRANSACTIONS

On January 31, 2006 the Company, along with IMS, entered into a Pledge Agreement whereby the Company pledged 322,000 of its Jaguar shares, and IMS pledged 1,078,000 of its Jaguar shares as security for the financing agreement between PMCO and certain creditors. (See "Other mineral projects".)

The Company provides administrative services and use of administrative offices to Jaguar. As a result, the Company recorded occupancy income of $180,000 ($120,000-December 30, 2007) and administrative service income of $350,731 ($449,926 –December 31, 2007). The occupancy income and administrative service income is included in the statement of operations, deficit and other comprehensive income. At December 31, 2008 accounts receivable included $38,612 due from Jaguar ($101,255 accounts payable at December 31, 2007).

The Company has amounts payable due to MSOL and Mineração Turmalina Ltda. ("MTL") in relation to a court-ordered settlement of a labor case. The labor was performed for MSOL and other Company subsidiaries. At the time the labor was performed, the Company owned MSOL. At the time of the court order, MSOL, MTL and the Company's wholly-owned subsidiary, BW Mineração Ltda., had a director in common, and as a result, the Brazilian labor court considered the companies to be an economic group and ordered payment from each company. The Company has guaranteed the amount owed to MSOL and MTL, $162,000. The amount of the guarantee is denominated in R$ (R$378,158), bears monthly interest at US LIBOR (0.43625 at December 31, 2008), is payable quarterly, and is due September 30, 2011.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make a wide variety of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of expenses during the reporting periods covered by the consolidated financial statements. Our management routinely makes judgments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting

the future resolution of the uncertainties increases, these judgments become even more subjective and complex. We have identified certain accounting policies that are most important to the portrayal of our current financial condition and results of operations. Our significant accounting policies are disclosed in Note 4 of our consolidated financial statements, which should be read in conjunction with this report.

***Stock-based Compensation Costs***

The Company determines stock-based compensation costs using an option pricing model which involves the selection of highly subjective assumptions, including an assumption as to price volatility. Changes in these assumptions can materially affect the fair value estimate and therefore the current model does not provide a consistently reliable measure of the fair value cost of the Company's outstanding stock options.

***Impairment of Long-lived Assets***

The Company reviews and assesses long-lived assets for recoverability whenever indicators of impairment exist. Impairment assessments are based on estimated future undiscounted net cash flows from each property. Future cash flows are calculated using estimated recoverable metals, future sales prices, future operating, capital, and reclamation and mine closure costs. Estimates of future cash flows are uncertain and are affected by external factors such as metal prices and foreign currency exchange rates. As discussed in the Mineral Properties section, various factors could impact the Company's ability to achieve its forecasted production schedules from proven and probable reserves. Additionally, metal prices, exchange rates, operating and capital expenditure requirements and reclamation and mine closure costs could differ from the assumptions used in the cash flow models used to assess impairment. The Company also reviews the reasonability of the useful lives of long-lived assets. Material changes to any of these factors or assumptions discussed above could result in future impairment charges to operations.

**CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

Effective January 1, 2008 the Company adopted the following new CICA Handbook Standards:

***Inventories***

In January 2007, the CICA published Section 3031 of the Handbook, Inventories. This standard prescribes the accounting treatment for inventories and provides guidance on determination of costs, subsequent recognition as an expense, and provides guidance on the cost formulas used to assign costs to inventories. The new standard adopted did not impact the Company's consolidated financial statements.

***Financial Instruments-Disclosure and Presentation:***

In December 2006, the CICA published the following two sections of the CICA Handbook: Section 3862 Financial Instruments-Disclosures and Section 3863, Financial Instruments-Presentation. These standards introduce disclosure and presentation requirements that will enable the users of financial statements to evaluate and enhance their understanding of the significance of financial instruments for the entity's financial position, performance and cash flows, the nature and extent of risks arising from financial instruments to which the entity is exposed and how those risks are managed.

***Capital Disclosures***

The CICA Issued accounting standard Section 1535-Capital Disclosures establishing standards for disclosing information about a company's capital structure and how it is managed. Under this standard the Company is required to disclose the following, based on information provided internally to the Company's key management personnel: (i) qualitative information about its objectives, policies and processes for managing capital; (ii) summary quantitative data about what it manages as capital; (iii) whether during the period it complied with externally imposed capital requirements, the subject; and (iv) when the company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

**CHANGES IN ACCOUNTING POLICIES TO BE ADOPTED**

***Income Taxes***

In August 2008, the CICA Emerging Issues Committee (EIC) issued Abstract 172-Income Statement Presentation of a Tax Loss Carryforward Recognized Following an Unrealized Gain Recorded in Other Comprehensive Income. EIC Abstract 172 provides that the tax benefit from the recognition of previously unrecognized tax loss carryforwards consequent to the recording of unrealized gains on available for sale financial assets in other comprehensive income should be recognized in net income. This accounting standard is to be applied retrospectively, with restatement of prior periods from the date of adoption.

***Credit Risk and Fair Value of Financial Assets and Liabilities***

In January 2009, the CICA issued the Emerging Issues Committee Abstract EIC-173, Credit Risk and the Fair Value of Financial Assets and Liabilities effective for interim and annual financial statements ending on or after January 20, 2009. Earlier adoption of this abstract is permitted. EIC-173 provides further information on the determination of the fair value of the financial assets and the financial liabilities under Section 3855, Financial Instruments- Recognition and Measurement. It states that an entity's own credit and the credit risk of the counterparty should be taken into accounting in determining the fair value of financial assets and financials liabilities, including derivative instruments EIC-173 should be applied retrospectively, without restatement of prior periods to all financial assets and liabilities measured at fair value. The Company will adopt this abstract during the first quarter of the 2009 fiscal year. This standard is not expected to have any material impact on the Company's financial statements.

***Business Combinations***

In January 2009, the CICA issued the new Handbook Section 1582-Business Combinations, effective for fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The pronouncement further aligns Canadian GAAP with US GAAP and International Financials Reporting Standards ("IFRS") and changes the accounting for business combinations in a number of areas. It established principals and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquiree, and goodwill acquired. The section also established disclosure requirements that will enable users of the acquiring company's financial statements to evaluate the nature and financial effects of its business combinations. Although the Company is considering the impact of adopting this pronouncement on it consolidated financial statements, it will be limited to any future acquisitions beginning in fiscal 2011.

***Consolidated Financial Statements and Non-Controlling Interests***

In January 2009, the CICA issued Handbook Section 1601- Consolidated Financial Statements and Section 1602- Non-Controlling Interests effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of these Sections is permitted. These pronouncements further align Canadian GAAP with US GAAP and IFRS. Sections 1601 and 1602 change the accounting and reporting for ownership interest in subsidiaries held by parties other than the parent. Non-controlling interests are to be presented in the consolidated statement of financial position within equity but separate from the parent's equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identifies and presented on the face of the consolidated statement on income. In addition, these pronouncements establish standards for a change in a parent's ownership interest in a subsidiary and the valuation of retained non-controlling equity. They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. The Company is currently considering the impacts of adopting these pronouncements may have on its consolidated financials statements in fiscal 2011.

***Goodwill and Intangible Assets***

In February 2008 the CICA issued accounting standard Section 3064, Goodwill and Intangible Assets replacing accounting standard Section 3062, Goodwill and Other Intangible Assets, and accounting standard Section 3450, Research and Development Costs. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009.

Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new Section.

***Adoption of International Financial Reporting Standards***

In March 2008, the Accounting Standards Board ratified its decision to require all publicly accountable enterprises to report under International Financial Reporting Standards (IFRS) for years beginning on or after January 1, 2011. These changes reflect a global shift to IFRS and they are intended to facilitate capital flows and bring greater clarity and consistency to financial reporting in the global marketplace. The Company has not finalized its plan of transition to IFRS, however, it continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

**OFF BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet investments or debt arrangements.

**INCOME TAXES**

The Company recorded an income tax expense of $4.5 million for the year ended December 31, 2008. This compares to a tax recovery of $6.5 million for the year ended December 31, 2007. The income tax expense reflects the current taxes in the US and Brazil. The Company maintains net operating losses (“NOLs”), which can be applied to future periods. The expense is reduced by the recognition of NOL tax losses available to be used against future income taxes payable in Brazil and the reversal of future tax liability on intercompany loans.

The consolidated balance sheet reflects a future tax asset of nil (nil–December 31, 2007) and a future income tax liability of $2.2 million ($8.3 million- December 31, 2007).

The Company and its wholly-owned subsidiaries has approximately $12 million of tax losses carry forward in the United States and $3.6 million of tax losses carry forward in Brazil.

The Company is subject to income taxes in both the United States and Brazil. The taxation of these jurisdictions is subject to uncertainty and carries risk of additional taxes being assessed to the Company because of changes in interpretations and application of tax law, amendments to the tax laws and the introduction of new tax taxes. (Refer to Note 12 to Consolidated Financial Statements)

**FINANCING**

In December 2007, the Company obtained a $6 million bridge loan. The bridge loan bore interest at 8% per annum with interest payable monthly commencing January 2008. The loan was due on March 17, 2008 and secured by 1,900,000 shares of Jaguar owned by the Company. On March 17, 2008, the maturity date was extended to June 17, 2008 and the number of Jaguar shares held as security was reduced to 1,800,000. On June 17, 2008, the Company and the lender agreed to sell a portion of the Jaguar shares held in escrow. At June 30, 2008, 1,500,000 shares had been sold but not yet settled, resulting in a receivable of $14,577,450 at the end of the quarter. On July 2 and 3, 2008, the loan was repaid with the proceeds and the remaining cash and Jaguar shares were returned to the Company.

In December 2007, the Company obtained a $1.2 million bridge loan. The bridge loan bore interest at 12% per annum with interest payable monthly commencing January 2008. The loan was due on January 31, 2008; however the Company paid an extension fee whereby the due date was extended to March 31, 2008. The loan was secured by the first $1,200,000 of a related party loan owed to the Company from PML. The loan included closing fees of 1% of the proceeds and $65,000 of legal and administrative fees. On March 31, 2008, this loan was repaid with the proceeds of the $2.5 million loan on March 31, 2008.

During the year ended December 31, 2008 the Company obtained and repaid a bridge loan. The loan included closing fees of 3% and the option to acquire 50,000 Jaguar shares owned by the Company at $15 per share for a period of two years from the closing date. In the event that option is not exercised by its expiration date, the Company will pay an expiration fee of

$50,000 (prorated in the event of any partial option exercise). This amount is included in accounts payable on the consolidated balance sheet.

During the year ended December 31, 2008, the Company repaid the August 2005 and the November 2005 convertible debentures and interest without conversion.

**RISKS AND UNCERTAINTIES**

Liquidity remains the primary concern facing the Company. The recent economic conditions and the global credit market crisis has not only impacted the ability of the Company to raise capital but has also negatively affected the current investments and assets of the Company. Until such time as the Company generates adequate cash flow from operations, it may be dependent on additional financings or sales of existing assets in order to raise capital to fund its business opportunities.

The discovery, development and acquisition of mineral properties are, in many instances, unpredictable events. Future metal prices, the success of exploration programs, and other property transactions will have a significant impact on the Company's capital requirements. On any project, the Company must evaluate its available options, which range from developing the property itself, bringing in joint venture partners, outright sale to a third party, or, if results do not justify additional expenditures, abandonment. The ability of the Company to expand its current investments is dependent on many factors including the Company's ability to resume trading its common shares, the market value of the common shares, the Company's ability to locate appropriate properties at appropriate values and the viability of financing their acquisition and development.

The ability to establish an irradiation business is dependent on many factors including, without limitation, the enactment of laws and regulations allowing the export of irradiated food products from Brazil and the import to the United States and the timing and enforcement thereof, the ability of the Company to establish commercial relationships with third party agricultural growers in Brazil and food wholesalers/retailers in the United States in sufficient quantity, on commercially feasible and reasonable terms or at all, and other market conditions.

All of the projects of the Company and Jaguar are located in the country of Brazil and may be affected in varying degrees by political stability and government regulations. Any changes in regulations or shifts in political attitudes in Brazil are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to the restrictions on production, price controls, export controls, income and other taxes, expropriation of property, environmental legislation, land use, water use and mine safety. Although the Company has developed fourteen years of expertise and relationships in Brazil, these factors could compromise the Company's ability to find and operate fitting investments.

The country of Brazil currently encourages foreign investment in mining exploration and development, subject to compliance with local health, energy, mining and environmental laws. However, it is possible that deterioration in economic conditions or other factors could result in a change in government policies.

Brazilian currency has been devalued in the past against the U.S. dollar. It is possible that any future and sustained devaluations may hinder future financings if potential investors perceive greater risks with investments in the country of Brazil. Continued strength in the Brazilian currency could increase operating and capital costs, relative to the U.S. dollar. During the year ended December 31, 2008, the Brazilian currency depreciated more than 25% against the U.S. dollar. Such dramatic fluctuation over a short period of time may increase the perceived risk for investments in Brazil.

**OUTLOOK**

The Company's mission is Brazil-focused and growth oriented. The Company will realize this mission in part by anticipating change and participating in Brazil's economic and infrastructure expansion. The Company is focused on matching opportunities in Brazil with proper financing and the right set of management skills to create shareholder value. Management is using its expertise and relationships developed during its fifteen-year history in Brazil to locate additional business opportunities compatible with its current business activities and interests. The Company considers its expertise and relationships in Brazil to be a significant asset.

The Company is continuing to recover its investment in PML over time through the judicial recovery process. The Company continues to believe the Monte Cristo project should be combined with other base metals properties in a company with better access to the capital markets and these opportunities will continue to be sought. Current market conditions make a sale of PML unlikely unless global commodities prices show improvement. Further deterioration of metals prices and/or economic conditions could lead to a reduction or shutdown of mining operations at PMCO.

A primary focus of the Company currently is to seek financing for implementation of current projects, acquisition of new projects, and working capital. The Company has investigated several alternatives for raising capital and is confident of raising funds required for development of SecureFoods and BrasAgro. However, the timing of the projects' funding depends on at least a partial recovery of the global financial markets. In the meantime, the Company is focused on cost containment, permit and approvals finalization for SecureFoods and is postponing expenditures related to a potential relisting until capital is obtained.

***Outstanding Share Data***

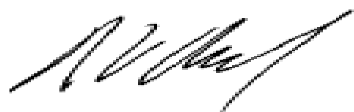
Common shares and convertible securities outstanding at June 11, 2009 are:

| Security | Expiration Date | Exercise Price | Securities Outstanding | Common Shares on Exercise |
|---|---|---|---|---|
| Common Shares | | | 101,085,532 | 101,085,532 |
| Warrants | 30 Jun 2009 | Cdn.$0.40 | 3,000,000 | 3,000,000 |
| Warrants | 25 Aug 2010 | Cdn.$0.20 | 5,750,000 | 5,750,000 |
| Options | 19 Apr 2011 | Cdn.$0.15 | 3,506,209 | 3,506,209 |
| Options | 17 Jul 2012 | Cdn.$0.40 | 725,000 | 725,000 |
| Options | 10 Jul 2012 | Cdn.$0.40 | 700,000 | 700,000 |
| Options | 16 Jan 2013 | Cdn.$0.25 | 175,000 | 175,000 |
| Options | 31 Mar 2014 | Cdn.$0.25 | 150,000 | 150,000 |
| Fully diluted common shares | | | | 115,091,741 |

At the March 11, 2008 annual and special meeting of the shareholders, the Board of Directors were authorized to effect a one for five reverse split through May 31, 2009 should they deem it beneficial to the Company. The split was not completed.

During the year ended December 31, 2008, the Company repurchased and returned to treasury 10,000,000 common shares for consideration of 147,348 Jaguar shares and warrants to purchase 5,750,000 of the Company's common stock at Cdn$0.20 until August 25, 2010.

June 11, 2009



Robert J. Lloyd
President and CEO

Jeffrey C. Kirchhoff
Chief Financial Officer