

Consolidated Financial Statements
(Expressed in U.S. dollars)

BRAZILIAN RESOURCES, INC.

December 31, 2009 and 2008

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Brazilian Resources, Inc. and all the information contained in the financial statements are the responsibility of management and have been approved by the Board of Directors. The financial statements and all other information have been prepared by management in accordance with accounting principles generally accepted in Canada. Some amounts included in the financial statements are based on management's best estimates and have been derived with careful judgment. In fulfilling its responsibilities, management has developed and maintains a system of internal controls. These controls ensure that transactions are authorized, assets are safeguarded from loss or unauthorized use, and financial records are reliable for the purpose of preparing financial statements. The Board of Directors carries out its responsibilities for the financial statements through the Audit Committee. The Audit Committee periodically reviews and discusses financial reporting matters with the Company's auditors, KPMG LLP, as well as with management. The financial statements have been audited by KPMG LLP, Chartered Accountants, on behalf of the shareholders.

"Robert J. Lloyd"

Robert J. Lloyd
President and CEO

"Jeffrey C. Kirchhoff"

Jeffrey C. Kirchhoff
Chief Financial Officer



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AUDITORS' REPORT

To the Shareholders of Brazilian Resources, Inc.

We have audited the consolidated balance sheets of Brazilian Resources, Inc. as at December 31, 2009 and 2008 and the consolidated statements of operations and deficit and comprehensive income (loss), shareholders' equity and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

March 29, 2010

BRAZILIAN RESOURCES, INC.

Consolidated Balance Sheets
(Expressed in U.S. dollars)

	December 31, 2009	December 31, 2008
Assets		
Current assets:		
Cash	\$ 50,810	\$ 370,017
Prepaid expenses and sundry receivables (Note 6)	341,324	544,816
	392,134	914,833
Property, plant and equipment (Note 7)	1,015,024	1,100,164
Mineral property and exploration (Note 8)	8,597,512	8,597,512
Investment in Jaguar Mining Inc. (Note 9)	18,057,213	8,222,634
Other investments	4,862	4,862
	\$ 28,066,745	\$ 18,840,005
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,047,306	\$ 1,779,346
Accrued interest	197,989	115,052
Income taxes payable	278,634	37,235
Due to non-controlling Petrocal shareholders (Note 8)	4,594,533	4,415,330
Current portion of loans payable (Note 11)	2,882,460	940,533
	10,000,922	7,287,496
Loans payable (Note 11)	15,345	20,800
Future tax liability (Note 12)	4,223,843	2,160,534
Due to related parties (Note 10)	217,183	161,814
Other payables (Note 14)	36,435	53,578
	14,493,728	9,684,222
Shareholders' equity:		
Capital stock (Note 15(a))	22,892,131	22,892,131
Warrants (Note 15(b))	292,100	397,100
Stock options (Note 15(c))	353,502	395,716
Contributed surplus (Note 15(c))	1,272,398	1,120,598
Deficit	(20,425,090)	(18,898,636)
Accumulated other comprehensive income (Note 9)	9,187,976	3,248,874
	13,573,017	9,155,783
Going concern and basis of presentation (Notes 1 and 2)		
Commitments and contingencies (Note 16)		
Subsequent event (Note 21)		
	\$ 28,066,745	\$ 18,840,005

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

"R. Lloyd" _____, Director

"J. Kirchoff" _____, Director

BRAZILIAN RESOURCES, INC.

Consolidated Statements of Operations and Deficit and Comprehensive Income (Loss)
(Expressed in U.S. dollars)

	Year ended	
	December 31, 2009	December 31, 2008
Expenses (income):		
Professional fees	\$ 603,262	\$ 1,253,012
Consulting expenses	457,233	1,038,221
General and administrative expenses	1,106,879	2,238,218
Interest and other	115,650	1,043,277
Depreciation	51,378	10,851
Salaries and employee benefits	250,381	655,443
Stock based compensation	4,586	23,675
Write-off of uncollectible loan	-	200,000
Loss (gain) on foreign exchange	1,346,294	(992,213)
Other expense (income)	(209,304)	479,207
Other taxes	(5,799)	35,573
Loss before undernoted	(3,720,560)	(5,985,264)
Gain on disposal of shares of Jaguar Mining Inc. (Note 9)	-	15,773,537
Income (loss) before income taxes	(3,720,560)	9,788,273
Current income tax expense	377,346	-
Future income tax expense (recovery)	(2,571,452)	4,488,710
Total income tax expense (recovery) (Note 12)	(2,194,106)	4,488,710
Income (loss) from continuing operations	(1,526,454)	5,299,563
Loss from discontinued operations (Note 13)	-	(678,843)
Net income (loss)	(1,526,454)	4,620,720
Deficit, beginning of year	(18,898,636)	(23,519,356)
Deficit, end of year	\$ (20,425,090)	\$ (18,898,636)
Basic and diluted income (loss) per share from continuing operations (Note 17)	\$ (0.02)	\$ 0.05
Basic and diluted loss per share from discontinued operations (Note 17)	\$ -	\$ (0.01)
Basic and diluted income (loss) per share from all operations (Note 17)	\$ (0.02)	\$ 0.04
Weighted average number of common shares outstanding (Note 17)	101,085,532	106,789,667
Comprehensive Income (Loss)		
Net income (loss)	\$ (1,526,454)	\$ 4,620,720
Other comprehensive income (loss) (Note 9)	9,834,579	(32,197,271)
Less: tax provision for other comprehensive income (loss) (Note 9)	(3,895,477)	12,753,339
Other comprehensive income (loss)	5,939,102	(19,443,932)
Comprehensive income (loss)	\$ 4,412,648	\$ (14,823,212)

See accompanying notes to the consolidated financial statements.

BRAZILIAN RESOURCES, INC.

Consolidated Statements of Shareholders' Equity
(Expressed in U.S. Dollars)

	Capital Stock	Warrants	Stock Options	Equity Component of Convertible Debentures	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2007	108,072,124	\$ 24,785,644	9,687,157	\$ 480,403	\$ 326,305	\$ 46,700	\$ 22,692,806	\$ 25,132,073
Shares repurchased/retired (Note 15(a))	(10,000,000)	(2,270,000)	-	-	-	833,736	-	(1,436,264)
Shares issued for professional fees (Note 15(a))	30,000	2,921	-	-	-	-	-	2,921
Warrants issued (Note 15(b))	-	5,750,000	292,100	-	-	-	-	292,100
Warrants expired (Note 15(b))	-	(20,000,000)	(214,571)	-	-	214,571	-	-
Options exercised (Notes 15(a) and 15(c))	2,983,408	373,566	(3,013,408)	(70,579)	-	-	-	302,987
Options expired (Note 15(c))	-	-	(842,540)	(37,784)	-	37,784	-	-
Stock based compensation (Note 15(c))	-	-	175,000	23,675	-	-	-	23,675
Net income for the year	-	-	-	-	-	4,620,720	-	4,620,720
Convertible debentures retired without conversion	-	-	-	(326,305)	(12,193)	-	-	(338,498)
Other comprehensive loss for the year (Note 9)	-	-	-	-	-	-	(19,443,932)	(19,443,932)
Balance, December 31, 2008	101,085,532	\$ 22,892,131	6,006,209	\$ 395,716	\$ -	\$ 1,120,598	\$ (18,898,636)	\$ 3,248,874
Balance, December 31, 2008	101,085,532	\$ 22,892,131	6,006,209	\$ 395,716	\$ -	\$ 1,120,598	\$ 3,248,874	\$ 9,155,783
Warrants expired (Note 15(b))	-	-	(105,000)	-	-	105,000	-	-
Options expired (Note 15(c))	-	(3,000,000)	(900,000)	(46,800)	-	46,800	-	-
Stock based compensation (Note 15(c))	-	-	150,000	4,586	-	-	-	4,586
Net loss for the year	-	-	-	-	-	(1,526,454)	-	(1,526,454)
Other comprehensive income for the year (Note 9)	-	-	-	-	-	-	5,939,102	5,939,102
Balance, December 31, 2009	101,085,532	\$ 22,892,131	5,256,209	\$ 353,502	\$ -	\$ 1,272,398	\$ (20,425,090)	\$ 9,187,976
								\$ 13,573,017

See accompanying notes to the consolidated financial statements.

BRAZILIAN RESOURCES, INC.

Consolidated Statements of Cash Flow
(Expressed in U.S. dollars)

	Year ended	
	December 31, 2009	December 31, 2008
Cash provided by (used in):		
Operating Activities:		
Net income (loss) from continuing operations	\$ (1,526,454)	\$ 5,299,563
Items not involving cash from continuing operations:		
Depreciation	51,378	10,851
Stock based compensation (Note 14(c))	4,586	23,675
Gain on disposal of shares of Jaguar Mining Inc.	-	(15,773,537)
Non-cash management fees, interest and other	153,390	1,433,627
Shares issued for professional fees	-	2,921
Future income tax expense (recovery)	(2,571,452)	4,436,317
Unrealized foreign exchange (gain) loss	1,391,962	(1,196,299)
Write-off of uncollectible debt	-	200,000
Gain on disposal of fixed assets	(176,937)	-
Change in other payables	(17,143)	61,646
Change in non-cash working capital:		
Prepaid expenses and sundry receivables	203,493	(323,097)
Accounts payable	33,818	492,483
Accrued interest	40,649	168,191
Income taxes payable	228,658	-
Cash flows used in continuing operations	(2,184,052)	(5,163,659)
Cash flows used in discontinued operations	-	(1,205,250)
Cash flows used in operating activities	(2,184,052)	(6,368,911)
Financing Activities:		
Increase in loans payable	2,074,134	6,043,500
Repayment of loans payable	(4,658)	(13,188,773)
Repayment of convertible debentures	-	(2,269,481)
Issuance of common shares and warrants	-	173,545
Related party payable	-	(520,562)
Cash flows provided by (used in) continuing operations	2,069,476	(9,761,771)
Cash flows provided by discontinued operations	-	48,451
Cash flows provided by (used in) financing activities	2,069,476	(9,713,320)
Investing Activities:		
Debt repayment on mineral property acquisition	(415,330)	(900,755)
Purchase of property, plant and equipment	(147,097)	(120,725)
Proceeds from sale of fixed assets	357,796	-
Proceeds on disposal of shares of Jaguar Mining Inc.	-	16,069,159
Cash flows provided by (used in) continuing operations	(204,631)	15,047,679
Cash flows provided by discontinued operations	-	853,517
Cash flows provided by (used in) investing activities	(204,631)	15,901,196
Decrease in cash for the year	(319,207)	(181,033)
Cash, beginning of year	370,017	551,050
Cash, end of year	\$ 50,810	\$ 370,017

See accompanying notes to the consolidated financial statements.

BRAZILIAN RESOURCES, INC.

Notes to Consolidated Financial Statements
(Expressed in U.S. dollars)
Years ended December 31, 2009 and 2008

Brazilian Resources, Inc. (the "Company") is a New Hampshire corporation incorporated in November 1990. The Company is a resource and infrastructure development company focused on investing in ventures located in Brazil. Substantially all of the Company's efforts are devoted to financing and developing these projects.

1. **Going Concern:**

The consolidated financial statements have been prepared on a going concern basis whereby the Company is assumed to be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has a working capital deficiency of \$9,608,788 at December 31, 2009 (\$6,372,663 – December 31, 2008). The Company has \$4,350,011 (\$2,355,059 – December 31, 2008) available under its current credit facility and this amount fluctuates based on the market value of the 1,291,692 common shares of Jaguar Mining Inc. ("Jaguar") used as security under the credit facility (Note 11(b)). The Company has negative cash flow from continuing operations of \$2,184,053 at December 31, 2009 (\$5,163,659 – December 31, 2008). The Company's ability to continue as a going concern is dependent upon its ability to finance current and future operations. The Company is considering a number of alternatives to secure additional capital including additional credit facilities or equity financing. However, the ultimate success of securing additional sources of financing is uncertain and there is no assurance that these initiatives would be successful or sufficient. Management believes that the Company has sufficient cash and available resources to carry out its operations for the next twelve months. Failure to secure additional credit facilities or equity funding raises substantial doubt that the Company could fully implement its long-term business objectives.

The recoverability of the amounts shown for mineral interests is dependent on the existence of economically recoverable reserves, the ability to obtain financing to complete the development of such reserves and meet the Company's obligations under various agreements and the success of future operations or dispositions.

The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for the consolidated financial statements, then adjustments would be necessary in the carrying value of assets such as mineral interests, liabilities, reported expenses, and the balance sheet classifications used.

2. **Basis of Presentation:**

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of the Company and its subsidiaries. Intercompany transactions and balances are eliminated on consolidation.

Certain prior year comparative figures have been reclassified to conform to the presentation adopted for the current year. All financial results from discontinued operations have been reported separately.

BRAZILIAN RESOURCES, INC.

Notes to Consolidated Financial Statements (continued)
(Expressed in U.S. dollars)
Years ended December 31, 2009 and 2008

3. Changes in Accounting Policies and Recent Accounting Pronouncements:

(a) Effective January 1, 2009, the Company adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook Standards:

(i) Income Taxes:

In August 2008, the CICA issued EIC-172, Income Statement Presentation of a Tax Loss Carry-forward Recognized Following an Unrealized Gain Recorded in Other Comprehensive Income. EIC-172 provides that the tax benefit from the recognition of previously unrecognized tax loss carry-forwards 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. Adoption of this standard had no any material impact on the Company's financial statements.

(ii) Credit Risk and Fair Value of Financial Assets and Liabilities:

In January 2009, the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial 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 risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is to be applied retrospectively, without restatement of prior periods to all financial assets and liabilities measured at fair value. Adoption of this standard had no material impact on the Company's financial statements.

(iii) Goodwill and Intangible Assets:

In January 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, which replaced Section 3062, Goodwill and Other Intangible Assets, and resulted in the withdrawal of Section 3450, Research and Development Costs and EIC-27, Revenues and Expenditures during the Pre-operating Period, and amendments to Accounting Guideline ("AcG") 11, Enterprises in the Development Stage. The standard provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition, as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. This standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Adoption of this standard had no material impact on the Company's financial statements.

(iv) Mining Exploration Costs:

In March 2009, the CICA issued EIC-174, Mining Exploration Costs which provides guidance on the capitalization of mining exploration costs, particularly when mining reserves have not been proven and when an impairment test of these costs is required. This was adopted effective for the December 31, 2009 consolidated financial statements and had no material impact upon adoption.

BRAZILIAN RESOURCES, INC.

Notes to Consolidated Financial Statements (continued)
(Expressed in U.S. dollars)
Years ended December 31, 2009 and 2008

3. Changes in Accounting Policies and Recent Accounting Pronouncements (continued):

- (a) Effective January 1, 2009, the Company adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook Standards:

- (v) Financial Instruments- Recognition and Measurement:

In June 2009, the CICA issued an amendment to Handbook Section 3855, Financial Instruments- Recognition and Measurement enhancing disclosure for fair value measurement of financial instruments and liquidity risk. Adoption of the amendment had no material impact on the Company's financial statements.

- (vi) Financial Instruments- Disclosure:

Amendments to CICA Handbook Section 3862, Financial Instruments - Disclosures require enhanced disclosures for fair value measurement of financial instruments and liquidity risk effective for fiscal years ending after September 30, 2009. Enhanced fair value measurements include disclosure relating to the level of fair value hierarchy into which the fair value measurements are categorized, disclosure of significant transfers between levels of the hierarchy including reasons for the transfers, and a reconciliation of the beginning balances to ending balances for those fair value measurements that resulted from the use of significant unobservable inputs in valuation techniques. The amendment clarifies that liquidity risk relates to financial liabilities that are settled by delivering cash or another financial asset. Enhanced liquidity risk disclosures include maturity analysis for derivative financial liabilities based on how an entity manages liquidity risk. Adoption of this amendment had no material impact on the Company's financial statements.

- (b) The following new CICA Handbook Standards have been issued but not yet implemented:

- (i) Business Combinations:

In January 2009, the CICA issued Handbook Section 1582, Business Combinations effective for fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The Section further aligns Canadian GAAP with U.S. GAAP and International Financial Reporting Standards ("IFRS") and changes the accounting for business combinations in a number of areas. It establishes principles 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 establishes disclosure requirements that will enable users of the acquiring company's financial statements to evaluate the nature and financial effects of its business combinations. Adoption of this Section is limited to any future acquisitions beginning in fiscal 2011.

BRAZILIAN RESOURCES, INC.

Notes to Consolidated Financial Statements (continued)
(Expressed in U.S. dollars)
Years ended December 31, 2009 and 2008

3. Changes in Accounting Policies and Recent Accounting Pronouncements (continued):

(b) The following new CICA Handbook Standards have been issued but not yet implemented:

(ii) 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 Sections further align Canadian GAAP with U.S. 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 balance sheet 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 identified and presented on the face of the consolidated statement of income. In addition, these Sections 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 Sections on its consolidated financial statements in fiscal 2011.

(iii) Equity:

In August 2009, the CICA issued an amendment to Handbook Section 3251, Equity establishing additional standards for the presentation of equity and changes in equity during the reporting period. The requirements of this Section are in addition to those in Sections 1530, Comprehensive Income, 3240, Share Capital and 3260, Reserves. This Section should be adopted in conjunction with Sections 1601 and 1602. Adoption of the amendment is not expected to have a material impact on the Company's financial statements.

4. Adoption of IFRS:

The Canadian Accounting Standards Board has confirmed January 1, 2011 as the date that IFRS will replace Canadian GAAP for publicly accountable enterprises. As a result, the Company will report under IFRS for interim and annual periods beginning January 1, 2011 with comparative information for 2010 restated under IFRS. Adoption of IFRS as Canadian GAAP will require the Company to make certain accounting policy choices and could materially impact our reported financial position and results of operations.

5. Significant Accounting Policies:

(a) Principles of consolidation:

The Company accounts for its investment in Jaguar using the cost method. Under the cost method of accounting, the investment is initially recorded at cost and earnings from such investments are recognized only to the extent they are received or receivable.

The Company accounts for its 80% interest in Petrocal Indústria e Comércio de Cal S.A. ("Petrocal") as a purchase of assets.

BRAZILIAN RESOURCES, INC.

Notes to Consolidated Financial Statements (continued)
(Expressed in U.S. dollars)
Years ended December 31, 2009 and 2008

5. Significant Accounting Policies (continued):

(a) Principles of consolidation (continued):

Other investments in which the Company does not exert significant influence are accounted for by the cost method.

(b) Cash and cash equivalents:

The Company considers deposits in banks, certificates of deposit and short-term investments with maturities of three months or less at the time of acquisition to be cash and cash equivalents. Currently, the Company does not have any cash equivalents.

(c) Foreign currency translation:

The U.S. dollar is considered to be the functional currency of the Company and its subsidiaries. Monetary assets and liabilities of the Company's Brazilian operations are translated into U.S. dollars at the rate of exchange in effect at the balance sheet date, and non-monetary assets and liabilities are translated at the historical rate of exchange. Transactions in foreign currencies are translated at the actual rates of exchange. Gains and losses on translation are included in the consolidated statement of operations and deficit and comprehensive income (loss).

(d) Impairment of long-lived assets:

Long-lived assets, including property, plant, equipment and mineral properties are reviewed for impairment when significant events or circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment exists when the carrying value of the asset is greater than the future undiscounted cash flows expected to be provided by the asset. To the extent that the Company has insufficient information about a mineral property to estimate future cash flows to test the recoverability of the capitalized costs for that property, the Company tests the exploration property for impairment by comparing the fair value to the carrying amount without first performing recoverability test. The amount of impairment loss, if any, which is the excess of net carrying value over fair value, is charged to income for the period. Fair value is measured equal to the estimated future discounted net cash flows from the asset or another appropriate methodology to determine fair value, depending on the nature of the related asset.

(e) Property, plant and equipment:

Property, plant and equipment are recorded at cost and depreciated on a straight-line basis at annual rates which will amortize the cost of the assets over their estimated useful lives as follows:

Asset	Rate
Building and improvements	10 – 40 years
Equipment	7 – 10 years
Vehicles	5 – 7 years
Furniture and fixtures	7 – 10 years
Computer equipment	5 years

BRAZILIAN RESOURCES, INC.

Notes to Consolidated Financial Statements (continued)
(Expressed in U.S. dollars)
Years ended December 31, 2009 and 2008

5. Significant Accounting Policies (continued):

(f) Income taxes:

The Company accounts for income taxes under the asset and liability method. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the year in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

(g) Stock-based compensation:

The Company has a stock-based compensation plan, described in Note 15(c). The Company accounts for all stock-based payments using the fair value based method. Under the fair value based method, compensation cost attributable to options granted is measured at fair value at the grant date and amortized on a straight line basis over the vesting period. No compensation cost is recognized for options that employees forfeit if they fail to satisfy the service requirement for vesting.

When option holders exercise their stock options, the capital stock is credited by the sum of the consideration paid by employees, and the related portion previously credited to paid-in capital options when compensation costs were charged against income.

(h) Income (loss) per share:

Basic income (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. The treasury stock method is used to calculate diluted income (loss) per share. Diluted income (loss) per share is similar to basic income (loss) per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding assuming that options and warrants with an average market price for the period greater than their exercise price are exercised and the proceeds used to repurchase common shares.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, particularly mineral properties, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the periods. Actual results could differ from those estimates.

BRAZILIAN RESOURCES, INC.

Notes to Consolidated Financial Statements (continued)
(Expressed in U.S. dollars)
Years ended December 31, 2009 and 2008

5. Significant Accounting Policies (continued):

(j) Financial instruments:

Financial instruments are initially recognized at fair value and classified at inception as either held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. Subsequently, financial instruments are measured in accordance with the measurement provision of the category to which they have been initially classified. Transaction costs are expensed as incurred for financial instruments classified as held-for-trading. For other financial instruments, transaction costs are capitalized on initial recognition and presented as a reduction of the underlying financial instruments. Financial assets and financial liabilities held-for-trading are measured at fair value with changes recognized in income. Available-for-sale financial assets are measured at fair value or at cost, in the case of an investment in an equity instrument that does not have a quoted market price in an active market, and changes in fair value are recorded in comprehensive income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization. The Company has classified its cash and cash equivalents as held-for-trading. Investment in Jaguar Mining Inc. is classified as available-for-sale. All of the Company's financial liabilities are classified as other financial liabilities

6. Prepaid Expenses and Sundry Receivables:

Prepaid expenses and sundry receivables are comprised of the following:

	December 31, 2009	December 31, 2008
Prepaid expenses (a)	\$ 78,848	\$ 63,309
CEMAT payments (b)	262,476	417,941
GEOMIN advances (c)	-	24,954
Sundry receivables (Note 18(b))	-	38,612
	\$ 341,324	\$ 544,816

- (a) Prepaid expenses consist of prepaid insurance, subscriptions, information technology services, legal fees and miscellaneous expenses.
- (b) The Company, through BrasAgro Fertilizantes Minerais Ltda. ("BrasAgro"), acquired a limestone mineral property with the purchase of 80% of the quota shares of Petrocal (Note 8). 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. An advance deposit was required before construction of the power lines began. Construction began in November 2009 and was completed February 2010. The current balance of \$262,476 will be amortized over the remaining construction period.
- (c) GEOMIN prepaid expenses are related to advances for geological services at the Petrocal site.

BRAZILIAN RESOURCES, INC.

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7. Property, Plant & Equipment:

2009	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 180,986	\$ -	\$ 180,986
Building and improvements	752,327	36,301	716,026
Equipment	62,696	27,411	35,285
Vehicles	43,707	10,561	33,146
Furniture and fixtures	69,773	37,052	32,721
Computer equipment	37,966	21,106	16,860
	\$ 1,147,455	\$ 132,431	\$ 1,015,024

2008	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 235,020	\$ -	\$ 235,020
Building and improvements	790,067	79,659	710,408
Equipment	137,604	83,731	53,873
Vehicles	40,093	1,219	38,874
Furniture and fixtures	83,378	45,499	37,879
Computer equipment	37,509	13,399	24,110
	\$ 1,323,671	\$ 223,507	\$ 1,100,164

8. Acquisition of Petrocal Indústria e Comércio de Cal S.A.:

The Company negotiated a purchase price of \$5,684,618 (R\$9,819,040) on April 2, 2008 for its 80% interest in Petrocal, due to the non-controlling shareholders of Petrocal and security is provided by the quota shares acquired. The amount is non-interest bearing. The Company has paid \$1,316,084 to date. The payments were made as follows:

Date	Amount
April 2, 2008	\$ 203,022
September 22, 2008	555,895
October 30, 2008	141,837
May 11, 2009	200,000
June 15, 2009	215,330
Total	\$ 1,316,084

The initial purchase price less amounts paid is not equal to the remaining balance due to changes in the foreign exchange rate.

The purchase price of \$5,684,618 (R\$9,819,040) was allocated as follows:

Current assets	\$ 11,073
Mineral property	8,597,512
Current liabilities	(813)
Future income taxes	(2,923,154)
	\$ 5,684,618

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8. Acquisition of Petrocal Indústria e Comércio de Cal S.A. (continued):

The transaction was accounted for as an asset acquisition. As the tax basis of the asset is lower than its cost, future income tax has been recognized at the time of acquisition and added to the cost of the asset.

The remaining balance of \$4,000,000 is due on March 31, 2010. If the exchange rate on the date of the final payment is higher than R\$2.00 per U.S.\$1.00 the final payment will be \$4,000,000. If the exchange rate on the date of the final payment is lower than R\$2.00 per U.S.\$1.00 the final payment will be R\$8,000,000. At December 31, 2009, the exchange rate was 1.7412 resulting in a balance due of R\$8,000,000 (\$4,594,533) (Note 21).

Under the terms of the mineral rights agreement, Petrocal is required to pay the property owner 3% of the gross mineral revenue. This is payable per annum until the end of the mine reserve. If there is no production, royalties are due annually based on estimates and assumptions of price per tonne. The minimum payment due is based on 3,000 tonnes of limestone at an agreed price based on market conditions at the time of payment. During the year ended December 31, 2009 there was no production. Total royalties paid were \$53,533 (\$56,558 - December 31, 2008), this amount is included in general and administration expenses on the consolidated statement of operations and deficit and comprehensive income (loss).

9. Investment in Jaguar Mining Inc. and Other Comprehensive Income:

At December 31, 2009, the Company held 1,613,692 (1,613,692 - December 31, 2008) shares of Jaguar. Of these, 322,000 shares (322,000 - December 31, 2008) have been pledged as security for debt (Note 18 (a)). The remaining 1,291,692 Jaguar shares are on deposit as security for the Company's credit facility (Note 11(b)).

Jaguar is traded on both the Toronto Stock Exchange ("TSX") and the New York Stock Exchange ("NYSE"). Because Jaguar's primary trading volume is on the NYSE, the Company determined that the shares should be valued using the NYSE closing stock price for the period end. The Company formerly valued its Jaguar shares by using the period ending closing stock price on the TSX. This change took effect on October 1, 2009. Had the Company continued to determine the value of its investment in Jaguar using the TSX at December 31, 2009, the value of the investment would have been \$18,132,923, based on a closing stock price of Canadian ("Cdn.") \$11.81 and an exchange rate of \$1.0510 per U.S. Dollar ("USD"). This is an increase in value of \$75,710 when compared to the value based on the NYSE closing price.

At December 31, 2009, the Company owned 1,613,692 common shares of Jaguar at a fair value of \$18,057,213 (\$8,222,634 - December 31, 2008). This was determined based on the 1,613,692 shares owned and the year ending stock price of U.S. \$11.19. At December 31, 2008, the fair value was determined based on the 1,613,692 shares owned, the year ending stock price of Cdn. \$6.24 and an exchange rate of Cdn. \$1.2246 per USD.

During the year ended December 31, 2009, no shares of Jaguar were disposed of, purchased or received. During the year ended December 31, 2008, the Company received 5,692 shares of Jaguar as consideration for the exercise of stock options and disposed of 1,974,105 shares of Jaguar (935,345 shares for settlement of outstanding debt, 891,412 shares for cash and 147,348 shares for repurchase of common shares) resulting in a gain of \$15,773,537.

BRAZILIAN RESOURCES, INC.

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9. Investment in Jaguar Mining Inc. and Other Comprehensive Income (continued):

Accumulated Other Comprehensive Income is comprised of the following:

	Other comprehensive income	Future income taxes	Accumulated other comprehensive income
Balance, December 31, 2007	\$ 37,577,092	\$ (14,884,286)	\$ 22,692,806
Unrealized loss on investment in Jaguar	(11,521,317)	4,563,594	(6,957,723)
Recycling of gain on disposal through income	(20,675,954)	8,189,745	(12,486,209)
Balance, December 31, 2008	5,379,821	\$ (2,130,947)	\$ 3,248,874
Unrealized gain on investment in Jaguar	9,834,579	(3,895,477)	5,939,102
Balance, December 31, 2009	\$ 15,214,400	\$ (6,026,424)	\$ 9,187,976

Jaguar and the Company continue to have certain directors and officers in common.

10. Due to Related Parties:

This payable is due to Mineração Serras do Oeste Ltda. ("MSOL") and Mineração Turmalina Ltda. ("MTL") in relation to a court-ordered settlement of a labor case. At the time the services were performed for MSOL and other subsidiaries of the Company, 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. As a result, the Brazilian labor court considered the companies to be an economic group and ordered payment from each company. The Company has agreed to pay the \$217,183 (\$161,814 – December 31, 2008) owed to MSOL and MTL and is reflected in the consolidated balance sheets. The liability is denominated in R\$ (R\$378,158), bears interest at U.S. LIBOR payable quarterly, and is due September 30, 2011.

11. Loans Payable:

	December 31, 2009	December 31, 2008
(a) Auto loan	\$ 20,799	\$ 25,457
(b) Credit facility	2,877,006	935,876
	2,897,805	961,333
Less current portion	(2,882,460)	(940,533)
	\$ 15,345	\$ 20,800

- (a) In November 2008, the Company purchased a vehicle financed by a loan. The loan payable is denominated in USD, bears interest at 7.49% per annum and is repayable over 60 months. The loan is secured by the related vehicle.
- (b) The Company has in place a credit facility denominated in USD, bearing interest at U.S. LIBOR plus 1% per annum, 1.2% at December 31, 2009 (1.4% - December 31, 2008). The amount of the credit facility varies with the value of the security, with available borrowing power of 50% of the market value of the security less any outstanding balance drawn. The Company had 1,291,692 shares of Jaguar on deposit as security at December 31, 2009 (1,291,692 – December 31, 2008), resulting in an available credit facility of \$4,350,011 (\$2,355,059 - December 31, 2008).

BRAZILIAN RESOURCES, INC.

Notes to Consolidated Financial Statements (continued)
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11. Loans Payable (continued):

The principal repayments over the next five years are as follows:

2010	\$	2,882,460
2011		5,441
2012		6,372
2013		3,532
2014		-
	\$	2,897,805

12. Income Taxes:

The Company is subject to income taxes in both the United States and Brazil.

Income taxes applicable to income (loss) from continuing operations before income tax varies from the amounts that would be computed by applying the combined US federal tax rate and the New Hampshire state rate of approximately 39.61% (39.61% -2008) are as follows:

	Year ended	
	December 31, 2009	December 31, 2008
Expected tax expense (recovery) using the statutory US income tax rate	\$ (1,473,715)	\$ 3,877,135
Current year permanent differences		
Other entity expenses	251,624	539,810
Difference in tax rate in foreign jurisdiction	117,683	19,073
Accretion expense	-	378,331
Prior year alternative minimum tax	(148,688)	-
Other permanent differences	297,297	68,586
Prior year true up	-	(415,520)
Non-deductible foreign exchange translation loss (gain)	378,557	(762,615)
Change in valuation allowance	(1,616,864)	3,587,774
Income tax expense (recovery) before discontinued operations	(2,194,106)	7,292,574
Tax recovery related to discontinued operations	-	(2,803,864)
Income tax expense (recovery)	\$ (2,194,106)	\$ 4,488,710

BRAZILIAN RESOURCES, INC.

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12. Income Taxes (continued):

The tax effects of temporary differences that give rise to significant portions of future tax assets and liabilities are as follows:

	Year ended	
	December 31, 2009	December 31, 2008
Future Tax Assets		
United States future tax assets		
Non-capital losses	\$ 4,877,135	\$ 4,754,734
Stock options not exercised	140,022	156,743
Prior year alternative minimum tax	148,688	-
Amounts not deductible until operational	964,649	730,406
Amounts not deductible until paid	678,630	540,101
Brazil future tax assets		
Amounts not deductible until paid	1,418,112	802,653
	8,227,236	6,984,637
Valuation allowance	(2,625,761)	(4,242,625)
	5,601,475	2,742,012
Future Tax Liabilities		
United States future tax liabilities		
Amounts not taxable until realized	\$ (6,637,487)	\$ (2,742,012)
Brazil future tax liabilities		
Amounts not taxable until realized	(288,013)	-
Acquisition of limestone property	(2,899,818)	(2,160,534)
	(9,825,318)	(4,902,546)
Net tax liability	\$ (4,223,843)	\$ (2,160,534)

United States

The Company has non-capital losses carried forward of approximately \$12.3 million available for tax purposes. The losses expire as follows:

Year	Amount
2021	\$ 319,457
2022	4,158,585
2023	909,766
2024	493,344
2025	2,408,725
2026	1,798,477
2027	1,638,567
2029	585,968
	\$12,312,889

Brazil

The Company, through its wholly owned subsidiaries, has non-capital loss carry-forwards of approximately \$1.0 million which may be carried forward indefinitely. However, only 30% of the taxable income in any one year can be applied against the loss carry-forward balance.

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13. Discontinued Operations:

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 and the individual holder controlled 50% of PML. PML was being used for the development of mineral resources, exploration, and mining of mainly base metals.

Management agreed to cease PML operations effective September 3, 2008 due to a combination of uncontrollable economic factors, primarily the falling prices of zinc and copper which 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 deficiency and potentially reorganize PML in Brazil is a Judicial Restructuring. The Company engaged one of the pre-eminent firms in Brazil to assist with this Judicial Restructuring process. 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. 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. This process also allows a possible sale of the business.

A brief notification establishing the publication of a formal notice to creditors was issued September 5, 2008. The Assembly of the Creditor's meeting was held March 4, 2010. The meeting was then postponed to March 10, 2010 because the Assembly did not have a quorum. A new recovery plan was presented to the Creditors Assembly on March 10, 2010. The judge suspended the meeting for 30 days to give creditors adequate time to review the new plan. The next Creditor's Assembly is scheduled for April 9, 2010.

As a result of the Judicial Restructuring, the Company does not exert control or have significant influence over PML. The financial results of PML have been deconsolidated effective August 31, 2008. Therefore, the Company no longer uses the proportional consolidation method to include the 49% interest in PML in the consolidated financial statements. The Company's investment in PML was classified as held-for-trading and its carrying value was valued at zero. PML's activities are also considered as "Discontinued Operations" in the Company's consolidated financial statements.

The results of PML were reclassified and disclosed in the consolidated statements of operations and deficit and comprehensive income (loss) as "Loss from discontinued operations", while cash flows related to these operations were reclassified and disclosed in the consolidated statements of cash flows as "Cash flows (used in) provided by discontinued operations." At December 31, 2009 the Company had a loss of nil from discontinued operations (\$678,843 loss – December 31, 2008).

14. Other Payables:

The amount represents the balance of a negotiated settlement of other Brazilian taxes which are due beyond the next fiscal year.

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15. Capital Stock:

(a) Common shares:

Changes in common shares for the years ended December 31, 2009 and 2008 are as follows:

	Number	Amount
Balance, December 31, 2007	108,072,124	\$ 24,785,644
Shares repurchased/retired	(10,000,000)	(2,270,000)
Shares issued for professional fees	30,000	2,921
Options exercised	2,983,408	373,566
Balance, December 31, 2008 and 2009	101,085,532	\$ 22,892,131

The Company is authorized to issue 320,000,000 common shares and 160,000,000 preferred shares.

(b) Warrants:

At December 31, 2009, the following share purchase warrants were outstanding:

Number of share purchase warrants	Exercise price	Expiring
5,750,000	\$0.20 CAD	August 2010

Each share purchase warrant entitles the holder to acquire one common share of the Company at the price specified.

During the year ended December 31, 2009, 3,000,000 warrants valued at \$105,000 expired. During the year ended December 31, 2008, 20,000,000 warrants valued at \$214,571 expired and 5,750,000 warrants valued at \$292,100 were issued. The value assigned to expired warrants was allocated to contributed surplus.

(c) Stock Options:

Under the stock option plan, eligible directors, officers, employees and consultants may be granted options to acquire common shares at an exercise price which is equal to the 10-day weighted average trading price of the Company's common shares on the TSX Venture Exchange (the "Exchange") prior to the grant date less any discounts permitted by the rules of the Exchange. Options granted since the Company's voluntary delisting in 2005 have an exercise price based on the Board of Directors' valuation of the Company's assets and liabilities. Options vest 40% on the date of grant, 40% six months after the date of grant and 20% eighteen months after the date of grant, unless otherwise determined by the Board of Directors. The options are not transferable and may not exceed a term of five years. The maximum number of shares that have been reserved under the plan is 15,600,000.

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15. Capital Stock (continued):

(c) Stock Options (continued):

Common Share Options	Number	Weighted Average
		Exercise Price
		CAD
Balance, December 31, 2007	9,687,157	\$ 0.18
Expired, vested	(18,000)	0.40
Expired, unvested	(824,540)	0.20
Exercised	(3,013,408)	0.10
Granted	175,000	0.25
Balance, December 31, 2008	6,006,209	0.21
Expired, vested	(900,000)	0.16
Granted	150,000	0.25
Balance, December 31, 2009	5,256,209	\$ 0.22

The value assigned to vested expired options was allocated to contributed surplus. The value assigned to unvested expired options was allocated to stock based compensation.

Exercise Price	Outstanding December 31, 2009	Weighted Average Remaining Life in Years	Number Exercisable
\$ 0.150 CAD	3,506,209	1.30	3,506,209
\$ 0.400 CAD	700,000	2.53	700,000
\$ 0.400 CAD	725,000	2.55	725,000
\$ 0.250 CAD	175,000	3.05	175,000
\$ 0.250 CAD	150,000	4.25	150,000
Total	5,256,209		5,256,209

Exercise Price	Outstanding December 31, 2008	Weighted Average Remaining Life in Years	Number Exercisable
\$ 0.155 CAD	900,000	0.28	900,000
\$ 0.150 CAD	3,506,209	2.30	3,506,209
\$ 0.400 CAD	700,000	3.53	700,000
\$ 0.400 CAD	725,000	3.55	580,000
\$ 0.250 CAD	175,000	4.05	87,500
Total	6,006,209		5,773,709

The fair value of the options granted in 2009 and 2008 was calculated on the date of the grant using the Black-Scholes option pricing model with the following assumptions for 2009 and 2008: risk-free interest rate of 5%; dividend yield of nil; expected volatility of 50%; and expected life of 60 months. The weighted-average grant date fair value of the options was \$0.03 in 2009 and \$0.03 in 2008 per option.

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16. Commitments and Contingencies:

The Company is involved in certain claims arising out of the ordinary course and conduct of its business, which in the opinion of management, will not have a material impact on the financial position of the Company.

17. Income (Loss) Per Share:

Income (loss) per share related to continuing operations:

	Year ended	
	December 31, 2009	December 31, 2008
Numerator:		
Net income (loss) from continuing operations	\$ (1,526,454)	\$ 5,299,563
Denominator:		
Weighted average number of shares outstanding	101,085,532	106,789,667
Basic net income (loss) per share from continuing operations	\$ (0.02)	\$ 0.05
Diluted net income (loss) per share from continuing operations	\$ (0.02)	\$ 0.05

Loss per share related to discontinued operations:

	Year ended	
	December 31, 2009	December 31, 2008
Numerator:		
Net loss from discontinued operations	\$ -	\$ (678,843)
Denominator:		
Weighted average number of shares outstanding	101,085,532	106,789,667
Basic net loss per share from discontinued operations	\$ -	\$ (0.01)
Diluted net loss per share discontinued operations	\$ -	\$ (0.01)

Income (loss) per share related to all operations:

	Year ended	
	December 31, 2009	December 31, 2008
Numerator:		
Net income (loss) from all operations	\$ (1,526,454)	\$ 4,620,720
Denominator:		
Weighted average number of shares outstanding	101,085,532	106,789,667
Basic net income (loss) per share from all operations	\$ (0.02)	\$ 0.04
Diluted net income (loss) per share from all operations	\$ (0.02)	\$ 0.04

The Company has excluded all potentially dilutive securities due to the net loss from all operations (1,744,484 shares - December 31, 2008) as its inclusion would be anti-dilutive.

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18. Related Party Transactions:

All related party transactions are in the normal course of operations and have been recorded at the exchange amount, which the parties believe to be fair value. The following, in addition to the amounts in note 10, are the related party transactions entered into by the Company:

- (a) On January 31, 2006, the Company, with IMS Empreendimentos Ltda. ("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 a financing agreement between Prometalica Centro Oeste Ltda. ("PMCO") and certain creditors.
- (b) The Company provides the use of administrative offices to Jaguar. As a result, the Company recorded occupancy income of \$180,000 during the twelve months ended December 31, 2009 (\$180,000 – December 31, 2008). Occupancy income is included in general and administrative expenses within the consolidated statements of operations and deficit and comprehensive income (loss).

Jaguar is responsible for half of any leasehold improvements on the building leased from the Company; any amounts paid in excess are treated as Jaguar's prepaid rent. At December 31, 2009, the Company recorded \$126,453 (nil – December 31, 2008) of prepaid rent from Jaguar. Prepaid rent is included in accounts payable within the consolidated balance sheet.

The Company also provides legal and administrative services to Jaguar. During the twelve months ended December 31, 2009, the Company recorded legal and administrative service income of \$603,172 (\$350,731 – December 31, 2008) which is included in salaries and employee benefits expense within the consolidated statement of operations and deficit and comprehensive income (loss). At December 31, 2009, legal and administrative services owed to the Company were \$58,073 (\$38,612 – December 31, 2008). At December 31, 2009, accounts payable included \$68,380 due to Jaguar (\$38,612 accounts receivable - December 31, 2008), the net of prepaid rent payable to Jaguar of \$126,453 and legal and administrative fees due to the Company of \$58,073.

19. Consolidated Statements of Cash Flows:

Supplemental cash flow information and non-cash transactions:

	Year ended December 31, 2009	December 31, 2008
Interest paid	\$ 65,064	\$ 821,098
Interest paid with shares of Jaguar	\$ -	\$ (285,713)
Convertible debentures repaid with shares of Jaguar	\$ -	\$ (1,432,667)
Common shares repurchased with shares of Jaguar	\$ -	\$ (2,270,000)
Common shares repurchased with issuance of warrants	\$ -	\$ 292,100
Acquisition of vehicle financed by loan payable	\$ -	\$ (25,457)

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20. Financial Instruments and Capital Disclosures:

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, investment in Jaguar, accounts payable, accrued interest, due to related parties, loans payable, due to non-controlling Petrocal shareholders and other payables.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The credit risk is limited to the carrying amount on the balance sheet and arises from the Company's cash.

The Company's cash is held through large financial institutions in Brazil and the United States.

(b) Liquidity risk:

Liquidity risk is the possibility that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the maintenance of its credit facility, issuance of convertible debentures, and issuance of capital stock. It also manages liquidity risk by continuously monitoring accrual and projected cash flows. The Board of Directors reviews and approves the Company's budgets, as well as any transactions out of the ordinary course of business.

The Company's commitments at December 31, 2009 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	\$ 2,245	\$ 36	\$ -	\$ -	\$ 2,281
Income taxes payable	279	-	-	-	279
Due to related parties	-	217	-	-	217
Due to non-controlling Petrocal shareholders	4,595	-	-	-	4,595
Loans payable	2,882	12	4	-	2,898
Total	\$10,001	\$ 265	\$ 4	\$ -	\$10,269

(c) Currency risk:

The Company's functional currency is the USD. The Company is exposed to currency risk on interest, due to Petrocal non-controlling shareholders and loans that are denominated in a currency other than the functional currency, primarily the Brazilian reais (R\$), and the Cdn.\$.

The Company operates in Brazil and the United States. Monetary assets and liabilities denominated financial instruments that impact the Company's net income due to currency fluctuations include: Brazilian reais and Canadian dollar denominated cash, accounts payable, accrued interest, income taxes payable, related party payables, and other payables.

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20. Financial Instruments and Capital Disclosures (continued):

(c) Currency risk (continued):

A 10% strengthening of the USD against the R\$ at December 31, 2009 would have increased equity and net income by \$443,938. A 10% weakening of the USD against the R\$ at December 31, 2009 would have an equal but opposite effect assuming that all other variables remained constant.

A 10% strengthening of the USD against the Cdn. dollar at December 31, 2009 would have increased equity and net income by \$5,286. A 10% weakening of the USD against the Cdn. dollar at December 31, 2009 would have an equal but opposite effect assuming that all other variables remained constant.

(d) Interest rate risk:

The Company is exposed to interest rate risk on its interest bearing financial instruments. Interest on the Company's short-term and long-term debt is based on both fixed and variable interest rates.

A 10% decrease (increase) in the variable rate component of variable interest on debt would have increased (decreased) equity and net income by \$12,149.

(e) Price risk:

The Company is exposed to equity price risk arising from available-for-sale securities, such as the Company's investment in Jaguar, which is used to provide security for the credit facility.

A 10% increase or decrease in the equity price of Jaguar impacts investment in Jaguar and other comprehensive income after tax by \$1,090,475.

(f) Fair values:

The following summarizes the significant methods and assumptions used in estimating the fair value of the Company's financial instruments:

- (i) Cash, accounts payable and accrued interest approximate their fair values due to their immediate or short terms of maturity.
- (ii) The fair value of Investment in Jaguar is determined by reference to the quoted bid price at the reporting date.
- (iii) The carrying amount of loans payable approximates fair value as the interest rates on these financial instruments are not materially different from the current market rate of interest available to the Company for similar financial instruments.
- (iv) The fair value of advances to related parties receivable and due to related parties are not determinable because the terms of these financial instruments are not comparable to similar loans with non-related parties.

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20. Financial Instruments and Capital Disclosures (continued):

(f) Fair values (continued):

The Company's measurement of fair value of financial instruments at December 31, 2009 in accordance with the fair value hierarchy is as follows:

	Total	Level 1	Level 2	Level 3
Assets				
Marketable securities	\$18,057,512	\$18,057,213	\$ -	\$ -

The Company's marketable securities are classified within Level 1 of the fair value hierarchy because they are valued using the quoted market prices. The Company does not have any assets or liabilities classified as Level 2 or 3.

(g) Capital management:

The Company considers its capital structure to consist of all of the components of shareholders' equity and loans payable. The Company manages its capital structure and makes adjustments to it in order to have the funds available to support the acquisition, exploration and development of other business ventures which the Board of Directors intends to pursue in addition to maximizing the return to shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in a feasibility study stage and in the process of obtaining financing or are in the process of obtaining licensing to begin commercial operation and are currently incurring losses or have ceased operations; as such, the Company is dependent on external financing to fund its activities. In order to carry out current operations and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Petrocal purchase included a capital dilution restriction regarding the non-controlling shareholders who sold their quota shares to BrasAgro. Those shareholders will always have the option to maintain 6.25% of BrasAgro's interest in Petrocal.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

BRAZILIAN RESOURCES, INC.

Notes to Consolidated Financial Statements (continued)
(Expressed in U.S. dollars)
Years ended December 31, 2009 and 2008

21. Subsequent Event:

Subsequent to December 31, 2009, the non-controlling shareholders of Petrocal agreed to take a portion of the balance due (Note 8) in newly issued common shares of the Company. The revised agreement calls for \$2.8 million (63.54% of the final payment due on March 31, 2010) to be made in cash and the remainder to be paid in shares. The cash payment was made on March 26, 2010. The number of shares to be issued will be determined using an imputed value of Cdn.\$0.60 per share, however, there may be an adjustment to the number of shares to be issued if the imputed share value is materially different than the issue price of any new shares issued in a contemplated private placement to fund construction of the project.