

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

**BRAZILIAN RESOURCES, INC.**  
(Unaudited)

September 30, 2008 and 2007

(An auditing firm has not reviewed or audited  
these financial statements)

# BRAZILIAN RESOURCES, INC.

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

	September 30, 2008	December 31, 2007 (Restated)
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 1,469,026	\$ 551,050
Related party receivables (Note 5)	356,715	694,700
Prepaid expenses and sundry receivables	583,037	209,782
Current assets related to discontinued operations (Note 4)	-	7,213,985
	2,408,778	8,669,517
Related party receivables (Note 5)	-	742,050
Property, plant and equipment	1,081,142	982,570
Mineral properties and exploration (Note 7)	8,597,512	-
Investment in Jaguar Mining, Inc. (Note 6)	9,028,393	43,829,217
Other investment	4,862	4,862
Long-term assets related to discontinued operations (Note 4)	-	12,266,359
	\$ 21,120,687	\$ 66,494,575
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities:		
Accounts payable	\$ 1,469,320	\$ 1,095,712
Accrued interest	101,223	232,654
Income taxes payable	45,457	6,818
Due to related parties (Note 10)	197,544	101,255
Due to non-controlling Petrocal shareholders (Note 7)	4,493,911	-
Convertible debentures (Note 9)	-	3,467,926
Current portion of loans payable (Note 8)	973,383	7,658,528
Current liabilities related to discontinued operations (Note 4)	-	16,495,560
	7,280,838	29,058,453
Loans payable (Note 8)	-	3,110
Future tax liability	2,021,365	8,341,212
Other payables	67,884	113,744
Long-term liabilities related to discontinued operations (Note 4)	-	3,845,983
	9,370,087	41,362,502
Shareholders' Equity:		
Capital stock (Note 11(a))	23,437,361	24,785,644
Warrants (Note 11(b))	397,100	319,571
Stock options (Note 11(c))	392,775	480,403
Equity component of convertible debentures	-	326,305
Contributed surplus	848,781	46,700
Deficit	(17,395,936)	(23,519,356)
Accumulated other comprehensive income	4,070,519	22,692,806
	11,750,600	25,132,073
Going Concern and Basis of Presentation (Note 1)		
Subsequent Events (Notes 7 and 15)		
	\$ 21,120,687	\$ 66,494,575

See accompanying notes to the interim consolidated financial statements.

On behalf of the Board:

"R. Lloyd" , Director

"J. Kirchhoff" , Director

# BRAZILIAN RESOURCES, INC.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008 (Restated)	2007 (Restated)	2008 (Restated)	2007 (Restated)
Expenses (income):				
Professional fees	\$ 363,456	\$ 257,156	\$ 1,114,011	\$ 555,884
Consulting expenses	448,226	287,880	799,499	677,279
General and administrative expenses	910,860	271,434	1,988,646	692,336
Interest	196,768	439,880	1,117,010	1,237,881
Depreciation	(31,562)	12,177	(1,803)	31,045
Salaries and employee benefits	210,773	156,186	550,148	393,513
Stock based compensation	3,223	111,515	20,735	112,172
(Gain) Loss on foreign exchange	(1,482,765)	301,627	(744,802)	636,018
Other (income) expense	(64,033)	66,862	(168,854)	(151,708)
Other taxes	(61,711)	71,032	22,722	71,385
	(493,235)	(1,975,749)	(4,697,312)	(4,255,805)
Gain on sale of shares of Jaguar Mining (Note 6)	1,953,638	965,665	15,128,568	965,665
Dilution gain in Jaguar Mining	-	-	-	1,377,457
Equity in loss of Jaguar Mining	-	-	-	(35,205)
Income (loss) before income taxes	1,460,403	(1,010,084)	10,431,256	(1,947,888)
Future income tax (recovery) expense	(680,379)	-	3,538,702	-
Net income (loss) from continuing operations	2,140,782	(1,010,084)	6,892,554	(1,947,888)
Gain (loss) from discontinued operations (Note 4)	4,359,309	1,467,040	(678,843)	(364,745)
Net income (loss)	6,500,091	456,956	6,213,711	(2,312,633)
Deficit, beginning of period	(23,805,736)	(25,346,844)	(23,519,356)	(22,577,255)
Early retirement of debentures (Note 9)	(90,291)	-	(90,291)	-
Deficit, end of period	\$ (17,395,936)	\$ (24,889,888)	\$ (17,395,936)	\$ (24,889,888)
Basic and diluted income (loss) per share (Note 12)	\$ 0.06	\$ 0.00	\$ 0.06	\$ (0.02)
Weighted average number of common shares outstanding (Note 12)	106,629,010	106,449,124	108,704,924	106,142,758
<b>Statement of Comprehensive Income (Loss)</b>				
Net income (loss)	\$ 6,500,091	\$ 456,956	\$ 6,213,711	\$ (2,312,633)
Other comprehensive income (loss), net of tax	(5,183,312)	4,434,664	(18,622,287)	24,419,839
Comprehensive income (loss)	\$ 1,316,779	\$ 4,891,620	\$ (12,408,577)	\$ 22,107,206

See accompanying notes to the interim consolidated financial statements.

## Brazilian Resources, Inc.

Statement of Shareholders Equity  
(Expressed in U.S. Dollars)  
(Unaudited)

	Capital Stock	Warrants	Options	Equity Component of Convertible Debentures	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2006	106,449,124	23,000,000	10,912,139	326,305	31,500	(22,577,255)	-	3,004,810
Options exercised (Note 11(c))	696,982	-	(696,982)	(17,984)	-	-	-	67,813
Options expired (Note 11(c))	-	-	(600,000)	(24,700)	15,200	-	-	(9,500)
Options granted (Note 11(c))	-	-	1,695,000	103,212	-	-	-	103,212
Stock based compensation (Note 11(c))	-	-	-	18,460	-	-	-	18,460
Net loss for the period	-	-	-	-	-	(2,312,633)	-	(2,312,633)
Other comprehensive income for the period	-	-	-	-	-	-	24,419,839	24,419,839
<b>Balance, September 30, 2007</b>	<b>108,072,124</b>	<b>23,000,000</b>	<b>11,310,157</b>	<b>486,636</b>	<b>46,700</b>	<b>(24,889,888)</b>	<b>24,419,839</b>	<b>25,292,001</b>
Balance, December 31, 2007	108,072,124	23,000,000	9,687,157	326,305	46,700	(23,519,356)	22,692,806	25,132,073
Share repurchase/retirement (Note 11(a))	(10,000,000)	-	-	-	288,504	-	-	(1,436,263)
Shares issued for professional fees	30,000	-	-	-	-	-	-	2,921
Warrants issued (Note 11(b))	-	5,750,000	292,100	-	-	-	-	292,100
Warrants expired (Note 11(b))	-	(20,000,000)	(214,571)	-	252,355	-	-	37,784
Options exercised (Note 11(c))	2,983,408	-	(3,013,408)	(70,579)	-	-	-	302,984
Options expired (Note 11(c))	-	-	(842,540)	(37,784)	-	-	-	(37,784)
Stock based compensation (Note 11(c))	-	-	175,000	20,735	-	-	-	20,735
Convertible debentures cancellation without conversion (Note 9)	-	-	-	(326,305)	261,222	(90,291)	-	(155,374)
Net income for the period	-	-	-	-	-	6,213,711	-	6,213,711
Other comprehensive loss for the period	-	-	-	-	-	-	(18,622,287)	(18,622,287)
<b>Balance, September 30, 2008</b>	<b>101,085,532</b>	<b>8,750,000</b>	<b>6,006,209</b>	<b>392,775</b>	<b>848,781</b>	<b>(17,395,936)</b>	<b>4,070,519</b>	<b>11,750,600</b>

See accompanying notes to the interim consolidated financial statements.

# BRAZILIAN RESOURCES, INC.

Interim Consolidated Statements of Cash Flows  
(Expressed in U.S. dollars)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(Restated)	(Restated)	(Restated)	(Restated)
Cash provided by (used in):				
Operating Activities:				
Net income (loss) from continuing operations	\$ 2,140,784	\$ (1,010,084)	\$ 6,892,556	\$ (1,947,888)
Items not involving cash:				
Depreciation and amortization	(31,562)	12,177	(1,803)	31,045
Stock based compensation (Note 11(c))	3,223	111,512	20,735	112,172
Gain on disposal of Jaguar Mining Inc. shares	(1,953,638)	(965,665)	(15,128,568)	(2,307,921)
Non-cash management fees and interest	759,186	508,079	921,826	508,079
Shares issued for professional fees	-	-	2,921	-
Future income tax (recovery) expense	(475,330)	-	3,734,940	-
Unrealized foreign exchange (gain) loss	(1,612,516)	115,181	(1,269,733)	447,239
Change in non-cash working capital:				
Prepaid expenses and sundry assets	(104,816)	(117,963)	(361,322)	(285,077)
Accounts receivable	-	54,878	-	(21,174)
Accounts payable	(86,009)	58,420	687,448	349,084
Accrued interest	24,128	102,922	154,362	311,768
Income taxes payable	-	-	130,034	-
Long term taxes payable	(24,187)	-	(45,860)	-
Cash flows used in continuing operations	(1,360,737)	(1,130,543)	(4,262,464)	(2,802,674)
Cash flows used in discontinued operations	(1,696,397)	(133,050)	(1,204,622)	(164,680)
Cash flows used in operating activities	(3,057,134)	(1,263,594)	(5,467,086)	(2,967,354)
Financing Activities:				
Increase in debt	6,043,500	-	6,043,500	89,235
Decrease in debt	(15,084,491)	(90,350)	(13,176,722)	-
Decrease in convertible debentures	(1,529,521)	-	(2,140,419)	-
Issuance of common shares and warrants	(167,011)	-	67,537	67,813
Related party payable	(409,399)	-	(484,832)	-
Cash flows provided by (used in) continuing operations	(11,146,922)	(90,350)	(9,690,936)	157,048
Cash flows provided by (used in) discontinued operations	(209,362)	4,583,926	48,451	5,498,234
Cash flows provided by (used in) financing activities	(11,356,284)	4,493,575	(9,642,485)	5,655,282
Investing Activities:				
Acquisition of mineral properties (Note 7)	(555,895)	-	(758,741)	-
Purchase of property, plant and equipment	(14,014)	(510,617)	(89,051)	(591,829)
Investment in Jaguar Mining Inc.	14,686,830	1,320,790	16,178,537	1,320,791
Related party receivables	1,219,989	-	(156,715)	-
Cash flows provided by continuing operations	15,336,910	810,173	15,174,030	728,961
Cash flows provided by (used in) discontinued operations	304,420	(4,226,195)	853,516	(4,891,983)
Cash flows provided by (used in) investing activities	15,641,330	(3,416,022)	16,027,546	(4,163,022)
Increase (decrease) in cash for the period	1,227,912	(186,040)	917,976	(1,475,093)
Cash and cash equivalents, beginning of period	241,113	1,035,677	551,050	2,324,730
Cash and cash equivalents, end of period	\$ 1,469,026	\$ 849,637	\$ 1,469,026	\$ 849,637

See accompanying notes interim consolidated financial statements.

# BRAZILIAN RESOURCES, INC.

Notes to Interim Consolidated Financial Statements  
(Expressed in U.S. dollars)  
(Unaudited)  
Three and nine months ended September 30, 2008 and 2007

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## 1. Going Concern and Basis of Presentation:

These interim 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's ability to continue as a going concern is dependant 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 additional sources of financing are uncertain and there is no assurance that these initiatives would be successful or sufficient. The Company has a working capital deficiency of \$4,872,060. In addition, as of September, 2008, the Company has \$1,725,840 available under its current credit line and this amount will fluctuate based on the market value of the 616,937 common shares of Jaguar Mining Inc. ("Jaguar") used as security under the credit facility (note 8(b)). Management believes that the Company has sufficient cash to carry out its planned operations beyond 2009. 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 interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption was not appropriate for these interim consolidated financial statements, then adjustments would be necessary in the carrying value of assets such as mineral interests, and liabilities, the reported expenses, and the balance sheet classifications used.

## 2. Restatement of Financial Statements:

Subsequent to September 30, 2008, the Company identified the following changes:

- (a) The Company determined that the proper accounting treatment for the deconsolidation of Prometálica Mineração Ltda. ("PML") was to reclassify and disclose the results of PML through the date of deconsolidation as discontinued operations. The current and prior year comparisons have been updated to reflect the results of PML as discontinued operations. The table below reflects the adjustments made to net income to account for PML under discontinued operations. The net affect of these adjustments were reflected in the previously reported deficit section of the interim statement of operations, deficit and other comprehensive income (loss) instead of net income (loss) as they are now reflected. The cumulative net deficit of \$17,395,936 as of September 30, 2008, as previously reported, was not impacted by these adjustments.
- (b) The write-off of uncollectible interest of \$90,291 as previously reported in the deficit section on the interim consolidated statement of operations, deficit and other comprehensive income was classified incorrectly. The amount of the interest write-off was \$303,291 and has been included in the results from discontinued operations (note 4). The \$90,291 was related to the early retirement of convertible debentures (note 9).

# BRAZILIAN RESOURCES, INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars)  
(Unaudited)  
Three and nine months ended September 30, 2008 and 2007

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## 2. Restatement of Financial Statements (continued):

	Three months ended September 30, 2008	Nine months ended September 30, 2008
Net loss, as reported	\$ (3,244,455)	\$ (3,530,836)
Adjustments:		
Write-off of uncollectible debt and interest	2,498,871	2,498,871
Impairment of investment	3,650,501	3,650,501
PML loss recorded in continuing operations	(764,134)	4,274,018
Total adjustments to continuing operations	5,385,238	10,423,390
Net income from continuing operations, as restated	2,140,782	6,892,554
Income (loss) from discontinued operations (note 4)	4,359,309	(678,843)
<b>Net income, as restated</b>	<b>\$ 6,500,091</b>	<b>\$ 6,213,711</b>

## 3. Significant Accounting Policies:

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

(i) Financial Instruments-Disclosure and Presentation:

In December 2006, the CICA published 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.

(ii) Capital Disclosures:

In December 2006, the CICA published Section 1535 of the Handbook, Capital Disclosures, which requires disclosure of an entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and if it has not complied, the consequences of such non-compliance. This information will enable users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

(iii) Inventories:

In January 2007, the CICA published Section 3031 of the Handbook, Inventories, which 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.

# BRAZILIAN RESOURCES, INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars)  
(Unaudited)  
Three and nine months ended September 30, 2008 and 2007

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## 3. Significant Accounting Policies (continued):

(b) Accounting principles issued but not yet implemented:

(i) Goodwill and Intangible Assets:

In February 2008 the CICA issued Section 3064, Goodwill and Intangible Assets, which replaced Section 3062, Goodwill and Other Intangible Assets, and 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.

(ii) Adoption of International Financial Reporting Standards:

In January 2006, the Accounting Standards Board announced its decision to require all publically accountable enterprises to report under International Financial Reporting Standards ("IFRS") for year 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 is in the process of completing the scoping phase of its conversion plan, which has a timeline for assessing resources, training, analyzing key differences and selecting account policies under IFRS.

## 4. Discontinued Operations:

On August 11, 2008 PML filed for Judicial Restructuring in Brazil. On September 5, 2008, the Company received the court decision ordering commencement of the proceedings. Management agreed to cease the operations of PML effective September 3, 2008. Subsequent to the filing and operational shut down; it became apparent to management that PML was insolvent.

The Company is not responsible for PML's debts other than those for unpaid salaries and some unremitted taxes. Based on the current restructuring plan presented to the court, the Company currently believes that PML should have sufficient resources to be able to pay these liabilities as they are the highest priority on the creditor list. In addition, the Company and the 50% joint owner, IMS have guaranteed the payment of the Net Smelter Royalty ("NSR") to Mineração Serras do Oeste Ltda. ("MSOL") in the event of non-payment by PML. At December 31, 2008 the Company's proportionate share of the NSR was \$581,746. This amount is included in accounts payable on the Company's annual consolidated financial statements.

As a result of the Judicial Restructuring, the Company no longer exerts control or has significant influence over PML. The financial results of PML have been deconsolidated effective August 31, 2008. Therefore, the Company will no longer use 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 interim consolidated financial statements of the Company.

# BRAZILIAN RESOURCES, INC.

Notes to Interim Consolidated Financial Statements (continued)  
 (Expressed in U.S. dollars)  
 (Unaudited)  
 Three and nine months ended September 30, 2008 and 2007

## 4. Discontinued Operations (continued):

The results of PML were reclassified and disclosed in the interim consolidated statements of operations as "Loss from discontinued operations", while cash flows related to these operations were reclassified and disclosed in the interim consolidated statements of cash flows as "Cash flows (used in) provided by discontinued operations." In addition, assets and liabilities of PML as of December 31, 2007 were reclassified and disclosed in the interim consolidated balance sheet as "assets or liabilities related to discontinued operations."

As of August 31, 2008, the Company's interim consolidated balance sheet included a net assets 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, resulting in a gain on deconsolidation on August 31, 2008.

The following table provides results from discontinued operations as of August 31, 2008:

	Three Months Ended September 30, 2008		Nine Months Ended September 30, 2008	
	2008	2007	2008	2007
Sales	\$ 5,243,490	\$ 6,764,828	\$ 7,787,926	\$ 12,318,552
Cost of sales	(3,815,304)	(3,674,136)	(7,652,893)	(7,193,979)
	1,428,186	3,090,692	135,033	5,124,573
Expenses (income):	663,774	1,083,574	4,482,445	4,716,390
Loss before income taxes	764,412	2,007,118	(4,347,412)	408,183
Income tax (recovery) expense	278	540,078	(73,394)	772,928
	764,134	1,467,040	(4,274,018)	(364,745)
Loan and interest write-off	(1,540,042)	-	(1,540,042)	-
Net gain on net assets deficiency	5,135,217	-	5,135,217	-
Net (gain) loss from discontinued operation of PML	\$ 4,359,309	\$ 1,467,040	\$ (678,843)	\$ (364,745)
Net assets deficiency, December 31, 2007				\$ (861,199)
Net loss of PML from January 1, 2008 to August 31, 2008				(4,274,018)
Net assets deficiency, August 31, 2008				\$ (5,135,217)

The loan and interest write-off relates to an intercompany loan that the Company made to PML and represents the amount due from IMS (related party) determined to be uncollectable as a result of the PML Judicial Restructuring (note 5(b)). The amount due from IMS represents the Company's funded portion of IMS' share of the loan in PML.

# BRAZILIAN RESOURCES, INC.

Notes to Interim Consolidated Financial Statements (continued)  
 (Expressed in U.S. dollars)  
 (Unaudited)  
 Three and nine months ended September 30, 2008 and 2007

## 4. Discontinued Operations (continued):

The following table provides a reconciliation of the net assets deficiency related to discontinued operations as of December 31, 2007:

<b>Assets</b>	
Current Assets	
Cash and cash equivalents	\$ 13,305
Accounts receivable	972,914
Inventory	3,763,561
Related party receivables	2,341,560
Prepaid expenses and sundry receivables	122,645
	<u>7,213,985</u>
Property, plant and equipment	6,330,561
Mineral properties and exploration	4,353,063
Future tax asset	1,582,735
	<u>\$ 19,480,344</u>
<b>Liabilities and Shareholders' Equity</b>	
Current Liabilities:	
Accounts payable	\$ 6,719,489
Income taxes payable	450,273
Deferred revenue	1,043,469
Due to related parties	3,354,573
Loans payable	7,673,232
Asset retirement obligations	144,019
Other payables	956,488
	<u>20,341,543</u>
Net assets deficiency	(861,199)
	<u>\$ 19,480,344</u>

## 5. Related Party Receivables:

Related party receivables are comprised of the following:

	September 30, 2008	December 31, 2007
(a) IMS	\$ 200,000	\$ 200,000
(b) IMS proportional share of PML Loan	-	1,236,750
(c) Petrocal	156,715	-
	<u>356,715</u>	<u>1,436,750</u>
Less current portion	(356,715)	(694,700)
	<u>\$ -</u>	<u>\$ 742,050</u>

(a) The loan bears interest at U.S. prime plus 2% per annum (7.00% at September 30, 2008 and 9.25% at December 31, 2007). The original due date of November 15, 2006 was extended to May 15, 2007 and the terms of payment are currently under negotiation. The Company and IMS are joint venture partners in PML.

# BRAZILIAN RESOURCES, INC.

Notes to Interim Consolidated Financial Statements (continued)  
(Expressed in U.S. dollars)  
(Unaudited)  
Three and nine months ended September 30, 2008 and 2007

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## 5. Related Party Receivables (continued):

- (b) The loan bears interest at U.S. 3 month LIBOR plus 4% per annum (6.81% at August 31, 2008 and 9.23% at December 31, 2007) and is payable over 10 quarters commencing January 2008. No payments were made through September 30, 2008. The loan and accrued interest were determined to be uncollectible due to the PML Judicial Restructuring. The loan and related interest income write-offs are reflected in the results of discontinued operations (note 4).
- (c) The loan is related to the Company's acquisition, through its wholly-owned subsidiary BrasAgro Fertilizantes Minerais Ltda ("BrasAgro"), of 80% of Petrocal Indústria e Comércio de Cal S.A. ("Petrocal"). It is an advance to Petrocal minority shareholders against the payable in note 7. It will be deducted from BrasAgro's future payments on the Petrocal acquisition. The loan is denominated in R\$ (R\$300,000) and interest is charged monthly based on Brazil's Special System for settlement and custody rate ("Selic rate") (1.1031% at September 30, 2008).

## 6. Investment in Jaguar Mining Inc.:

At September 30, 2008, the Company held 1,613,692 (December 31, 2007 - 3,582,105) shares of Jaguar Mining Inc ("Jaguar"). Of these, 322,000 (December 31, 2007 - 3,528,666) have been pledged as security for debt (note 12(a)). During the nine months ended September 30, 2008, the Company obtained 5,692 shares of Jaguar and disposed of 1,974,105 shares of Jaguar (891,412 shares for cash, 935,345 to repay outstanding debt and 147,348 shares to purchase common shares of the Company) for a gain of \$15,128,568.

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

On April 2, 2008, the Company, through BrasAgro, acquired a limestone mineral property through the purchase of 80% of the quota shares of Petrocal. 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 September 17, 2008 of \$4,493,911 (R\$8,468,360) has been subsequently renegotiated and extended to February 27, 2009 (note 15).

Under the terms of a mineral rights agreement, Petrocal is required to pay the property owner 3% of the gross mineral revenue 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.

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.

# BRAZILIAN RESOURCES, INC.

Notes to Interim Consolidated Financial Statements (continued)  
 (Expressed in U.S. dollars)  
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## 7. Acquisition of Petrocal Indústria e Comércio de Cal S.A. (continued):

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

	<b>December 31, 2008</b>
Current assets	\$ 11,073
Mineral property	8,597,512
Current liabilities	(813)
Future income taxes	(2,923,154)
	<b>\$ 5,684,618</b>

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 is obligated to provide R\$976,729 in a series of three installment payments that ended October 15, 2008. Total payments required through the period ended December 31, 2008 were made. Petrocal anticipates power line construction to begin in the fall of 2009 and be completed by the end of February 2010.

## 8. Loans Payable:

	<b>September 30, 2008</b>	<b>December 31, 2007</b>
(a) Auto loan	\$ -	\$ 11,978
(b) Credit line	973,383	510,332
(c) Bridge loan net of unamortized discount	-	1,150,740
(d) Bridge loan net of unamortized discount	-	5,988,588
	973,383	7,661,638
Less current portion	(973,383)	(7,658,528)
	<b>\$ -</b>	<b>\$ 3,110</b>

- (a) The vehicle and loan related to the 2007 balance was sold and repaid during 2008. Subsequent to September 30, 2008 the Company purchased a vehicle financed by a loan. The loan is payable over 60 months, bears interest at 7.49% per annum and is secured by the related vehicle.
- (b) In July 2005, the Company obtained a credit facility. The demand credit facility bears interest at U.S. LIBOR plus 1% per annum. The amount of the credit line varies with the value of the security. The Company had 616,937 shares of Jaguar on deposit as security at September 30, 2008, resulting in an available credit facility of \$1,725,840 (100,000 shares at December 31, 2007 for an available credit facility of \$611,780).
- (c) In December 2007, the Company obtained a 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.

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Notes to Interim Consolidated Financial Statements (continued)  
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## 8. Loans Payable (continued):

(d) In December 2007, the Company obtained a 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 was 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. On July 2 and 3, 2008, the share settlement dates, the loan was repaid with the proceeds and the remaining cash and Jaguar shares were returned to the Company.

During the year ended December 31, 2008 the Company obtained and repaid a bridge loan. The loan included options 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 interim consolidated balance sheet.

## 9. Convertible Debentures:

	September 30, 2008	December 31, 2007
(a) August 2005	\$ -	\$ 3,036,130
(b) November 2005	-	627,467
	-	3,663,597
Less: unamortized discount	-	(195,671)
	<b>\$ -</b>	<b>\$ 3,467,926</b>

During the nine months ended September 30, 2008, all of the 2005 convertible debentures were retired without conversion. The November 2005 convertible debentures were retired early resulting in a charge of \$90,291 to retained deficit.

## 10. Due to Related Parties:

Due to related parties are comprised of the following:

	September 30, 2008	December 31, 2007
(a) MSOL/MTL labor claim	197,544	-
Other related party payable (note 13(b))	-	101,255
	<b>\$ 197,544</b>	<b>\$ 101,255</b>

(a) This payable is due to MSOL and Mineração Turmalina Ltda. ("MTL") in relation to a court-ordered settlement of a labor case. At the time the labor was performed for MSOL and other Company subsidiaries, 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 guaranteed the \$197,000 owed to MSOL and MTL. The amount is denominated in R\$ (R\$378,158), bears interest at US LIBOR (3.92625% at September 30, 2008) payable quarterly, and is due September 30, 2011.

# BRAZILIAN RESOURCES, INC.

Notes to Interim Consolidated Financial Statements (continued)  
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## 11. Capital Stock:

### (a) Common shares:

During the quarter ended September 30, 2008, the Company repurchased and returned to treasury 10 million common shares for consideration of 147,348 of the Company's Jaguar shares at an imputed price of Cdn.\$10.18 plus warrants to purchase 5,750,000 common shares of the Company at a price of Cdn.\$0.20 until August 20, 2010.

The Company is authorized to issue 320,000,000 common shares and 160,000,000 preferred shares. The Company issued common shares as follows:

	Number of shares	Amount
Balance, December 31, 2006	105,752,142	\$ 24,497,041
Options exercised	2,319,982	288,603
<b>Balance, December 31, 2007</b>	<b>108,072,124</b>	<b>24,785,644</b>
Options exercised	3,013,408	376,484
Shares repurchased and retired	(10,000,000)	(1,724,767)
<b>Balance, September 30, 2008</b>	<b>101,085,532</b>	<b>\$ 23,437,361</b>

### (b) Warrants:

	Number of warrants	Amount
Balance, December 31, 2006 and 2007	23,000,000	\$ 319,571
Expired	(20,000,000)	(214,571)
Issued (note 11(a))	5,750,000	292,100
<b>Balance, September 30, 2008</b>	<b>8,750,000</b>	<b>\$ 397,100</b>

At September 30, 2008, the following share purchase warrants were outstanding:

Number of share purchase warrants	Exercise price	Expiring
3,000,000	\$0.40 CAD	June 2009
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.

# BRAZILIAN RESOURCES, INC.

Notes to Interim Consolidated Financial Statements (continued)  
 (Expressed in U.S. dollars)  
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## 11. Capital Stock (continued):

### (c) Stock Options:

Changes in stock options for the periods ended September 30, 2008 and December 31, 2007 are as follows:

	Number		Amount
Balance, December 31, 2006	10,912,139	\$	407,648
Expired, unvested	(400,000)		(9,500)
Expired, vested	(200,000)		(15,200)
Exercised	(2,319,982)		(54,344)
Granted	1,695,000		103,212
Stock based compensation	-		48,587
<b>Balance, December 31, 2007</b>	<b>9,687,157</b>	<b>\$</b>	<b>480,403</b>
Expired, unvested	(18,000)		-
Expired, vested	(824,540)		(37,784)
Exercised	(3,013,408)		(70,579)
Granted	175,000		2,675
Stock based compensation	-		18,060
<b>Balance, September 30, 2008</b>	<b>6,006,209</b>	<b>\$</b>	<b>392,775</b>

Common Share Options	Number	Weighted Average Exercise Price USD	Weighted Average Exercise Price CAD
Balance, December 31, 2006	10,912,139	-	0.14
Expired, unvested	(400,000)	0.30	-
Expired, vested	(200,000)	0.30	-
Exercised	(2,319,982)	-	0.10
Granted	1,695,000	-	0.40
<b>Balance, December 31, 2007</b>	<b>9,687,157</b>	<b>-</b>	<b>0.18</b>
Expired, unvested	(18,000)	-	0.40
Expired, vested	(824,540)	-	0.20
Exercised	(3,013,408)	-	0.10
Granted	175,000	-	0.25
<b>Balance, September 30, 2008</b>	<b>6,006,209</b>	<b>\$</b>	<b>0.21</b>

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 September 30, 2008	Weighted Average Remaining Life in Years	Number Exercisable
\$ 0.155 CAD	900,000	0.54	900,000
\$ 0.150 CAD	3,506,209	2.55	3,506,209
\$ 0.400 CAD	700,000	3.78	700,000
\$ 0.400 CAD	725,000	3.80	580,000
\$ 0.250 CAD	175,000	4.30	87,500
<b>Total</b>	<b>6,006,209</b>		<b>5,773,709</b>

# BRAZILIAN RESOURCES, INC.

Notes to Interim Consolidated Financial Statements (continued)  
 (Expressed in U.S. dollars)  
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## 11. Capital Stock (continued):

(c) Stock Options (continued):

The fair value of the options granted in 2008 and 2007 was calculated on the date of grant using the Black-Scholes option pricing model with the following assumptions: 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 these options was \$0.03 in 2008 and \$0.09 in 2009 per option.

## 12. Income (Loss) Per Share:

Income (loss) per share related to continuing operations:

	Three months ended September 30, 2008		2007		Nine months ended September 30, 2008		2007	
Numerator:								
Net income (loss) from continuing operations	\$	2,140,782	\$	(1,010,084)	\$	6,892,554	\$	(1,947,888)
Denominator:								
Weighted average number of shares outstanding		106,629,010		106,449,124		108,704,924		106,142,758
Basic and diluted net income (loss) per share from continuing operations	\$	0.02	\$	(0.01)	\$	0.06	\$	(0.02)

Income (loss) per share related to discontinued operations:

	Three months ended September 30, 2008		2007		Nine months ended September 30, 2008		2007	
Numerator:								
Net income (loss) from discontinued operations	\$	4,359,309	\$	1,467,040	\$	(687,843)	\$	(364,745)
Denominator:								
Weighted average number of shares outstanding		106,629,010		106,449,124		108,704,924		106,142,758
Basic and diluted net income (loss) per share from discontinued operations	\$	0.04	\$	0.01	\$	(0.01)	\$	0.00

Income (loss) per share related to all operations:

	Three months ended September 30, 2008		2007		Nine months ended September 30, 2008		2007	
Numerator:								
Net income (loss)	\$	6,500,091	\$	456,956	\$	6,213,711	\$	(2,312,633)
Denominator:								
Weighted average number of shares outstanding		106,629,010		106,449,124		108,704,924		106,142,758
Basic and diluted net income (loss) per share	\$	0.06	\$	0.00	\$	0.06	\$	(0.02)

# BRAZILIAN RESOURCES, INC.

Notes to Interim Consolidated Financial Statements (continued)  
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## 12. Income (Loss) Per Share (continued):

The determination of the weighted average number of shares outstanding for the calculation of diluted net loss per share does not include the effect of outstanding warrants and options since they are anti-dilutive.

## 13. 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.

- (a) 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 a financing agreement between PMCO and certain creditors.
- (b) The Company provides administrative services and use of administrative offices to Jaguar. As a result, the Company recorded occupancy income of \$135,000 for the nine months ended September 30, 2008 (90,000 –September 30, 2007) and administrative service income of \$210,595 (\$397,604 –September 30, 2007). The occupancy income and administrative service income are included in the interim statement of operations, deficit and other comprehensive income. At September 30, 2008 accounts receivable included \$51,151 due from Jaguar (\$101,255 accounts payable at December 31, 2007).

## 14. Commitments:

The Company's commitments and related interest at September 30, 2008 are summarized as follows:

	Payments due in \$ ,000's				Total
	2008	2009	2010	2011+	
Accounts payable and accrued liabilities	\$ 1,638	\$ -	\$ -	\$ -	\$ 1,638
Current taxes payable	45	-	-	-	45
Due to related parties	-	-	-	198	198
Due to non-controlling Petrocal shareholders	-	4,494	-	-	4,494
Financing	973	-	-	-	973
<b>Total</b>	<b>\$ 2,656</b>	<b>\$4,494</b>	<b>\$ -</b>	<b>\$ 198</b>	<b>\$ 7,348</b>

## 15. Subsequent Events:

In October 2008 Petrocal paid the final installment of \$170,076 (R\$325,576) to CEMAT, the electric utility company in the state of Mato Grosso, Brazil to provide power to the Petrocal mine site. The Company anticipates power line construction to begin on or about December 3, 2008 and is expected to complete construction by June 10, 2009 (note 7).

On April 30, 2009 the terms of the agreement with the non-controlling shareholders of Petrocal 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 on 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 second and third installments were paid on June 15, 2009. 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. The total amount paid to date is \$1,316,084 (note 7).