BRAZIL RESOURCES INC

(An exploration stage company)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED AUGUST 31, 2012

October 24, 2012

Overview

This management's discussion and analysis ("MD&A") of the financial condition and results of operations of Brazil Resources Inc. (the "Company" or "Brazil Resources") for the three and nine months ended August 31, 2012 should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and notes thereto for the three and nine months ended August 31, 2012, and its annual audited consolidated financial statements and the notes thereto for the years ended November 30, 2011and 2010, copies of which are available on SEDAR at www.sedar.com. The Company's financial statements for the three and nine months ended August 31, 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Unless otherwise stated, all information contained in this MD&A is as of October 24, 2012.

Unless otherwise stated, references to "$" or "dollars" herein are to Canadian dollars, references to "US$" are to United States dollars and references to "R$" are to Brazilian Real. References in this MD&A to the "Company" mean "Brazil Resources Inc.", together with its subsidiaries, unless the context otherwise requires.

Paulo Pereira, Vice President of Exploration, has reviewed and approved the scientific and technical information contained in this MD&A. Mr. Pereira holds a Bachelor's degree in Geology from Universidad Do Amazonas in Brazil, is a qualified person as defined in National Instrument 43-101 ("NI 43-101") and is a member of the Association of Professional Geoscientists of Ontario.

Disclaimer for Forward-Looking Information

This MD&A contains certain forward-looking statements that reflect the current views and/or expectations of the Company with respect to its performance, business and future events, including statements regarding the Company's plans in respect of its projects, capital needs, business plans and expectations, anticipated work programs and goals and future acquisition strategy. Forward-looking statements are based on the then-current expectations, beliefs, assumptions, estimates and forecasts about the business and the industry and markets in which the Company operates on the business of the Company including, among other things, that: the current price of and demand for minerals being targeted by the Company will be sustained or will improve; the Company's current exploration programs and objectives can be achieved; general business and economic conditions will not change in a material adverse manner; financing will be available if and when needed on reasonable terms; the Company will not experience any material accident; and the Company will be able to identify and acquire additional mineral interests on reasonable terms or at all. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Investors are cautioned that all forward-looking statements involve risks and uncertainties, including: that the Company has a limited operating history; that resource exploration and development is a speculative business; that the Company may lose or abandon its property interests; that the Company's properties are in the exploration stage and are without known bodies of commercial ore; that the Company may not be able to obtain all necessary permits and approvals on any of its properties, including the Cachoeira Project; that environmental laws and regulations may become more onerous; that the Company may not be able to raise additional funds when necessary; potential defects in title to the Company's properties; fluctuations in currency exchange rates; fluctuating prices of commodities; operating hazards and risks; competition; potential inability to find suitable acquisition opportunities and/or complete the same; and other risks and uncertainties listed in the Company's public filings. These risks, as well as others, could cause actual results and events to vary significantly. Additional information about these and other assumptions, risks and uncertainties are set out in the "Risk Factors" of the Company's Management's Discussion and Analysis for the year ended November 30, 2011, a copy of which is available on SEDAR at www.sedar.com. Accordingly, readers should not place undue reliance on forward-looking statements and information, which are qualified in their entirety by this cautionary statement. There can be no assurance that forward-looking information, or the material factors or assumptions used to develop such forward-looking information, will prove to be accurate. The Company does not undertake any obligations to release publicly any revisions for updating any voluntary forward-looking statements, except as required by applicable securities laws.

Business Overview and Overall Performance

Brazil Resources was incorporated in the Province of British Columbia, Canada, on September 9, 2009. The Company is principally engaged in the acquisition, exploration and development of mineral properties in Brazil.

The Company's principal exploration property is the Cachoeira Project which is located in the Gurupi Gold Belt, approximately 220 kilometers southeast of the Pará State capital of Belém and about 270 kilometers northwest of the port city of São Luis, Maranhão State. The Cachoeira Project comprises one contiguous block consisting of two mining and three exploration licenses covering approximately 4,742 hectares.

Brazil Resources' common shares (the "BRI Shares") are listed on the TSX Venture Exchange (the "TSX-V") under the symbol "BRI" and are traded on the OTCQX International Market under the symbol "BRIZF". The head office and principal address of the Company is located at Suite 320, 1111 West Hastings Street, Vancouver, British Columbia, V6E 2J3, Canada.

Private Placement

On December 28, 2011, the Company completed a non-brokered private placement (the "Private Placement") of 4,324,136 BRI Shares at a subscription price of $1.10 per BRI Share for aggregate gross proceeds of $4,756,550. In connection with the Private Placement, the Company paid cash commissions equal to 6% on a portion of the gross proceeds derived from the sale of BRI Shares under the Private Placement in the aggregate amount of $246,213.

Montes Áureos Project

The Montes Áureos Project comprises a 4,942 acre exploration license located within the Gurupi gold belt, a gold-producing area in the Pará and Maranhão States in north-eastern Brazil. Company geologists believe the Gurupi gold belt is an underexplored region. The gold occurrences and deposits in the project area were first discovered and put into production by early Portuguese and English miners and, in recent decades, by informal artisanal miners who are still active in the region today.

In September 2010, the Company initiated an exploration program, which included channel sampling, logging and sampling of previous artisanal miners' works from pits, drifts and previous excavations, and a systematic surface soil sampling program complemented with an auger drilling program over a selected area with anomalous gold soil sample results.

During the year ended November 30, 2011, the Company concluded a follow-up exploration program on the Montes Áureos Project, building upon the initial program conducted in 2010. The focus of the follow-up exploration program was to extend, by auger drilling, the remaining 1.7 kilometers of a 2.0 kilometer anomalous soil gold trend and to delineate diamond drill targets. The Company completed the auger drilling program which consisted of 107 holes (1,100 meters). The interpretation of the auger drilling results allowed for the identification and selection of areas for a diamond drilling program.

As set forth in the Company's news release dated April 26, 2012, Brazil Resources completed ten diamond drill holes totaling 1,616 meters at the Montes Áureos Project. Nine drill holes tested the 500-meter northern expression of a 2-kilometer long gold/arsenic soil/auger anomaly identified by the Company. Interval spacing was approximately 40m-50m with a north-south orientation. Each drill hole was drilled at a 60-degree azimuth and at a 60-degree dip from surface. An additional exploratory drill hole (MADDH-01) was completed to test an isolated soil anomaly to the southeast of the main soil anomaly, near a site with artisanal mining activities.

The diamond drill results have confirmed a continuous low-grade 100-130 meter wide gold enrichment zone that hosts several 1-meter to 17-meter intersections with grades between 0.45 and 3.5 g/t gold. The remaining 1.5 kilometers of the soil/auger anomaly is open to the south, and has yet to be drilled. The Company currently anticipates that a further diamond drill program in 2013 will test the southern extension zone at Monte Áureos. The mineralization is typical of greenstone-hosted bulk low-grade deposits. More drilling will be required along strike to understand the full extent of the mineralization. Company geologists have sited additional drill targets for future testing.

During the nine months ended August 31, 2012, the Company incurred $491,315 of exploration expenditures on the Montes Áureos Project, which is within budgeted estimates.

Further detailed technical information on the Montes Áureos Project can be found in the NI 43-101 technical report, dated March 16, 2011 (the "Montes Áureos Technical Report") authored by Coffey Mining, who is independent of the Company. A copy of the Montes Áureos Technical Report is available under the Company's profile on SEDAR at www.sedar.com.

Cachoeira Project

On September 24, 2012, the Company acquired a 100% interest in the Cachoeira gold project in Pará State, Brazil (the "Cachoeira Project") from Luna Gold Corp. ("Luna"). The transaction was completed under the terms of a share purchase agreement dated July 10, 2012 between Brazil Resources and Luna (the "Cachoeira Agreement"), pursuant to which Brazil Resources acquired all of the issued and outstanding shares of a subsidiary of Luna which holds an indirect 100% interest in the Cachoeira Project.

Roscoe Postle Associates Inc. prepared a NI 43-101 technical report on the Cachoeira Project (the "Cachoeira Technical Report") for Brazil Resources dated July 19, 2012 and titled "Technical Report on the Cachoeira Project, Pará State, Brazil". The Cachoeira Technical Report provides the following current mineral resource estimate for Tucano, Arara and Coruja deposits of the Cachoeira Project as at December 22, 2010:

- an indicated mineral resource of 12.5 million tonnes at 1.11 g/t Au, or 446,000 ounces of gold; and
- an inferred resource of 5.4 million tonnes at 1.27 g/t Au, or 221,300 ounces of gold.

In addition, the Cachoeira Technical Report stated that good potential exists for continuation of mineralization at depth and between the three deposits following the major structural corridor.

The Company's initial priority at the Cachoeira Project is to engage the local community surrounding the Cachoeira Project to form a project development plan. The Company's geological team will also conduct a review of prior work directly on-site, with plans to commence an in-fill drilling program, initiate follow-up geological work on geochemical anomalies not drilled or not adequately drilled previously, and to start an environmental baseline study in the near-term.

Further detailed technical information on the Cachoeira Project can be found in the Cachoeira Technical Report, a copy of which is available under the Company's profile on SEDAR at www.sedar.com.

Trinta Project

On June 20, 2011, the Company announced the acquisition of the 23,643 acre Trinta Project situated in the emerging Gurupi Gold Belt located in Maranhão State, Brazil. The property consists of an exploration license located approximately three kilometers northeast of the Company's Montes Áureos Project. The acquisition of the Trinta Project was completed by amendment to the terms of the mineral property option and joint venture agreement relating to the Montes Áureos Project dated effective September 30, 2010 (the "Montes Áureos Agreement"). The Trinta Project is subject to the option terms of the Montes Áureos Agreement. In addition to its previously disclosed obligations under the Montes Áureos Agreement, the Company is responsible for the annual land fees payable to the Brazil National Department of Mineral Production ("DNPM") with respect to the Trinta Project.

During the year ended November 30, 2011 and the following nine months ended August 31, 2012, the Company continued to conduct its previously disclosed exploration programs with the objective of identifying drill-ready targets. As disclosed in the Company's news release dated April 26, 2012, a property reconnaissance float, stream sediment, soil and trenching program was completed, comprising 1,328 samples. As a result, three target areas with gold soil anomalies have been identified. Follow-up work completed in one of the areas confirmed the presence of mineralization associated with quartz veining in a foliated granitoid. Grab samples from quartz float returned high-grade gold results including 20 g/t gold and 12.5 g/t gold, with the highest returning 60 g/t gold.

Government geophysical surveys from the district show the mineralisation to be coincident with linear NNW-SSE magnetic highs and such highs will be the focus of follow up exploration in 2013. The western geophysical anomaly extends north-south for approximately 5 kilometers, and the eastern anomaly extends for approximately 9 kilometers.

Maua Project

On September 15, 2011, the Company announced the acquisition of the 24,678 acre Maua Project located approximately 2.5 kilometers west of the Company's Montes Áureos Project. The acquisition represented the Company's third acquisition in the Gurupi Gold Belt, and increased its total land package in the Gurupi Gold Belt to 53,263 acres. The Maua Project was acquired through an application to the DNPM for a new exploration license. The Company's initial $120,000 exploration program at the Maua Project includes geological mapping and geochemical reconnaissance sampling over the entire property, with detailed soil sampling over a selected area.

During the year ended November 30, 2011, a reconnaissance Heavy Mineral Concentrate ("HMC") sampling program was initiated and completed at the Maua Project. Results from the program have confirmed the presence of two areas with gold anomalous results inside the property. These areas will be further investigated in 2013 by detailed HMC and soil sampling work programs with the objective of delineating initial drill targets.

Pireneus Project

On November 29, 2011, the Company announced it had staked 247,000 acres covering the Pireneus region in Goias State, Brazil. The project area is located approximately 150 kilometers west of Brasilia and contains several occurrences of historic artisanal gold mining operations.

Goias State is a gold-producing district in Brazil with increasing production from the Kinross-Anglogold Ashanti Crixas Mine and Yamana Gold's Chapada Mine. The Company has identified areas of initial interest based on geophysical surveys and regional geochemical sampling. A regional exploration program, which will include mapping, stream sediment sampling and soil sampling, will be conducted on these areas upon obtaining the requisite exploration license.

The staked area is being acquired by the Company through an application to the DNPM for a new exploration license, which has priority. The Company is waiting for publication of the exploration licenses to initiate the work program proposed for Pireneus Project. The DNPM has advised that it will not be publishing new exploration licences until potential changes under the country's proposed new mining regulations are more clearly defined. The initial term of the exploration license is three years from the date of official publication. Under the terms of the license, in addition to its exploration programs and other requirements under the license and applicable law, the Company will be responsible for annual land fees.

The first phase of work on the Pireneus Project is expected to consist of regional stream sediment sampling program and mapping to define target areas for further follow-up work.

Artulandia Project

On December 8, 2011, the Company announced that its wholly-owned subsidiary entered into an option agreement (the "Artulandia Agreement") to acquire a 100%-interest in the 12,000 acre Artulandia Property located in Goias State, Brazil. The Artulandia Property is within the Company's 247,000 acre Pireneus district.

In a news release dated April 26, 2012, Brazil Resources announced the first results of a geochemical sampling program at Artulandia and identified eight target areas (ART-1 to ART-8) with elevated copper, gold, lead and zinc values surrounding a large intrusive granitoid with rock grab sample results of up to 1.2 g/t gold, 0.7% copper and greater than 2% lead-zinc in separate samples.

Since May 2012, follow-up geochemical sampling and detailed geological mapping programs have been completed on target areas ART-1 and ART- 5. In addition a geophysical IP/Mag ground survey has been completed and a trenching program has been initiated at ART-1. To date, assay results are available for a total of 603 rock grab samples, 1,581 soil samples and 62 stream sediment collected from target areas ART-1 and ART-5.

Petrographic analysis from mineralized specimens indicate that the mineralization is associated with replacement patches of sulphides, consisting of galena (altered in part to cerussite), chalcopyrite (altered strongly to hematite with lesser malachite and trace covellite), and sphalerite (altered to a variety of secondary Zn minerals) with minor pyrite (altered almost completely to hematite).

On September 6, 2012, the Company announced that recent rock sampling, geophysical and soil geochemical surveys at its Artulandia project have confirmed IP/Mag geophysical targets of interest coincident with copper-gold anomalous zone of approximately 1,000m by 250m, which is open in all directions. Based on preliminary exploration data, similarities are being drawn with Yamana's Chapada Copper-Gold Mine to the north. However, we acknowledge that the Artulandia project is in the early stages of exploration and, therefore, more work, including drilling, needs to be done to fully realize and understand this project.

Highlights from the new results obtained at Artulandia include:

- Target ART-1; Further follow-up work has confirmed new mineralized outcrops, with increased copper values of up to 0.81%, gold values of up to 2.3 g/t and silver values of up to 344 g/t, plus additional anomalies of lead-zinc. A geophysical survey has identified a main IP anomaly trending along strike for approximately 400m, which coincides with the geochemically defined gold-copper zone identified by previous soil and rock chip sampling. ART-1 is considered a priority, and the next phase of exploration is expected to include diamond drilling of this target. Geochemical sampling indicates that the mineralization extends for an additional 600m to the east of the main IP anomaly (Targets ART-2 and ART-3).

- Target ART-5; A new zone located approximately 750m NE of ART-1 has been discovered comprising gossans trending along strike for approximately 700m. These gossans are similar to those found at target area ART-1. A total of 50 rock geochemical samples have been collected from target area ART-5 and sent to the laboratory to confirm the presence of mineralization.

Based on petrographic and detailed geochemical and geophysical data interpretation, Company geologists believe the geology at Artulandia may be a porphyry copper deposit. Therefore comparisons are being drawn with the Chapada Mine operated by Yamana Gold, which is located approximately 140 kilometers north of the Artulandia project.

The geophysical survey acquisition datawas performed by Fugro Geophysics, and interpretation by Reconsult Geofísica. The IP-resistivity survey comprised 7.65 line kilometers, and the magnetics survey comprised 23.35 line kilometers. The grid lines were oriented north-south and each line was 100 meters apart.

The Company plans to further its exploration efforts on all the remaining targets. A diamond drill program to investigate Target 1, and possibly Targets 2 and 3, is currently under consideration. Targets ART-4, ART-5 and ART-6 have been outlined by the recent geophysical survey and will be investigated by additional rock sampling and mapping. The current geochemical and geophysical results only represent the investigation of two targets (ART-1 and ART-5) of the eight geochemical targets initially identified by the Company.

<u>*The Apa High Project*</u>

On October 4, 2012, the Company announced that it has acquired through its wholly owned Paraguayan subsidiary, a mineral concession from the Republic of Paraguay, covering 198,068 hectares (489,426 acres) in Concepcion State, Paraguay, (the "Apa High Project"). The Apa High Project area is contiguous with the Brazilian border and is located along the southern extension of the Cuiaba Gold Belt, Mato Grosso State Brazil.

In the Brazilian portion of the Cuiaba Belt, also known as Apa Shield, there are a number of well-known large and mid-size mining companies exploring for gold and base metal deposits, including Votorantim (Nickel), Kinross (Gold) and MMX (Copper).

The Apa High Project area contains one of the two exposed areas in Paraguay where Precambrian-age rocks occur and it is believed that this package of rocks may be prospective for gold mineralization. To the Company's knowledge, the only mining company to have explored in this area is Yamana Gold Inc. which initiated gold exploration at Apa High in the mid-1990s, however, much of the Apa High Project area remains underexplored.

Company geologists have compiled and reviewed available exploration data and geological literature. A structural and geochemical analysis of the Apa High Project is planned through available Landsat imagery to potentially identify prospective target areas for reconnaissance field mapping and sampling.

The area was acquired by the Company through Resolution 1692 issued by the Paraguayan Ministry of Public Works and Communication ("MOPC"), which includes the Vice Ministry of Mines and Energy. The resolution will allow the Company to conduct initial prospecting and exploration activities over the concession area for a period of eight years subject to acquiring the required licenses.

The Company will need an environmental license through MOPC and pay annual land fees to the Ministry of Mines and Energy.

Results of Operations

General

The Company recorded a net loss of $915,665 and $3,322,871, respectively, during the three and nine months ended August 31, 2012 (2011: $1,031,275 and $1,691,397). The increase in net loss is primarily due to increased corporate and exploration activity during 2012 compared to that in 2011.

Expenses

The Company incurred operating losses of $939,955 and $3,405,225, respectively, during the three and nine months ended August 31, 2012 (2011: $1,048,492 and $1,708,614). The increase in operating losses was primarily as a result of expenses incurred in connection with increased exploration activities, project due diligence activities and the overall increased level of activity of the Company.

Exploration expenses were $190,884 and $1,109,333, respectively, during the three and nine months ended August 31, 2012 (2011: $260,489 and $402,981). The increase for both the three and nine month periods in 2012 were due to increased exploration activities related to the Company's current projects. Third quarter exploration expenditures primarily consisted of expenditures at the Artulandia project of $165,392 (2011: $nil).

(Unaudited, expressed in Canadian dollars unless otherwise stated)

Exploration expenditures for the three and nine months ended August 31, 2012 and 2011, on a project-by-project basis were as follows:

	For the three months ended August 31,		For the nine months ended August 31,	
	2012 ($)	2011 ($)	2012 ($)	2011 ($)
Montes Áureos	22,749	219,188	491,315	361,680
Trinta	772	41,301	70,488	41,301
Maua	772	-	18,582	-
Pireneus	1,199	-	9,763	-
Artulandia	165,392	-	519,185	-
Total	190,884	260,489	1,109,333	402,981

General and administrative expenses were $207,662 and $746,460, respectively, during the three and nine months ended August 31, 2012 (2011: $210,341 and $418,673). The increase in the current nine month period is primarily a result of the expansion of the Company's operations, specifically with respect to corporate development, office administration, investor relations, travel and insurance costs.

Consulting fees increased to $234,254 and $534,400, respectively, during the three and nine months ended August 31, 2012 (2011: $226,175 and $354,877). The increases during both the three and nine month periods were a result of services rendered to manage the Company's exploration activities and various administrative and corporate functions in Brazil and Canada.

Share-based compensation expenses were $124,775 and $530,401, respectively, during the three and nine months ended August 31, 2012 (2011: $212,348 and $212,348). These non-cash amounts are calculated using the Black-Scholes option-pricing model and represent the fair value of stock options granted to management, employees and consultants.

Directors' fees, salaries and benefits were $111,348 and $332,003, respectively, for the three and nine months ended August 31, 2012 (2011: $51,579 and $51,579). The increases for both periods were due to the Company commencing payment of directors' fees, officers' fees and salaries as of August 1, 2011, and the hiring of a number of full-time and part-time employees after May 2011.

Professional fees were $25,224 and $76,692, respectively, for the three and nine months ended August 31, 2012 (2011: $54,106 and $193,992). The majority of professional fees incurred in the three months and nine months ended August 31, 2011 was due to the Company's increased activity with respect to the Company's initial public offering completed on May 12, 2011 (the "Offering").

Project evaluation expenses were $40,905 and $61,882, respectively, during the three and nine months ended August 31, 2012 (2011: $31,648 and $72,358). An increased number of project reviews were undertaken by the Company during the three months ended August 31, 2012.

(Unaudited, expressed in Canadian dollars unless otherwise stated)

Summary of Quarterly Results

For the quarter ended	Revenues	Net loss ($)	Basic and diluted net loss per share ($)
August 31, 2012	-	915,665	0.02
May 31, 2012	-	1,030,936	0.02
February 29, 2012	-	1,376,270	0.04
November 30, 2011	-	1,455,310	0.04
August 31, 2011	-	1,031,275	0.03
May 31, 2011	-	413,541	0.01
February 28, 2011	-	246,581	0.01
November 30, 2010	-	383,801	0.01

Brazil Resources is an exploration stage company, and the Company currently expenses all its mineral exploration costs and general and administration costs, with such amounts included in the loss for each quarter.

Liquidity and Capital Resources

The following table sets out selected financial information with respect to the Company's financial position as at August 31, 2012 and November 30, 2011.

	As at August 31, 2012	As at November 30, 2011
Cash and cash equivalents	7,260,187	5,962,909
Working capital	7,531,858	5,702,387
Total assets	7,945,770	6,332,194
Total liabilities	96,607	386,718
Shareholders' equity	7,849,163	5,945,476

As at August 31, 2012, the Company had working capital of $7,531,858 (November 30, 2011: $5,702,387), comprised of cash and cash equivalents of $7,260,187 (November 30, 2011: $5,962,909), accounts and other receivable of $134,201 (November 30, 2011: $95,324), prepaid expenses and deposits of $234,077 (November 30, 2011: $30,872) offset by current liabilities of $96,607 (November 30, 2011: $386,718).

The Company decreased net cash by $974,210 during the three month period ended August 31, 2012 and increased net cash by $1,297,278 during the nine month period ended August 31, 2012. The increase in cash during the nine months ended August 31, 2012 was a result of proceeds from the Private Placement. The accounts and other receivable and prepaid expenses and deposits increased from $126,196 to $368,278 during the nine months ended August 31, 2012. Such increases were attributable to ongoing corporate and exploration activities. Total liabilities decreased from $386,718 to $96,607 during the nine months ended August 31, 2012, primarily as a result of the Company's normal payment processes.

Operating Activities

Net cash used in operating activities during the nine months ended August 31, 2012 was $3,309,483 (2011: $1,375,163). Significant operating expenditures during the current year included mineral property expenditures, general and administrative expenses, and professional and consulting fees.

(Unaudited, expressed in Canadian dollars unless otherwise stated)

Investing Activities

Net cash used in investing activities during the nine months ended August 31, 2012 was $88,270 (2011: $58,082). The increase was primarily due to the Company's acquisition of mineral properties during the nine months ended August 31, 2012.

Financing Activities

Net cash provided by financing activities during the nine months ended August 31, 2012 was $4,695,031 (2011: $2,280,722). On December 28, 2011, the Company closed a Private Placement of 4,324,136 BRI Shares at a price of $1.10 per BRI Share for gross proceeds of $4,756,550 (net cash proceeds of $4,493,877 after the Company paid commissions of $246,213 in connection with the Private Placement).

Share Options and Broker Warrants

As at August 31, 2012, 2,005,000 share options remain outstanding. All remaining broker warrants granted in connection with the Offering were exercised during the nine months ended August 31, 2012, resulting in gross proceeds of $202,280. The outstanding share options have a weighted average exercise price of $1.22 per share. At August 31, 2012, outstanding share options represented 2,005,000 BRI Shares issuable for gross proceeds of approximately $2,437,500 should these options be exercised in full. At August 31, 2012, outstanding, in-the-money stock options totaled 150,000 BRI Shares issuable for gross proceeds of approximately $135,000 should these options be exercised in full. The exercise of these stock options is at the discretion of the respective holders and, accordingly, there is no assurance that any of these stock options will be exercised in the future.

Prospectus Financing

On May 12, 2011, the Company completed the Offering, raising gross proceeds of $2,470,000. The following table sets out the estimated use of the net proceeds of the Offering and the Company's working capital as at March 31, 2011 as disclosed in the Company's prospectus dated April 21, 2011 (the "IPO Prospectus") and actual amounts spent between March 31, 2011 and August 31, 2012.

	As disclosed in the IPO Prospectus ($)	From March 31, 2011 to August 31, 2012 ($)
Proposed exploration program for the Montes Áureos Project	4,783,000	1,293,625
General and administrative expenses	900,000	1,359,194(1)
Expenses of the Offering	120,000	105,875
Reserve fund for future acquisition of mining claims/concessions	1,880,000	1,151,394
General working capital purposes	514,100	195,066
Total	8,197,100(2)	4,105,154

(1) Represents actual expenditures between March 31, 2011 and March 31, 2012 as the estimated general and administrative expenses disclosed in the IPO Prospectus were for a twelve month period. General and administrative expenses exceeded prospectus estimates due to an increase in corporate development and geological consulting fees as well as investor relations fees as a result of increased activities of the Company subsequent to the Offering.

(2) Represents the estimated net proceeds disclosed in the IPO Prospectus, being $2,297,100 and the working capital of the Company as at March 31, 2011, being $5,900,000. The actual net proceeds realized under the Offering after all share issue costs were $2,272,464.

Contractual Obligations

I. Mineral Properties Obligations

Pursuant to the Montes Áureos Agreement, the Company has the option to acquire an initial undivided 51% interest in the Montes Áureos and Trinta Projects over a three year period, from September 30, 2010 to September 30, 2013. The initial option commitments under the Montes Áureos Agreement are as follows:

(1) a cash payment of US$25,000 within seven calendar days of September 30, 2010 (paid);

(2) share issuances of 325,000 BRI Shares in the following manner:

   (a) 125,000 BRI Shares on or before September 30, 2011 (issued with fair value of $142,500);
   (b) 100,000 additional BRI Shares on or before September 30, 2012 (issued on September 27, 2012 with fair value of $104,000); and
   (c) 100,000 additional BRI Shares on or before September 30, 2013;

(3) incur exploration expenditures totalling US$1,750,000 in the following manner:

   (a) US$250,000 of the expenditures on or before September 30, 2011 (incurred);
   (b) US$500,000 of additional expenditures on or before September 30, 2012 (incurred); and
   (c) US$1,000,000 of additional expenditures on or before September 30, 2013; and

(4) make all necessary payments in order to keep the Montes Áureos and Trinta Projects in good standing during the term of the Montes Áureos Agreement.

The Company has the option (the "Second Option") to earn an additional undivided 46% interest in the Montes Áureos and Trinta Projects over a two year period, from September 30, 2013 to September 30, 2015. Additional option payments are as follows:

(1) a cash payment of US$1,000,000 on or before September 30, 2015;

(2) share issuances of 700,000 BRI Shares in the following manner:

   (a) 200,000 BRI Shares on or before September 30, 2014; and
   (b) 500,000 additional BRI Shares on or before September 30, 2015; and

(3) incur exploration expenditures to a maximum of US $3,000,000 on or before September 30, 2015, in the following manner:

   (a) US$1,000,000 of the expenditures on or before September 30, 2014; and
   (b) the lesser of either US$2,000,000 of additional expenditures or an amount of expenditures as may be required in order for the Company to obtain a feasibility study respecting any of the interests comprising the Montes Áureos and Trinta projects on or before September 30, 2015.

Upon the Company's exercise of the Second Option, Apoio Engenharia e Mineração will have a 3% carried interest in the expenditures until such time as a positive feasibility study is completed. Thereafter, either party may elect to dilute their interest in accordance with the terms and conditions of the Montes Áureos Agreement. If such dilution reduces a party's interest below 3%, the interest will convert to a 1.5% net smelter return royalty.

Pursuant to the Artulandia Agreement respecting the Company's Artulandia Property, a wholly-owned subsidiary of the Company was granted the option in consideration for an initial payment of approximately R$100,000 ($57,000).

(Unaudited, expressed in Canadian dollars unless otherwise stated)

Under the option, the Company may acquire a 100% interest in the mineral licences underlying the Artulandia Property by making additional payments of approximately: (i) R$50,000 ($25,000) within 6 months (paid); and (ii) R$200,000 ($100,000) within 12 months of the date of the Artulandia Agreement. If the option is exercised, an additional R$1,000,000 ($500,000) will be payable by the Company upon completion of a positive NI 43-101-compliant pre-feasibility study.

On September 24, 2012, the Company acquired 100% of the issued and outstanding shares of BRI International Corp. (formerly Luna Gold (International) Corp.), which holds an indirect 100% interest in the Cachoeira Project through its subsidiaries. The Company paid $500,000 cash and issued 1,428,000 BRI Shares to Luna at closing. Pursuant to the Cachoeira Agreement, the following additional payments are to be made by the Company to Luna:

- $300,000 cash and 1,214,000 BRI Shares within 12 months of closing the transaction;
- $300,000 cash and 1,214,000 BRI Shares within 30 days of receipt of approval of a mine development plan by the DNPM and the environmental preliminary licenses for a gold mining operation relating to the Cachoeira Project;
- $2,500,000, payable in cash or BRI Shares, at the Company's sole discretion, upon commencing mine construction at the Cachoeira Project, consisting of completion of $500,000 of expenditures towards such construction; and
- $3,000,000, payable in cash or BRI Shares, at the Company's sole discretion, one year after achieving commercial production at the Cachoeira Project.

Notwithstanding the foregoing milestones, all of the payments from the Company to Luna will become due and payable four years after the closing date of the transaction. Any discretionary share-based payments will be valued based on the volume weighted average trading price of the BRI Shares for the 10 days prior to such payment.

II. General and Administration Obligations

The Company has entered into consulting agreements, including corporate development and investor relations agreements, which require the Company to pay the following amounts for the following periods:

November 30, 2012	$ 133,326
November 30, 2013	$ 166,430
Total	$ 299,756

The Company has an office lease agreement in Brazil which will expire in June 2013, and rents office space on a month-to-month basis in Canada. The total monthly office lease payments are $2,790.

Future Liquidity

Based upon the current work program on the Company's projects, management believes that available cash will be adequate to meet its ongoing liquidity needs in the short-term and over the next year. Future expansion, including the acquisition of mineral properties or interests, may require additional financing, which the Company may obtain through equity and/or debt financing.

The Company's ability to meet its obligations and finance exploration and development activities over the long-term depends on its ability to generate cash flow through the issuance of BRI Shares pursuant to private placements and short-term or long-term loans. Capital markets may not be receptive to offerings of new equity from treasury or debt, whether by way of private placements or public offerings. This may be further complicated by the limited liquidity of the BRI Shares, restricting access to some institutional investors. The Company's growth and success is dependent on external sources of financing which may not be available on acceptable terms.

(Unaudited, expressed in Canadian dollars unless otherwise stated)

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Transactions with Related Parties

Related Parties Transactions

During the three and nine months ended August 31, 2012, the Company incurred $6,038 and $16,901 respectively (2011: $20,857 and $21,206) in general and administrative expenses related to website design, hosting services and marketing services paid to a company controlled by a direct family member of a director. The balance due to related parties of $1,758 as at August 31, 2012 (November 30, 2011: $2,884) relates entirely to amounts due to a company controlled by a direct family member of a director, and was unsecured, interest-free and repayable on demand.

Transactions with Key Management Personnel

The following table sets out amounts paid to key management personnel and directors for the three and nine months ended August 31, 2012 and 2011, pursuant to directors' fees, management salaries, benefits and option grants.

	For the three months ended August 31,		For the nine months ended August 31,	
	2012 ($)	2011 ($)	2012 ($)	2011 ($)
Directors' fees, salaries and benefits(1)	73,658	14,333	207,158	14,333
Share-based compensation	29,102	-	207,610	-
Total	102,760	14,333	414,768	14,333

(1) Total Directors' fees, salaries and benefits of $332,003 disclosed on the consolidated statement of comprehensive loss for the nine months ended August 31, 2012 includes $106,908 paid to the Company's Chief Executive Officer and Chief Financial Officer, $100,250 paid to the Company's directors, and $124,845 paid for employees' salaries and benefits.

Total compensation payable, including share-based compensation, to members of management and directors in the three and nine months ended August 31, 2012 was $102,760 and $414,768, respectively (2011: $14,333 and $14,333). Compensation is comprised entirely of employment and similar forms of remuneration. Management includes the Chief Executive Officer and the Chief Financial Officer, who are also directors of the Company.

International Financial Reporting Standards

The Company's unaudited condensed consolidated interim financial statements have been prepared under IFRS in accordance with International Accounting Standard 34 – *Interim Financial Reporting*. They do not include all of the information required for annual financial statements and should be read in conjunction with the consolidated financial statements of the Company for the year ended November 30, 2011, which have been prepared in accordance with IFRS.

Significant Accounting Policies

Basis of consolidation

The unaudited condensed consolidated interim financial statements for the three and nine months ended August 31, 2012 include the financial statements of Brazil Resources and its wholly controlled subsidiaries. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the condensed consolidated interim statements of comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-company transactions, balances, income and expenses are eliminated through the consolidation process.

Foreign currencies

The reporting currency and the functional currency of the Company and its subsidiaries is the Canadian dollar as this is the principal currency of the economic environment in which the Company operates. Transactions performed in a different currency are translated into Canadian dollars using period end exchange rates as to monetary assets and liabilities and average exchange rates as to revenues and expenses. Non-monetary assets are translated at their historical exchange rates. Net gains and losses resulting from foreign currency exchange gains and losses on transactions occurring in a currency other than the Company's functional currency are included in the determination of net loss.

Mineral exploration, evaluation and development expenditures

All direct costs related to the acquisition of the exploration rights are capitalized on a property-by-property basis. The Company assesses the carrying costs for impairment when indicators of impairment exist. Exploration and evaluation expenditures, net of incidental revenues, are charged to operations incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration and evaluation costs and the costs incurred to develop a property are capitalized into mineral properties. On the commencement of commercial production, depletion of each mineral property will be provided on a unit-of-production basis using estimated reserves as the depletion base.

Mineral property option agreements

When the Company acts as the farmee in a farm-in mineral property option agreement, the direct costs to enter into the agreement are capitalized to exploration and evaluation assets. All exploration and evaluation expenditure incurred by the Company in fulfilling the terms of the agreement is expensed as incurred, until such time as the option is exercised or lapses.

When the Company acts as the farmor in an agreement, it does not record any expenditure made by the farmee. It does not recognize any gain or loss on its exploration and evaluation farm out mineral property option agreements, and instead records any proceeds received as a credit to the amounts previously capitalized as mineral property acquisition costs. Any amounts received in excess of amounts capitalized are taken as a gain to the consolidated statement of comprehensive loss.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount, net of depreciation, that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Share-based compensation

The Company grants share options to certain directors, employees, and consultants of the Company. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The Company uses the Black-Scholes option-pricing model to determine the grant date fair-value of share-based awards.

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes, provides services that could be provided by a direct employee, or has authority and responsibility for planning, directing and controlling the activities of the Company, including non-executive directors. The fair value is measured at grant date and recognized over the period during which the options vest.

For consultants, the fair value of the award is recorded in income over the term of the service provided, and the fair value of the unvested amounts are revalued at each reporting period over the service period.

Consideration received on the exercise of share options is recorded as issued capital and the related share-based compensation reserve is transferred to issued capital.

Significant accounting judgments and estimates

The preparation of the Company's consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The most significant estimates relate to valuation of recoverability of other receivables, asset impairment testing and valuation of share-based compensation and warrants.

The most significant judgments relate to the recognition of deferred tax assets and liabilities and the determination of the economic viability of a project.

Financial Instruments and Risk Management

The Company's financial assets include cash and other receivables. The Company's financial liabilities include accounts payable and accrued liabilities and due to related parties. The Company uses the following hierarchy for determining and disclosing fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs have a significant effect on the recorded fair value which are observable, either directly or indirectly.
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

All of the Company's financial instruments approximate their carrying amounts largely from the short-term maturities of these instruments and are included in Level 1.

Financial risk management objectives and polices

The financial risk arising from the Company's operations are currency risk, credit risk, liquidity risk and commodity price risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how the Company mitigates these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Currency risk

The Company's operating expenses and acquisition costs are denominated in U.S. dollars, the Brazilian Real and Canadian dollars. The exposure to exchange rate fluctuations arises mainly on foreign currencies against the Company's functional currency, being the Canadian dollar. The Company does not have any significant foreign currency denominated monetary liabilities.

The Company has not entered into any derivative instruments to manage foreign exchange fluctuations; however, Management monitors foreign exchange exposure.

The Canadian dollar equivalents of the Company's foreign currency denominated monetary assets are as follows:

	As at August 31, 2012 ($)	As at November 30, 2011 ($)
Assets		
United States Dollar	22,047	14,443
Brazilian Real	22,440	51,774
	44,487	66,217

The Company's sensitivity analysis suggests that a consistent 5% change in the foreign currencies to Canadian dollar exchange rate on the Company's financial instruments based on balances at August 31, 2012 would be $2,224 (November 30, 2011: $3,311).

Interest rate risk

The Company is not exposed to interest rate risk as the Company has no outstanding debt or short and long-term investments. As such, the Company has not entered into any derivative instruments to manage interest rate fluctuations.

(Unaudited, expressed in Canadian dollars unless otherwise stated)

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Credit risk for the Company is primarily associated with the Company's bank balances, the harmonized sales tax receivable ("HST") and refundable cash advances towards contemplated transactions.

The Company mitigates credit risk associated with its bank balance by only holding cash with large, reputable financial institutions.

The HST receivable includes amounts that have been accumulated to date in the Company. At August 31, 2012, 100% of the HST receivable was due from the Canadian Government Taxation Authority.

When entering into property acquisition agreements, the Company uses industry standard agreements and initial payments or advances prior to closing of transactions are meant to be refundable in the event completion of a transaction is not attained. Furthermore, deposit amounts are kept to a minimum in order to mitigate any credit risk associated with a pending transaction.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to settle or manage its obligations associated with financial liabilities. To manage liquidity risk, the Company closely monitors its liquidity position and ensures it has adequate sources of funding to finance its projects and operations. The directors of the Company are of the opinion that, taking the Company's cash reserves and external financial resources into account, the Company has sufficient working capital for its present obligations for at least the next twelve months commencing from August 31, 2012. The Company's working capital as at August 31, 2012 was $7,531,858. The Company's other receivables, deposits, accounts payable and accrued liabilities and due to related parties are expected to be realized or settled, respectively, within a one year period.

Commodity price risk

The Company's profitability is dependent on prices of the minerals it is able to realize. Mineral prices are affected by numerous factors such as interest rates, exchange rates, inflation or deflation and global and regional supply and demand. The Company currently has no mines in production and therefore has limited exposure to commodity price risk.

Outstanding Share Data

The Company's authorized capital consists of an unlimited number of BRI Shares.

The following table sets out the outstanding share data of the Company as at October 24, 2012:

	Number Outstanding
BRI Shares	41,330,147
Options to purchase BRI Shares(1)	2,005,000

(1) 300,000 options are exercisable until July 21, 2016 at a price of $1.30 per BRI Share; 1,155,000 options are exercisable until October 3, 2016 at a price of $1.20 per BRI Share; 105,000 options are exercisable until October 11, 2016 at a price of $1.20 per BRI Share; 15,000 options are exercisable until January 11, 2017 at a price of $1.30 per BRI Share; 150,000 options are exercisable until February 7, 2017 at a price of $1.50 per BRI Share; 130,000 options are exercisable until April 23, 2017 at a price of $1.20 per BRI Share; and 150,000 options exercisable until June 22, 2017 at a price of $0.90 per BRI share.

Additional Information

Additional information regarding the Company is available on SEDAR at www.sedar.com.