



(An exploration stage company)

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND NINE MONTHS ENDED AUGUST 31, 2014**

(Expressed in Canadian Dollars unless otherwise stated)

October 22, 2014

## **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, 2014 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, 2014, and its audited consolidated financial statements and the notes thereto for the years ended November 30, 2013 and 2012, copies of which are available on SEDAR at [www.sedar.com](http://www.sedar.com). The Company's financial statements for the three and nine months ended August 31, 2014 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 22, 2014.

Unless otherwise stated, references herein to "\$" or "dollars" 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, receipt of necessary licenses or permits, including extensions thereof, 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 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; the Company will receive all necessary exploration, mining, environmental or other permits and licenses, including necessary extensions thereof, required to carry out its operations; the Company will be able to renegotiate the terms of the royalty on the Cachoeira Project; 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 the Company may not be able to obtain necessary financing on acceptable terms or at all; 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 or maintain all necessary permits, licenses and approvals on any of its properties, including the Cachoeira Project and São Jorge 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; that the Company may not be able to renegotiate the terms of the royalty on the Cachoeira Project as expected or at all; 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 Discussion and Analysis for the year ended November 30, 2013, a copy of which is available on SEDAR at [www.sedar.com](http://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 principally engages in the acquisition, exploration and development of mineral properties in Brazil.

The Company's principal exploration properties are its Cachoeira and São Jorge gold projects. The Cachoeira gold project (the "Cachoeira Project") is located in Pará State, Brazil in the Gurupi Gold Belt, approximately 250 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 three mining and three exploration licenses covering approximately 5,742 hectares. The São Jorge gold project (the "São Jorge Project") is located 70 kilometers north from the city of Novo Progresso and 30 kilometers south of Morais de Almeida and is accessible by the mostly paved highway BR 163, which provides access to the Santarem port in Pará State. In addition, electricity is available on site, and the Jamaxim River, located 9 kilometers west of São Jorge, will supply sufficient water to the project. The São Jorge Project consists of 11 contiguous blocks exploration licenses and covers approximately 58,500 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" and on the Frankfurt Stock Exchange under the symbol "BSR". 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 31, 2013, the Company completed a non-brokered private placement (the "Private Placement") of 11,650,620 units of the Company (each, a "Unit") at \$0.55 per Unit for aggregate gross proceeds of \$6,407,841, with each Unit consisting of one BRI Share and one share purchase warrant (each, a "BRI Warrant"). Each BRI Warrant entitles the holder thereof to purchase one BRI Share at an exercise price of \$0.75 at any time within 60 months from the closing date, subject to acceleration if: (i) at any time after May 1, 2014, the 30 consecutive trading day volume weighted average price of BRI Shares on the TSX-V is \$1.50 or greater; and (ii) the BRI Warrants are not listed on the TSX-V. The BRI Warrants are listed on the TSX-V under the symbol "BRI.WT".

In connection with the Private Placement, the Company paid cash commissions equal to 7% on a portion of the gross proceeds raised from the sale of the Units to certain arm's length parties in the aggregate amount of \$231,761, in accordance with the policies of the TSX-V.

### Material Properties

#### ***Cachoeira Project***

On September 24, 2012, the Company acquired a 100% interest in 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, as amended September 24, 2013 (the "Cachoeira Agreement"). Pursuant to the Cachoeira Agreement, 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.

On March 4, 2013, Brazil Resources announced the results of an updated NI 43-101 mineral resource estimate on the Cachoeira Project, which was completed by Tetra Tech, Inc. ("Tetra Tech"), an independent engineering

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consulting firm based in Vancouver, Canada. The Tetra Tech estimate included the following mineral resource estimates for the Cachoeira Project using a 0.35 g/t cutoff grade:

- indicated resource – 17,470,093 tonnes at 1.40 g/t gold (786,737 ounces); and
- inferred resource – 15,666,580 tonnes at 1.12 g/t gold (563,200 ounces).

For further information regarding the Cachoeira Project and the above resource estimates, readers should refer to the technical report (the "Cachoeira Technical Report") titled "Technical Report on the Cachoeira Property, Pará State, Brazil" with an effective date of April 17, 2013 and amended and restated as of October 2, 2013, which is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). The Cachoeira Technical Report was prepared by Greg Mosher, M.Sc., P.Geo. Mr. Mosher is a qualified person and a Senior Geologist with Tetra Tech and is independent of the Company, as defined under NI 43-101.

In the first quarter of 2013, the Company initiated the environmental licensing process for the Cachoeira Project in order to obtain a Preliminary Environmental License from the Brazilian regulatory agency Secretaria de Estado de Meio Ambiente/Pará ("SEMA"). The Company selected Arcadis-Logos, a consulting firm, to complete certain environmental studies in connection with the preparation of an Environmental Impact Assessment Report ("EIA/RIMA"), which was submitted to authorities in connection with the environmental licensing process during the three months ended February 28, 2014.

On September 3, 2014 by means of a public notice in the Official Gazette of Pará, SEMA published a statutory term of 45 days in order that interested parties could review the EIA/RIMA submitted in support of the environmental license for the Cachoeira Project. After this term, SEMA will establish dates for the public hearings, which are expected to take place before the end of year. In preparation for the public hearings, the Company has presented the results of the EIA/RIMA to and has held discussions with certain community stakeholders of the project.

The Company continues negotiations to acquire mine servitudes and surface rights in the area encompassing the Arara, Coruja and Tucano deposits.

During the three and nine months ended August 31, 2014, the Company incurred \$144,115 and \$827,331, respectively, of expenditures on the Cachoeira Project, which included expenditures for exploration, socio-economic, environmental and permitting activities.

In the third quarter of 2014, results from metallurgical tests (gravity, flotation, and concentrate leaching) completed at three different labs (SGS-GEOSOL, METAGO and GEKKO) have confirmed gold recoveries up to 80% in primary ore samples from the Tucano deposit and recoveries up to 95% from oxidized ore (sapolite) samples from the Arara deposit.

The Company is required to submit an assessment plan ("Assessment Plan"), including certain conceptual engineering studies, to the Brazilian National Department of Mineral Production (the "DNPM") for the mining concessions within the Cachoeira Project. The Company announced on May 22, 2014 that it had submitted an Assessment Plan to the DNPM in accordance with the foregoing requirements. The Assessment Plan is not a preliminary economic assessment within the meaning of NI 43-101 and no production decision with respect to the Cachoeira Project has been made.

Pursuant to the mining licenses underlying the Cachoeira Project, the Company was required to commence mining operations at the property by April 2014. Prior to this date, the Company submitted an application to the DNPM requesting an extension of two years. While the DNPM previously provided extensions to the prior operators of the Cachoeira Project, there can be no assurance that such extension will be granted in this case. The Company believes that work conducted to date as well as on-going studies, when submitted, will provide sufficient support for the DNPM to grant the extension.

### ***São Jorge Project***

On November 22, 2013, the Company acquired all of the issued and outstanding shares of Brazilian Gold Corporation ("BGC") under the terms of an arrangement agreement (the "BGC Arrangement") dated September 29, 2013 between Brazil Resources and BGC.

As a result of the BGC Arrangement, the Company is the indirect holder of eleven gold exploration concessions and applications in the São Jorge area for a total area of 58,500 hectares. Two of these concessions are under appeal, awaiting decisions by the DNPM. However, these areas are covered by concession applications held by a subsidiary of Brazil Resources, which currently have priority with the DNPM.

On January 21, 2014, the Company announced the following resource estimate for the São Jorge Project prepared by Coffey Mining Pty Ltd. ("Coffey") using a 0.30 g/t gold cut-off grade (the "São Jorge Estimate"):

	Lower Cut-off Grade (g/t Au)	Million Tonnes <sup>(1)</sup>	Average Grade (g/t Au)	Contained Gold (Kozs)
Indicated Mineral Resource	<b>0.30</b>	<b>14.42</b>	<b>1.54</b>	<b>715</b>
	0.40	12.15	1.77	690
	0.50	10.49	1.97	666
Inferred Mineral Resource	<b>0.30</b>	<b>28.19</b>	<b>1.14</b>	<b>1,035</b>
	0.40	22.43	1.35	971
	0.50	18.78	1.52	918

(1) Oxide and primary mineralization. The oxide resources comprise a small (approximately 9%) portion of the overall resource.

For further information regarding the São Jorge Project and the above estimates, readers should refer to the technical report entitled "São Jorge Gold Project, Pará State, Brazil. Independent Technical Report on Mineral Resources" with an effective date of November 22, 2013, a copy of which is available under the Company's profile at [www.sedar.com](http://www.sedar.com). The São Jorge Estimate was prepared for the Company by Porfirio Rodriquesz, B.Sc. (Min Eng.), MAIG and Leonardo de Moraes Soares, B.Sc. (Geo), MAIG of Coffey, who are qualified persons as defined under NI 43-101 and are independent of the Company, as defined under NI 43-101.

### ***Boa Vista Project***

As a result of the BGC Arrangement, the Company holds an indirect 84.05% interest in the Boa Vista Gold Project (the "Boa Vista Project"). On January 21, 2014 the Company announced the following resource estimate for the VG1 deposit (Boa Vista Project), located in Pará State in northern Brazil (the "Boa Vista Estimate") at a 0.50 g/t gold cut-off:

Au Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade > Cut-off Au (g/t)	Contained Metal <sup>(1)</sup> Au (ozs)
0.10	14,240,000	0.87	399,000
0.15	14,020,000	0.88	398,000
0.20	13,740,000	0.90	397,000
0.25	13,010,000	0.94	392,000
0.30	12,130,000	0.98	383,000
0.40	10,410,000	1.09	364,000
<b>0.50</b>	<b>8,470,000</b>	<b>1.23</b>	<b>336,000</b>
0.60	6,980,000	1.38	310,000
0.70	5,930,000	1.51	288,000
0.80	5,090,000	1.64	268,000
0.90	4,580,000	1.73	254,000
1.00	4,150,000	1.81	241,000

(1) Oxide and primary mineralization. The oxide resources comprise a small (approximately 1.3%) portion of the overall resource.

For further information regarding the Boa Vista Project and the above estimate, readers should refer to the technical report entitled "Technical Report, Boa Vista Gold Project and Resource Estimate on the VG1 Prospect, Tapajós Area, Pará State, Northern Brazil" with an effective date of November 22, 2013, a copy of which is available under the Company's profile at [www.sedar.com](http://www.sedar.com). The Boa Vista Estimate was prepared for the Company by Jim Cuttle, B.Sc., P. Geo, Gary Giroux, M.A.Sc., P. Eng. and Michael Schmulian, B.Sc. (Hons), M.Sc., FAusIMM, who are qualified persons as defined under NI 43-101 and are independent of the Company, as defined under NI 43-101.

### **Surubim Project**

As a result of the BGC Arrangement, the Company holds an indirect 100% interest in the Surubim gold project (the "Surubim Project"), located in Pará State in northern Brazil. On January 21, 2014, the Company announced the following resource estimate (the "Jau Deposit Estimate") for the Surubim Project at a 0.30 g/t gold cut-off:

Au Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade > Cut-off Au (g/t)	Contained Metal Au (ozs)
<b>0.30</b>	<b>19,440,000</b>	<b>0.81</b>	<b>503,000</b>
0.40	15,230,000	0.93	456,000
0.50	11,960,000	1.06	409,000
0.60	9,520,000	1.20	336,000
0.70	7,750,000	1.32	329,000
0.80	6,660,000	1.42	303,000
0.90	5,790,000	1.50	279,000
1.00	4,880,000	1.60	252,000
1.10	3,910,000	1.74	219,000
1.20	3,080,000	1.90	188,000
1.30	2,510,000	2.05	165,000

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During the three month period, a portion of the Surubim Project that was determined by management to be non-prospective within the Company's current portfolio of mineral properties and was not renewed. It should be noted that this portion of exploration licenses does not affect the current resources estimate as defined in the table above.

For further information regarding the Surubim Project and the above estimate, readers should refer to the technical report entitled "Technical Report, Rio Novo Gold Project and Resource Estimate on the Jau Prospect, Tapajós Area, Pará State, Northern Brazil" with an effective date of November 22, 2013, a copy of which is available under the Company's profile at [www.sedar.com](http://www.sedar.com). The Jau resource estimate was prepared for the Company by Jim Cuttle, B.Sc., P. Geo and Gary Giroux, M.A.Sc., P. Eng., who are qualified persons as defined under NI 43-101 and are independent of the Company, as defined under NI 43-101.

On October 3, 2014, a Final Exploration Report for an exploration concession within the Surubim Project, presenting the results of exploration work conducted on the property by BGC, including drilling programs and resource calculations, was submitted to DNPM. Provided that DNPM approves the submitted report, the Company would then have one year following such approval to present additional required studies to the DNPM and obtain environmental licensing, if the Company wishes to proceed with further work on that concession.

#### Material Properties Outlook

The Company has reduced expenditures on the Cachoeira Project while it awaits receipt of comments from the Brazilian regulatory authorities with respect to environmental licensing and permitting. In the interim, the Company is meeting with local stakeholders and preparing for the public hearings, where the results of the EIA/RIMA will be presented. Projected costs for stakeholder meetings and public hearings is undetermined at this point, however, these expenditures are expected to be minimal. Upon receipt of an environmental license, the Company currently intends to evaluate whether to conduct additional engineering or other studies with respect to further development of the Cachoeira Project. Environmental licensing is currently expected to be completed by the end of the second quarter of 2015, following which the Company will have an additional six months to implement an operational mining facility on the Cachoeira Project.

The São Jorge Project, Boa Vista Project and Surubim Project are considered strategic to the Company's business model, which is to complete accretive acquisitions of meritorious projects in Pará State and other jurisdictions of Brazil. The Company intends to hold these projects in their current state with the intention of advancing them once the junior resource sector, capital markets and precious metals prices improve.

The Company anticipates incurring expenses of approximately \$686,000 during fiscal year 2014 for mineral property obligations to the vendors, DNPM annual land fees and land owner surface rights' payments. As at the date of this MD&A, approximately \$616,000 has been paid resulting in a remaining anticipated balance of approximately \$70,000 to be incurred in 2014. There are no exploration expenditure obligations required on the São Jorge Project, Boa Vista Project or Surubim Project.

#### Other Properties

In addition to the above projects, the Company, through its wholly owned subsidiaries, holds the following interests in additional properties:

- Artulândia Project – the Company currently holds a 100% interest in the Artulândia Project located in Goiás State, Brazil;
- Montes Áureos and Trinta Projects – the Company currently holds a 51% interest in the Montes Áureos and Trinta Projects located in Pará and Maranhão States, Brazil. A final report of work conducted on the Montes Áureos Project was submitted to DNPM on April 7, 2014. The Company intends to maintain its 51% interest in the project and does not anticipate earning any further interest at this time.

- Apa High Project – the Company currently holds a 100% interest in the Apa High Project located in Concepcion State, Paraguay;
- Batistão Gold Project – the Company currently holds a 100% interest in the Batistão Gold Project located in Mato Grosso State, Brazil;
- Rea Uranium Project – the Company currently holds a 75% interest in the Rea Uranium Project located in Alberta, Canada; and
- Santa Julia Project – the Company currently holds a 100% interest in the Santa Julia Project located in Pará State, Brazil.

### Results of Operations

During the three and nine months ended August 31, 2014, the Company recorded a net loss of \$1,159,824 and \$4,011,018, respectively, as compared to a net loss of \$1,120,927 and \$4,072,397, respectively, for the same periods in 2013. Significant accounts and changes during these periods are as follows:

- Exploration expenditures were \$309,646 and \$1,226,877, respectively, during the three and nine months ended August 31, 2014 (2013: \$660,803 and \$2,187,933) – decreased during the three and nine month periods due to a reduction in exploration activities at the Cachoeira and Artulândia Projects. Additionally, permitting and licensing expenditures respecting the Cachoeira Project have been reduced, as the Company has presented all currently required submissions and now awaits comments from DNPM. Expenditures incurred on the São Jorge Project and Surubim Project were for consultants and surface rights payments required to maintain the properties in good standing. Material components of the Company's exploration expenses for the nine month period were consulting fees of \$339,345 (2013: \$709,762) to vendors who provided geological and technical services respecting the Company's projects, payroll and personnel of \$254,137 (2013: \$161,413) and permitting and licensing activities of \$186,555 (2013: \$295,300) all related to the Cachoeira Project. Exploration expenditures on a project basis were as follows for the periods indicated:

	For the three months ended August 31,		For the nine months ended August 31,		For the period from incorporation, September 9, 2009 to August 31, 2014
	2014	2013	2014	2013	
	(\$)	(\$)	(\$)	(\$)	(\$)
Cachoeira	144,115	453,345	827,331	1,513,767	3,161,078
São Jorge	58,558	-	145,874	-	148,121
Surubim	28,078	-	94,594	-	94,594
Batistão	5,803	-	22,362	-	22,362
Montes Áureos and Trinta	1,944	40,862	8,037	55,300	1,817,908
Artulândia	17,586	162,502	37,607	584,669	1,289,817
Other Exploration Expenses	53,562	4,094	91,072	34,197	258,518
<b>Total</b>	<b>309,646</b>	<b>660,803</b>	<b>1,226,877</b>	<b>2,187,933</b>	<b>6,792,398</b>

- General and administration expenditures were \$151,431 and \$1,190,732, respectively, during the three and nine months ended August 31, 2014 (2013: \$169,088 and \$802,568) – increased during the nine month period due to the expansion of the Company's operations, in particular, the acquisition of BGC in the fourth quarter of 2013. The most significant components of general and administration expenditures for the nine month period were for corporate development and marketing of \$694,589 (2013: \$435,073), investor relations of \$136,874 (2013: \$70,433) and transfer agent and regulatory fees of \$90,856 (2013: \$78,547).



- Directors' fees and employee salaries and benefits were \$209,886 and \$612,876, respectively, during the three and nine months ended August 31, 2014 (2013: \$174,194 and \$537,535) – increased during the nine month period due to an increase in the number of employees with respect to the Company's exploration activities, various administrative and corporate functions and an increase in director fees due to an expansion to the board of directors in 2013.
- Write-off of exploration and evaluation assets were \$237,500 and \$282,022, respectively, during the three and nine months ended August 31, 2014 (2013: \$nil and \$nil) – increased during the three month period due to the abandonment of a portion of the Surubim Project located in Brazil that was determined by management to be non-prospective within the Company's current portfolio of mineral properties.
- Consulting fees were \$78,476 and \$258,152, respectively, during the three and nine months ended August 31, 2014 (2013: \$76,714 and \$256,266) – remain consistent with the three and nine month periods of 2013.
- Professional fees were \$49,074 and \$182,354, respectively, during the three and nine months ended August 31, 2014 (2013: \$24,896 and \$99,186) – increased during the three and nine month periods due to an increase in legal and advisory services provided to the Company respecting general matters and corporate activities.
- Project evaluation costs were \$77,259 and \$141,087, respectively, during the three and nine months ended August 31, 2014 (2013: \$nil and \$132,013) – increased during the three month period due to an increased number of projects and potential transactions that were reviewed by the Company.
- Share of loss on investment in joint venture were \$36,078 and \$94,826, respectively, during the three and nine months ended August 31, 2014 (2013: \$nil and \$nil) – increased during the three and nine month periods solely due to the acquisition of Boa Vista Gold Inc. which was a result of the BGC Arrangement. The loss incurred on the joint venture was due primarily to expenses paid to maintain the Boa Vista Project. The joint venture remains an exploration project at this stage.

### Summary of Quarterly Results

For the quarter ended	Revenues (\$)	Net loss (\$)	Basic and diluted net loss per share (\$)
August 31, 2014	-	1,159,824	0.02
May 31, 2014	-	1,400,536	0.02
February 28, 2014	-	1,450,658	0.02
November 30, 2013	-	1,429,615	0.03
August 31, 2013	-	1,120,927	0.03
May 31, 2013	-	1,742,999	0.04
February 28, 2013	-	1,208,471	0.03
November 30, 2012	-	1,214,498	0.03

The expenses incurred by the Company are typical of junior exploration companies that have no known commercial quantities of mineral reserves. The Company's fluctuations in net loss from quarter to quarter were mainly related to exploration, permitting and licensing work as well corporate activities conducted during the respective 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, 2014 and November 30, 2013.

	As at August 31, 2014 (\$)	As at November 30, 2013 (\$)
Cash	1,624,280	225,827
Working capital	559,186	(1,550,821)
Total assets	28,978,889	26,047,659
Total current liabilities	1,289,464	1,977,145
Total non-current liabilities	246,321	229,313
Shareholders' equity	27,443,104	23,841,201

As at August 31, 2014, the Company had working capital of \$559,186 (November 30, 2013: \$(1,550,821)), comprised of cash of \$1,624,280 (November 30, 2013: \$225,827), other receivables of \$56,680 (November 30, 2013: \$101,634), prepaid expenses and deposits of \$142,690 (November 30, 2013: \$78,863), available-for-sale securities of \$25,000 (November 30, 2013: \$20,000) offset by current liabilities of \$1,289,464 (November 30, 2013: \$1,977,145). During the three and nine months ended August 31, 2014, net cash flows decreased by \$999,146 and increased by \$1,398,453, respectively, compared to a decrease of \$1,045,845 and \$3,999,508 during the three and nine months ended August 31, 2013.

The Company's working capital requirements for the past quarter are discussed in detail under "Results of Operations". The mineral properties obligations, annual fees and surface rights payments for the next twelve months are anticipated to be approximately \$473,000. Corporate and general costs to maintain the Company in good standing are anticipated to be approximately \$1.0 million for the next twelve months. Based upon management's decision to defer a determination in respect of further exploration or work at the Cachoeira Project until the receipt of comments from Brazilian regulatory authorities in respect of previously submitted environmental licensing reports and documents, the Company believes that available cash will be adequate to meet ongoing liquidity needs in the short-term. Subsequent to the short-term obligations, the Company will require additional funds to carry out existing business, future expansion, including the acquisition of additional mineral properties or interests, or increased project expenditures, 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 equity financings 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. The Company's growth and success is dependent on external sources of financing, which may not be available on acceptable terms or at all.

### Operating Activities

Net cash used in operating activities during the nine months ended August 31, 2014 was \$4,074,473 compared to \$3,848,736 during the same period in 2013. Significant operating expenditures during the current period included mineral property expenditures and general and administrative expenses.

### Investing Activities

Net cash used in investing activities during the nine months ended August 31, 2014 was \$589,050 compared to \$107,375 during the same period in 2013. The increase was primarily due to the Company's cash payment of \$300,000 (excluding accrued interest) to Luna pursuant to the Cachoeira Agreement and the investment in its joint venture relating to the Boa Vista Project.

### Financing Activities

Net cash provided by financing activities during the nine months ended August 31, 2014 was \$6,108,141 compared to (\$2,365) during the same period in 2013. The cash inflow during the nine month period was comprised primarily of the Private Placement closed by the Company on December 31, 2013 with gross proceeds of \$6,407,841 (net cash proceeds of \$6,095,480 after the Company paid cash commissions of \$231,761 and other cash share issuance costs of \$80,600 in connection with the Private Placement).

### Share Options

At August 31, 2014, 1,780,000 share options were outstanding. The outstanding share options have a weighted average exercise price of \$1.24 per share. As at August 31, 2014, such options were issuable for gross proceeds of approximately \$2,201,700 should these options be exercised in full. At August 31, 2014, there were no outstanding, in-the-money share options. The exercise of these share options is at the discretion of the respective holders and, accordingly, there is no assurance that any of these share options will be exercised in the future.

### Warrants

At August 31, 2014, 11,650,620 BRI Warrants were outstanding. The outstanding BRI Warrants have an exercise price of \$0.75 per warrant. As at August 31, 2014, such warrants are in-the-money and are issuable for gross proceeds of approximately \$8,737,965 should the BRI Warrants be exercised in full. The exercise of these warrants is at the discretion of the respective holders and, accordingly, there is no assurance that any of the BRI Warrants will be exercised in the future.

### Contractual Obligations

#### I. Mineral Properties Obligations

##### ***Cachoeira***

Pursuant to the Cachoeira Agreement, 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 terms of the Cachoeira Agreement (as amended), the Company issued an additional 1,214,000 BRI Shares to Luna in September 2013, paid \$306,000 cash, including interest, to Luna in January 2014, and the Company is required to make the following future additional payments to Luna:

- \$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 (September 24, 2016). 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.

**Brazil Resources Inc.**

(An exploration stage company)

Management Discussion and Analysis

For the three and nine months ended August 31, 2014



In addition, the Cachoeira Project is subject to a 4.0% net smelter return royalty payable to third parties by the Company's subsidiary on future production. If production is not achieved at the Cachoeira Project by October 3, 2014, a US\$300,000 per year payment in lieu of the royalty will be payable to the third parties until such time as production is achieved at the Cachoeira Project. As at the date of this MD&A, the aforementioned payment remains outstanding to certain parties in lieu of the royalty respecting the Cachoeira Project. The Company is currently negotiating with the parties to defer the payment until all permits and licenses have been received and production is achieved. While the royalty holders previously granted similar extensions to the prior operator, there can be no assurance that the Company will be able to obtain the same on acceptable terms or at all, and, in such event, the payment in lieu of royalty will be payable in addition to other budgeted amounts for the project.

***São Jorge***

On June 14, 2010, BGC signed an option agreement, as amended, (the "São Jorge Agreement") to acquire 100% interest in the São Jorge Project from Talon Metals Corp. ("Talon"). BGC completed all the required payments under the terms of the São Jorge Agreement. On November 22, 2013, Brazil Resources acquired 100% interest in the São Jorge Project pursuant to the BGC Arrangement.

Under the terms of the São Jorge Agreement, Talon was granted a 1.0% net smelter return royalty from production on any of the eleven exploration concessions. A net smelter return royalty to the original title holders of 1.0% of the proven mineable reserves as demonstrated by a feasibility study relating to the São Jorge deposit (no reserves have been defined) on certain concessions is payable and can be purchased by the Company for US\$2,500,000. Additionally, there is a 2.0% net smelter royalty on certain other concessions due to the original title holders, of which 1.5% of the 2.0% net smelter return royalty can be purchased by the Company for US\$500,000.

The current São Jorge deposit location has a total net smelter return royalty of 2.5% comprising of 1.0% to Talon, 1.0% to the government of Brazil and 0.5% to the surface rights owner. The surface rights owner's royalty can be purchased for US\$750,000.

***Boa Vista***

On April 26, 2013, BGC signed a share exchange agreement with D'Gold Mineral Ltda. ("D'Gold") to acquire D'Gold's remaining 13.05% interest in Boa Vista Gold Inc. ("BVG"). In consideration for D'Gold's 13.05% interest, BGC agreed to issue an aggregate of 1,500,000 BGC common shares over 18 months. At the closing date of the BGC Arrangement, BGC had a remaining share issuance obligation of 1,125,000 BGC common shares to D'Gold, with 375,000 BGC common shares previously issued. The Company entered into an amended share exchange agreement and assumed BGC's share issuance obligation at a ratio of 0.172 BRI Share per BGC common share. Subsequent to the BGC Arrangement closing date, 64,500 BRI Shares were issued to D'Gold. The Company is required to issue additional shares as follows:

- 64,500 BRI Shares on or before May 23, 2014 (issued); and
- 64,500 BRI Shares on or before November 23, 2014.

Pursuant to the terms of a shareholders agreement among BGC, D'Gold and Octa Mineração Ltda ("Octa"), who holds a 15.95% interest in BVG, dated January 21, 2010, as amended on May 25, 2011, June 24, 2011 and November 15, 2011, a 1.5% net smelter return royalty is payable to D'Gold and a further 1.5% net smelter return royalty is payable to Octa if its holdings in BVG drop below 10%. The Company can purchase each 1.5% net smelter return royalty for US\$2,000,000.

In addition, pursuant to the terms of a surface rights agreement dated March 2008, as amended May 2010 and June 2013, BGC was required to make cash payments in installments totalling R\$4,400,000 in consideration for the acquisition. BGC paid R\$80,000 before the BGC Arrangement. The Company is required to make the remaining cash payments as follows in order to retain the surface rights to the property:

- a cash payment of R\$80,000 due on March 5, 2014 (paid);
- a cash payment of R\$80,000 due on September 5, 2014 (paid subsequent to August 31, 2014);
- a cash payment of R\$80,000 due on March 5, 2015;
- a cash payment of R\$80,000 due on September 5, 2015;
- a cash payment of R\$80,000 due on March 5, 2016;
- a cash payment of R\$3,500,000 due on March 5, 2017; and
- a cash payment of R\$240,000 due upon the commencement of small scale mining.

### *Surubim*

On November 22, 2013, the Company acquired a 100% interest in the Surubim gold project pursuant to the BGC Arrangement. The project is comprised of exploration concessions acquired directly as well as option agreements on two properties, as outlined below.

### *Jarbas Agreement*

BGC entered into an option agreement (the "Jarbas Agreement") on February 11, 2010, as amended January 16, 2011, pursuant to which BGC had the option to acquire a certain exploration license by paying R\$3,900,000 in six annual installments, until December 17, 2015. BGC paid R\$800,000 before the BGC Arrangement. In an amendment dated March 14, 2014, the Company renegotiated the terms of the Jarbas Agreement, whereby the Company is now required to make the following option payments:

- a cash payment of R\$80,000 upon execution of the amended Jarbas Agreement (paid);
- a cash payment of R\$570,000 in March 2015;
- a cash payment of R\$1,000,000 in March 2016; and
- a cash payment of R\$1,500,000 in March 2017.

Additionally, a 1.3% net smelter return royalty is due upon commercial production from any ores extracted from a certain concession. Fifty percent of the net smelter return royalty can be purchased by the Company for US\$1,500,000 within 12 months of the DNPM granting a mining concession. A bonus royalty is due based on the in-situ reserve ounces as outlined in a feasibility study completed to Australian Joint Ore Reserves Committee or Canadian NI 43-101 standards. The bonus royalty consists of (i) US\$0.50 per reserve ounce for reserves that are less than 1,000,000 ounces of gold; (ii) US\$0.75 per reserve ounce for reserves measuring between 1,000,000 to 2,000,000 ounces of gold; and (iii) US\$1.00 per reserve ounce for reserves exceeding 2,000,000 ounces of gold.

### *Altoro Agreement*

BGC entered into an option agreement (the "Altoro Agreement") with Altoro Mineração Ltda. ("Altoro") on November 5, 2010, as amended on December 3, 2010 and December 14, 2012 to acquire certain exploration licenses for aggregate consideration of US\$850,000 to Altoro. BGC paid US\$150,000 before the BGC Arrangement, and an additional cash payment of US\$100,000 was made in December 2013. Pursuant to the Altoro Agreement, a cash payment of US\$650,000 is payable upon the DNPM granting a mining concession over the exploration permit.

In addition to the above payments, Altoro holds a 1.5% net smelter return royalty on any gold produced from certain concessions. Once the gold production has reached 2,000,000 ounces, the royalty increases an additional 0.5% to 2.0%. The Company can purchase the 0.5% royalty at any time for US\$1,000,000.

### *Montes Áureos and Trinta*

In October 2013, the Company announced that it had exercised the Initial Option under the Montes Áureos Agreement to acquire an initial undivided 51% interest in the Montes Áureos and Trinta Projects.

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. The Company has not exercised the Second Option, however, it intends to maintain its current 51% interest in the Montes Áureos and Trinta projects.

### *Artulândia*

The Company completed the acquisition of Artulândia Property by way of payments made pursuant to terms of the Artulândia Option Agreement. An additional R\$1,000,000 will be payable by the Company upon completion of a positive NI 43-101 compliant pre-feasibility study.

## II. General and Administration Obligations

The Company has entered into consulting agreement and land owner surface rights agreements which require the Company to pay the following amounts for the following period:

	Amount (\$)
2014	41,998
2015	34,772
2016	4,366
<b>Total</b>	<b>81,136</b>

The Company is renting or leasing various offices located in Canada and Brazil with total monthly payments of \$9,658. Office lease agreements expire between October 2014 and January 2016.

### **Provisions**

In 2012, eighteen employees of RAC Treinamento Ltda. ("RAC") filed labour lawsuits in Brazil to claim unpaid wages and benefits during the period they worked. RAC performed drilling services for BGC's wholly owned subsidiary Mineração Regent Brasil Ltda. ("Regent") from January 27, 2011 to June 27, 2011. According to Brazilian labour law, if RAC fails to pay the amounts awarded by the Court's final decision, Regent is required to assume the liability. Since RAC is in insolvency and is not attending court hearings, it is probable that Regent will have to pay the amounts once they are executed, despite the fact that Regent is in compliance with Brazilian labour laws. After payment to the plaintiffs, Regent will have the right of recourse against RAC. The total potential liability amount is estimated at R\$1,229,103 (November 30, 2013: R\$1,229,103). As at August 31, 2014, Regent has deposited R\$104,334 (November 30, 2013: R\$104,334) with various Brazilian government agencies as a guarantee related to these labour lawsuits.

### **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 Party Transactions

Related party transactions not disclosed elsewhere in the consolidated financial statements are as follows:

- During the three and nine months ended August 31, 2014, the Company incurred \$12,000 and \$36,000 respectively (2013: \$12,000 and \$36,000) in consulting fees for corporate development consulting services rendered by Arash Adnani, a direct family member of a director. The fees paid were for business development services, including introducing the Company to various parties in the areas of project generation, corporate finance groups and potential strategic partners, and are within industry standards. As at August 31, 2014, \$4,200 was payable to such related party (November 30, 2013: \$4,200).
- During the three and nine months ended August 31, 2014, the Company incurred \$1,050 and \$3,338 respectively (2013: \$2,466 and \$9,029) in general and administrative expenses related to website design, hosting services and marketing services paid to Blender Media, which is controlled by a direct family member of a director. The fees paid were commensurate to fees charged to Blender Media's other clients for similar services provided. As at August 31, 2014, no amounts were due or payable to such related party (November 30, 2013: \$1,089).

Related party transactions are entered into based on normal market conditions at the amounts agreed to by the parties. As at August 31, 2014, the Company has not entered into any contracts or undertaken any commitment or obligation with any related parties other than as disclosed herein.

Transactions with Key Management Personnel

	For the three months ended August 31,		For the nine months ended August 31,	
	2014 (\$)	2013 (\$)	2014 (\$)	2013 (\$)
Fees, salaries and benefits <sup>(1)</sup>	50,970	39,695	150,410	145,760
<b>Total</b>	<b>50,970</b>	<b>39,695</b>	<b>150,410</b>	<b>145,760</b>

(1) Total directors' fees, salaries and benefits of \$612,876 disclosed on the consolidated statement of comprehensive loss for the nine months ended August 31, 2014 includes \$150,410 paid to the Company's Chief Executive Officer and Chief Financial Officer, \$200,250 in directors' fees paid to the Company's directors, and \$262,216 paid for employees' salaries and benefits. Total directors' fees, salaries and benefits of \$537,535 disclosed on the consolidated statement of comprehensive loss for the nine months ended August 31, 2013 includes \$145,760 paid to the Company's Chief Executive Officer and Chief Financial Officer, \$185,250 in directors' fees paid to the Company's directors, and \$206,525 paid for employees' salaries and benefits.

Total compensation payable, including share-based compensation, to key members of management and directors for the three and nine months ended August 31, 2014 was \$50,970 and \$150,410 respectively (2013: \$39,695 and \$145,760). Compensation is comprised entirely of employment and similar forms of remuneration. Management includes the Chief Executive Officer and Chief Financial Officer, who are also directors of the Company.

**Financial Instruments and Risk Management**

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.

The following table sets forth the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis by level within the fair value hierarchy. As at August 31, 2014, those financial assets and liabilities are classified in their entirety based on the level of input that is significant to the fair value measurement.

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Financial Assets</b>				
Cash	1,624,280	-	-	1,624,280
Available-for-sale securities	25,000	-	-	25,000
<b>Financial Liabilities</b>				
Due to related parties	-	-	4,200	4,200
Long-term obligations	-	246,321	-	246,321

The carrying values of other receivables and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. The Company assessed that there were no indicators of impairment for these financial instruments.

Financial risk management objectives and policies

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 United States dollars, the Brazilian Real, the Paraguayan Guarani 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 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, 2014 (\$)	As at November 30, 2013 (\$)
<b>Assets</b>		
United States Dollar	14,447	65,318
Brazilian Real	78,263	35,360
Paraguayan Guarani	3,923	3,841
<b>Total</b>	<b>96,633</b>	<b>104,519</b>

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, 2014 would be \$4,832 (November 30, 2013: \$5,226).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest bearing financial asset is cash, which bears interest at fixed or variable rates. The Company does not believe it is exposed to material interest rate risk related to this instrument. As such, the Company has not entered into any derivative instruments to manage interest rate fluctuations.



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 goods and service tax ("GST") receivable, the harmonized sales tax ("HST") receivable 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 GST and HST receivable includes amounts that have been accumulated to date in the Company. At August 31, 2014, 100% of the GST and 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 into account the Company's current cash reserves, its network of sophisticated and accredited investors from which to raise capital and the Company's ability to respond appropriately to negative market conditions, it will have sufficient working capital for its present obligations. However, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of the financing will be favourable. The Company's working capital as at August 31, 2014 was \$559,186.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following summarizes the remaining contractual maturities of the Company's financial liabilities:

	As at August 31, 2014 (\$)		As at November 30, 2013 (\$)	
	Due within		Due within	
	1 year	2-5 years	1 year	2-5 years
Accounts payable and accrued liabilities	689,017	-	1,157,499	-
Due to related parties	4,200	-	5,289	-
Current portion of long-term obligations	-	-	300,000	-
Long-term obligations	-	246,321	-	229,313
<b>Total</b>	<b>693,217</b>	<b>246,321</b>	<b>1,462,788</b>	<b>229,313</b>

Commodity price risk

The Company's future profitability will depend 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.

The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of precious metals and other commodities. The Company monitors commodity prices to help determine the appropriate course of action to be taken.

### **International Financial Reporting Standards**

The Company's unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS. 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, 2013, which have been prepared in accordance with IFRS.

### **Adoption of New Accounting Standards**

IFRS 10 – *Consolidated Financial Statements* supersedes SIC-12 – Consolidation – Special Purpose Entities and the requirements relating to consolidated financial statements in IAS 27 – Consolidated and Separate Financial Statements. IFRS 10 establishes the principle and application of control as the basis for an investor to identify whether an investor controls an investee and thereby requiring consolidation.

IFRS 11 – *Joint Arrangements* establishes the principle a joint arrangement is classified as a joint venture or joint operation based on the rights and obligations of the parties to the joint arrangement, rather than its legal form. It requires that a joint operator recognize and measure the assets, liabilities, revenues and expenses in relation to its interest in the joint arrangement in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses, while a joint venture recognizes its investment in a joint arrangement using the equity method.

IFRS 12 – *Disclosure of Interests in Other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 – *Fair Value Measurement* defines fair value and sets out a single framework for measuring fair value which is applicable to all IFRSs that require or permit fair value measurements or disclosures about fair value measurements. IFRS 13 requires valuation technique used should maximize the use of relevant observable inputs and minimize unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability.

IAS 28 – *Investments in Associates and Joint Ventures* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method for investments in associates and joint ventures.

Effectively December 1, 2013, the Company adopted all of the above standards. The adoption of these standards did not have a material impact on the unaudited condensed consolidated interim financial statements.

### **Future Accounting Changes**

For annual periods beginning on or after December 1, 2014:

Amendments to IAS 32 – *Financial Instruments* amends IAS 32 – Financial Instruments: Presentation to provide clarifications on the application of the offsetting rules. The Company is in the process of evaluating the impact of the adoption of the amendment.

IFRIC 21 – *Levies* clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the Interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Company is in the process of evaluating the impact of the adoption of the new standard.

For annual periods beginning on or after December 1, 2015:

IFRS 9 – *Financial Instruments* replaces the current standard IAS 39 – Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value. The IASB issued amendments to IFRS 9 which deferred the mandatory effective date of IFRS 9 to January 1, 2018. The Company is in the process of evaluating the impact of the adoption of the new standard.

### **Critical Accounting Policies and Estimates**

The preparation of these condensed 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.

Management has identified exploration and evaluation assets, investment in joint venture, share-based compensation and income taxes as the critical estimates for the following discussion:

#### *Exploration and evaluation assets*

Exploration and evaluation assets are the most significant assets of the Company, representing \$25.3 million on the balance sheet as at August 31, 2014. 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 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.

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 expenditures incurred by the Company in fulfilling the terms of the agreement are 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 expenditures 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.

#### *Investment in joint venture*

A jointly controlled entity is an entity in which we share joint control over the strategic, financial permitting, development and operating decisions through the establishment of a corporation or partnership. The Company's investment in its joint ventures is accounted for using the equity method.

The equity method is a basis of accounting for investments whereby the investment is initially recorded at cost and the carrying value is adjusted thereafter to include the investor's pro rata share of post-acquisition earnings or losses of the investee, as computed by the consolidation method.

### 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.

### Income taxes

Income tax expense represents the sum of tax currently payable and deferred tax.

#### Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting period.

#### Deferred income tax

Deferred income tax is provided using the liability method on temporary differences, at the end of each reporting period, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in

the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settle or recovered.

### **Outstanding Share Data**

As at the date of this MD&A, the following securities were outstanding:

#### Share Capital

Authorized – unlimited number of common shares without par value.  
 Issued and outstanding – 72,500,423 BRI Shares.

#### Share Options

The outstanding share options to purchase BRI Shares as at the date of this MD&A are summarized as follows:

Expiry Date	Exercise Price (\$)	Number Outstanding
July 21, 2016	1.30	300,000
October 3, 2016	1.20	1,140,000
October 11, 2016	1.20	105,000
February 7, 2017	1.50	150,000
April 23, 2017	1.20	20,000
January 8, 2018	1.03	40,000
March 1, 2018	1.10	25,000
		1,780,000

Warrants

The outstanding BRI Warrants as at the date of this MD&A are summarized as follows:

Expiry Date	Exercise Price (\$)	Number Outstanding
December 31, 2018 <sup>(1)</sup>	0.75	11,650,620

(1) Subject to acceleration if at any time, the 30 consecutive trading day volume weighted average price of BRI Shares on the TSX-V is \$1.50 or greater; and (ii) the BRI Warrants are not listed on TSX-V.

**Additional Information**

Additional information regarding the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).