



(An exploration stage company)

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2013 and 2012**

(Expressed in Canadian Dollars unless otherwise stated)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Brazil Resources Inc.

We have audited the accompanying consolidated financial statements of **Brazil Resources Inc.**, which comprise the consolidated statements of financial position as at November 30, 2013 and 2012, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Brazil Resources Inc.** as at November 30, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Vancouver, Canada,
March 26, 2014.

Ernst & Young LLP

Chartered Accountants

Brazil Resources Inc.
(An exploration stage company)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars unless otherwise stated)



	Notes	As at November 30, 2013 (\$)	As at November 30, 2012 (\$)
Assets			
Current assets			
Cash	8	225,827	5,520,141
Other receivables	9	101,634	141,681
Prepaid expenses and deposits		78,863	157,561
Available-for-sale securities	10	20,000	-
		426,324	5,819,383
Non-current assets			
Equipment	5	157,918	119,988
Exploration and evaluation assets	6	23,807,802	11,360,781
Investment in joint venture	7	1,655,615	-
		26,047,659	17,300,152
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	11	1,157,499	316,551
Provisions	12	514,357	-
Due to related parties	18	5,289	7,182
Current portion of long-term obligations	13	300,000	272,727
		1,977,145	596,460
Non-current liabilities			
Long-term obligations	13	229,313	204,851
		2,206,458	801,311
Equity			
Issued capital	14	30,175,354	15,785,863
Share issuance obligations	14	7,201,061	8,365,040
Reserves	14	1,191,336	1,127,199
Accumulated deficit		(13,886,438)	(8,384,426)
Accumulated other comprehensive loss		(840,112)	(394,835)
		23,841,201	16,498,841
		26,047,659	17,300,152

Commitments (Note 20)

Subsequent events (Note 21)

Approved and authorized for issue by the Board of Directors on March 19, 2014.

/s/ "Steve Swatton"

Steve Swatton

Chief Executive Officer, President & Director

/s/ "Pat Obara"

Pat Obara

Chief Financial Officer & Director

The accompanying notes are an integral part of these Consolidated Financial Statements

Brazil Resources Inc.
(An exploration stage company)
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars unless otherwise stated)



		For the year ended	
	Notes	November 30,	
		2013	2012
		(\$)	(\$)
Expenses			
Consulting fees		380,412	409,349
Depreciation	5	41,002	22,222
Directors' fees, salaries and benefits	18	749,582	598,604
Exploration expenses	6	2,883,326	1,441,200
General and administrative		1,024,349	1,038,239
Professional fees		183,905	145,491
Project evaluation costs		132,013	347,556
Share-based compensation	14	64,137	635,332
Write-off exploration and evaluation assets	6	68,820	-
		5,527,546	4,637,993
Operating loss		(5,527,546)	(4,637,993)
Other items			
Interest income		31,534	100,624
Interest expense		(6,000)	-
Net loss for the year		(5,502,012)	(4,537,369)
Other comprehensive loss			
Item that may subsequently be reclassified to net income or loss:			
Foreign currency translation adjustments		(445,277)	(394,835)
Total comprehensive loss for the year		(5,947,289)	(4,932,204)
Net loss per share, basic and diluted		(0.13)	(0.11)
Weighted average number of shares outstanding, basic and diluted		41,966,940	39,700,066

The accompanying notes are an integral part of these Consolidated Financial Statements

Brazil Resources Inc.

(An exploration stage company)

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars unless otherwise stated)



	Notes	Number of Shares	Issued Capital (\$)	Share Issuance Obligations (\$)	Reserves (\$)	Deficit (\$)	Accumulated Other Comprehensive Income (\$)	Total (\$)
Balance at November 30, 2011		35,166,811	9,246,579	-	545,954	(3,847,057)	-	5,945,476
Private placement containing:								
Cash		4,324,136	4,756,550	-	-	-	-	4,756,550
Share issue costs		-	(262,673)	-	-	-	-	(262,673)
Issued capital pursuant to acquisition of:								
Exploration and evaluation assets		1,528,000	1,789,040	8,365,040	-	-	-	10,154,080
Exercise of broker warrants		311,200	256,367	-	(54,087)	-	-	202,280
Share-based compensation		-	-	-	635,332	-	-	635,332
Foreign currency translation adjustments		-	-	-	-	-	(394,835)	(394,835)
Net loss for the year		-	-	-	-	(4,537,369)	-	(4,537,369)
Balance at November 30, 2012		41,330,147	15,785,863	8,365,040	1,127,199	(8,384,426)	(394,835)	16,498,841
Issued capital pursuant to acquisition of:								
Exploration and evaluation assets	6,14	19,198,682	14,389,491	(1,163,979)	-	-	-	13,225,512
Share-based compensation		-	-	-	64,137	-	-	64,137
Foreign currency translation adjustments		-	-	-	-	-	(445,277)	(445,277)
Net loss for the year		-	-	-	-	(5,502,012)	-	(5,502,012)
Balance at November 30, 2013		60,528,829	30,175,354	7,201,061	1,191,336	(13,886,438)	(840,112)	23,841,201

The accompanying notes are an integral part of these Consolidated Financial Statements

Brazil Resources Inc.
(An exploration stage company)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars unless otherwise stated)



	Notes	For the year ended	
		2013	2012
		(\$)	(\$)
Operating activities			
Net loss for the year		(5,502,012)	(4,537,369)
Adjustments for items not involving cash:			
Depreciation	5	41,002	22,222
Share-based compensation	14	64,137	635,332
Write-off exploration and evaluation assets	6	68,820	-
Foreign exchange gain		(45,881)	(24,924)
Net changes in non-cash working capital items:			
Other receivables		121,866	54,267
Prepaid expenses and deposits		93,369	(126,689)
Accounts payable and accrued liabilities		304,140	(116,623)
Interest income		(31,534)	(100,624)
Interest expense		6,000	-
Cash used in operating activities		(4,880,093)	(4,194,408)
Investing activities			
Investment in exploration and evaluation assets		(395,874)	(929,279)
Purchase of equipment		(16,454)	(19,536)
Cash used in investing activities		(412,328)	(948,815)
Financing activities			
Advances from related parties	18	(1,893)	4,298
Proceeds from shares issued, net of share issuance costs		-	4,493,877
Proceeds from broker warrant exercise		-	202,280
Cash generated from financing activities		(1,893)	4,700,455
Net decrease in cash		(5,294,314)	(442,768)
Cash			
Beginning of year		5,520,141	5,962,909
End of year		225,827	5,520,141

The accompanying notes are an integral part of these Consolidated Financial Statements

1. Corporate Information

Brazil Resources Inc. is a corporation organized under the laws of British Columbia and was incorporated in the Province of British Columbia, Canada, on September 9, 2009, and domiciled in Canada. Together with its subsidiaries (collectively, the "Company" or "Brazil Resources"), the Company is principally engaged in the acquisition, exploration and development of mineral properties in Brazil.

Brazil Resources Inc.'s 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.

2. Basis of Preparation

2.1 *Statement of compliance*

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2.2 *Basis of presentation*

The Company's consolidated financial statements have been prepared on a historical cost basis. The Company's financial statements and those of its wholly owned and controlled subsidiaries are presented in Canadian dollars and all values are rounded to the nearest dollar except where otherwise indicated. Certain line items of the comparative figures have been reclassified to conform to the current year's presentation format.

3. Significant Accounting Policies

3.1 *Basis of consolidation*

The consolidated financial statements include the financial statements of Brazil Resources Inc. 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 consolidated 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.

3.2 *Foreign currencies*

The reporting currency of the Company and its subsidiaries is the Canadian dollar ("\$" or "dollars"). The functional currency of the Company is the Canadian dollar and the functional currency of its subsidiaries in Brazil is the Brazilian Real ("R\$") and its subsidiary in Paraguay is the United States dollar ("US\$"). Foreign operations are translated into Canadian dollars using period end exchange rates as to assets and liabilities and average exchange rates as to income and expenses. All resulting exchange differences are recognized in other comprehensive income.

3.3 *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 are 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.

3.4 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 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.

3.5 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 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.

3.6 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.

3.7 Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. The Company has classified other receivables as loans and receivables.

A financial asset is classified as available-for-sale when: (i) it is not classified as held to maturity, loans and receivables or as at FVTPL; or (ii) it is designated as at available-for-sale on initial recognition. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive loss except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

The Company has not designated any financial assets, upon initial recognition, as at fair value through profit or loss.

3.8 Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company has classified accounts payables and accrued liabilities, due to related parties and current and long-term obligations as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. Fair value changes on financial liabilities classified as FVTPL are recognized through the consolidated statement of comprehensive loss.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

The Company has not designated any financial liabilities, upon initial recognition, as at fair value through profit or loss.

3.9 Impairment of financial assets

The Company assesses at the end of each reporting period whether a financial asset is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to other receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Available-for-sale

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

3.10 *Derecognition of financial assets and financial liabilities*

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3.11 *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.12 *Fair value of financial instruments*

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 16.

3.13 *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.

3.14 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground /environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred by the development / construction of the mine. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognized in profit or loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognized immediately in profit or loss.

3.15 Cash and cash equivalents

Cash and cash equivalents are comprised of cash at banks, on hand and any short-term investments with remaining maturity at time of acquisition of ninety days or less.

3.16 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3.17 *Net loss per share*

Basic net loss per share includes no potential dilution and is computed by dividing the net loss attributable to common stockholders by the weighted average number of common shares outstanding for the period.

The basic and diluted net loss per share are the same as there are no instruments that have a dilutive effect on earnings.

3.18 *Equipment*

Equipment is recorded at cost and is depreciated using the straight-line method over their estimated useful lives. Equipment is depreciated over an estimated useful life ranging from two to five years.

When an item of equipment has different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of comprehensive loss as incurred.

Depreciation methods and useful lives are reviewed at each reporting date and adjusted as required.

3.19 *Leases*

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

3.20 *Share-based payment*

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.

3.21 *Significant accounting judgments and estimates*

The preparation of these 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 income and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, income 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.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 3.2 – determination of functional currency; and
- Note 7 – classification of joint arrangement.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended November 30, 2013 is included in the following notes:

- Note 4 – acquisition of subsidiaries: fair value measured on the acquired assets and liabilities;
- Note 6 – impairment testing: key assumptions underlying the recoverable amounts;
- Note 9 – valuation of recoverability of other receivables;
- Note 12 – recognition and measure of provisions and contingencies;
- Note 14 – valuation input and forfeiture rates used in calculation of share-based compensation; and
- Note 17 – recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used.

3.22 *Changes in accounting policy and disclosures*

The accounting policies adopted are consistent with those of the previous financial year.

There are no new and amended standards and interpretations that impact either the financial position, financial results, disclosures or stated accounting policies of the Company.

3.23 *Standards issued but not yet effective*

At the date of approval of the consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective. The standards, amendments and interpretations issued, which the Company reasonably expects to be applicable at a future date, are listed below. The Company intends to adopt those standards, amendments and interpretations when they become effective. The Company expects no material impact from the adoption of these standards, amendments and interpretations on its financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to January 1, 2015. The Company is in the process of evaluating the impact of the adoption of the new standard.

IFRS 10 Consolidated Financial Statements

IFRS 10 establishes control as the basis for an investor to consolidate its investees; and defines control as an investor's power over an investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor's returns through its power over the investee. It replaces SIC-12 – Consolidation – Special Purpose Entities and the requirements relating to consolidated financial statements in IAS 27 – Consolidated and Separate Financial Statements. This standard becomes effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact of the adoption of the new standard.

IFRS 11 Joint Arrangements

IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. 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 venturer recognizes its investment in a joint arrangement using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact of the adoption of the new standard.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a new standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purposes vehicles and other off balance sheet vehicles. The standard becomes effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact of the adoption of the new standard.

IFRS 13 Fair Value Measurement

IFRS 13 establishes new guidance on fair value measurement and disclosure requirements. It requires entities to disclose information about the valuation techniques and inputs used to measure fair value. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact of the adoption of the new standard.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact of the adoption of the new standard.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after January 1, 2013. The Company is in the process of evaluating the impact of the adoption of the new standard.

IFRIC 21 Levies

IFRIC 21 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. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, with early application permitted. The Company is in the process of evaluating the impact of the adoption of the new standard.

4. Acquisitions

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. BGC, through its subsidiaries, owns a 100% interest in the São Jorge gold project, the Surubim gold project, the Batistão gold project, the Santa Julia gold project, a 75% interest in the Rea uranium project, and an 84.05% interest in the Boa Vista gold project.

The Company has determined that these transactions are related together (the "BGC Acquisition") and together represents an asset acquisition with the Company identified as the acquirer.

The tables below present the purchase cost and the allocation of the purchase price with respect to the valuation of individual asset groups and determination of tax values of the assets and liabilities acquired. For the purpose of these consolidated financial statements, the purchase consideration has been allocated to the fair value of assets acquired and liabilities assumed, based on management's best estimates and all available information at the time of the BGC Acquisition.

	Notes	Purchase Price Consideration (\$)
17,820,182 BRI Shares (issued)		12,830,531
243,974 BRI Shares to settle deferred compensation and directors fees (issued)	21	175,661
193,500 BRI Shares to settle BGC shares issuance obligation (of which 64,500 BRI Shares issued)	7	139,320
Transaction costs		316,899
Total		13,462,411

	Notes	Purchase Price Allocation (\$)
Assets		
Cash		14,926
Other receivables		50,284
Prepaid expenses and deposits		14,671
Available-for-sale securities		20,000
Equipment		62,478
Exploration and evaluation assets		12,689,601
Investment in joint venture	7	1,655,615
		14,507,575
Liabilities		
Accounts payable and accrued liabilities		530,807
Provisions	12	514,357
Net assets acquired		13,462,411

5. Equipment

	Computer Equipment (\$)	Exploration Equipment (\$)	Furniture and Fixtures (\$)	Leasehold Improvement (\$)	Vehicles (\$)	Total (\$)
Cost						
Balance at November 30, 2011	39,718	-	20,093	1,447	-	61,258
Additions	28,322	28,367	8,686	-	21,784	87,159
Balance at November 30, 2012	68,040	28,367	28,779	1,447	21,784	148,417
Additions	20,362	24,084	27,468	-	7,018	78,932
Balance at November 30, 2013	88,402	52,451	56,247	1,447	28,802	227,349
Accumulated Depreciation						
Balance at November 30, 2011	4,231	-	1,674	302	-	6,207
Depreciation for the year	15,517	946	4,309	723	727	22,222
Balance at November 30, 2012	19,748	946	5,983	1,025	727	28,429
Depreciation for the year	23,176	5,995	7,053	422	4,356	41,002
Balance at November 30, 2013	42,924	6,941	13,036	1,447	5,083	69,431
Net Book Value						
At November 30, 2012	48,292	27,421	22,796	422	21,057	119,988
At November 30, 2013	45,478	45,510	43,211	-	23,719	157,918

6. Exploration and Evaluation Assets

	For the year ended November 30,	
	2013 (\$)	2012 (\$)
Balance at the beginning of year	11,360,781	188,038
Mineral properties acquired	12,741,336	11,355,278
Mineral property option payment	173,901	186,000
Mineral rights acquired	-	1,376
	24,276,018	11,730,692
Foreign currency translation adjustments	(399,396)	(369,911)
Write-off of exploration and evaluation assets	(68,820)	-
Balance at the end of year	23,807,802	11,360,781

During the year ended November 30, 2013, the Company renounced 140,372 hectares of a total of 198,068 hectares of the Apa High gold project located in Concepcion State, Paraguay (the "Apa High"), with acquisition costs of \$68,480, and abandoned a mineral property with acquisition costs of \$340 located in Brazil. As a result, a write-off of exploration and evaluation assets of \$68,820 was recorded in the consolidated statement of comprehensive loss of the Company. No impairment loss was recorded for the year ended November 30, 2012.

Exploration and evaluation assets on a project basis are as follows:

	November 30, 2013 (\$)	November 30, 2012 (\$)
Cachoeira	10,603,607	10,935,205
São Jorge	9,000,672	-
Surubim	3,197,616	-
Batistão	404,358	-
Montes Áureos and Trinta	308,300	238,956
Artulândia	158,831	70,528
Apa High	30,637	98,400
Other Exploration and Evaluation Assets	103,781	17,692
Total	23,807,802	11,360,781

The Company's exploration and evaluation assets are detailed below:

Cachoeira

On September 24, 2012 (the "Cachoeira Closing Date"), 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, as amended effective September 24, 2013 (the "Cachoeira Agreement"), pursuant to which Brazil Resources acquired all of the issued and outstanding shares of BRI International Corp. (formerly Luna Gold (International) Corp.).

The Company paid \$500,000 cash and issued 1,428,000 BRI Shares (with fair value of \$1,685,040) to Luna at the Cachoeira Closing Date (the "1st Payment"). On September 23, 2013, the Company issued additional 1,214,000 BRI Shares (with fair value of \$1,432,520) to Luna (the "2nd Payment"). Pursuant to the Cachoeira Agreement (as amended), the following additional payments are to be made by the Company to Luna:

- \$300,000 cash plus an amount equal to interest accrued on such amount at a rate per annum equal to 12% from September 24, 2013 by the earlier of: (i) September 24, 2014; and (ii) ten business days after the Company completes one or more equity financings for aggregate gross proceeds of at least \$5 million after September 24, 2013 (the "3rd Payment") (paid January 2014 including interest, Note 21);
- \$300,000 cash and 1,214,000 BRI Shares within 30 days of receipt of approval of a mine development plan by the Brazilian National Department of Mining Production ("DNPM") and the environmental preliminary licenses for a gold mining operation relating to the Cachoeira Project (the "4th Payment");
- \$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 (the "5th Payment"); 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 (the "6th Payment").

Notwithstanding the foregoing milestones, all of the payments from the Company to Luna will become due and payable four years after the Cachoeira Closing Date. 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. The Company's payment obligations are evidenced by a promissory note issued by the Company to Luna, containing customary events of default and acceleration provisions, and are secured by security interests granted by the Company and its subsidiaries to Luna against, among other things, interests in the Cachoeira Project and the shares of the subsidiaries to be acquired under the Cachoeira Agreement.

Brazil Resources Inc.

(An exploration stage company)

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars unless otherwise stated)

November 30, 2013 and 2012



In addition, the Cachoeira Project is subject to a 4.0% net smelter royalty payable by our subsidiary on future production to third parties. 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.

São Jorge

On June 14, 2010, BGC signed an Option Agreement (the "São Jorge Agreement") to acquire a 100% interest in the São Jorge gold project (the "São Jorge Project") from Talon Metals Corp. ("Talon"). BGC completed all the required payments under the São Jorge Agreement. On November 22, 2013, Brazil Resources acquired a 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 royalty from production on any of the eleven exploration concessions. A net smelter 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 are payable, and can be purchased by the Company for US\$2,500,000. Additionally, 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 royalty can be purchased by the Company for US\$500,000.

The current São Jorge deposit location has a 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.

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 the Option Agreement (the "Jarbas Agreement") on February 11, 2010 and subsequently amended the Jarbas Agreement on January 16, 2011. Under the terms of the Jarbas Agreement (as amended), BGC has the option to pay R\$3,900,000 in six annual installments, until December 17, 2015. BGC paid R\$800,000 before the BGC Arrangement. Pursuant to the Jarbas Agreement (as amended), the following additional option payments are required:

- a cash payment of R\$650,000 before December 17, 2013;
- a cash payment of R\$1,000,000 before December 17, 2014; and
- a cash payment of R\$1,500,000 before December 17, 2015.

The above three remaining optional cash payments are currently being renegotiated (Note 21). Additionally, a 1.3% net smelter royalty is due upon commercial production from any ores extracted from a certain concession. Fifty percent (0.65%) of the net smelter 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 insitu reserve ounces as outlined in a feasibility study completed to Australian Joint Ore Reserves Committee, JORC, or Canadian National Instrument 43-101 ("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. Under the terms of the Altoro Agreement (as amended), BGC is required to pay US\$850,000 to Altoro. BGC paid US\$150,000 before the BGC Arrangement. Pursuant to the Altoro Agreement, the following option payments are to be made by the Company to Altoro:

- a cash payment of US\$100,000 before December 14, 2013 (paid in December 2013);
- a cash payment of US\$650,000 by the later of: (i) December 14, 2014; and (ii) upon DNPM granting a mining concession over the exploration permit.

In addition to the above optional cash payments, Altoro holds a 1.5% net smelter returns 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

On September 30, 2010, the Company entered into the Option and Joint Venture Agreement with Apoio Engenharia e Mineração (the "Montes Áureos Agreement"). Pursuant to the Montes Áureos Agreement, the Company has the option to acquire an initial 51% undivided interest in the Montes Áureos Project over a three year period, from September 30, 2010 to September 30, 2013, (the "Initial Option"), and an additional 46% undivided interest over an additional two year period, from September 30, 2013 to September 30, 2015. On June 20, 2011, the Company amended the terms of the Montes Áureos Agreement by adding the option to acquire Trinta Project for no additional consideration. The Trinta property is subject to the same option terms stipulated in the Montes Áureos Agreement.

The Montes Áureos Project is located within the Gurupi gold belt, a gold-producing area in the Pará and Maranhão states in north-eastern Brazil, comprised of a 4,942 acre exploration license. The 23,643 acre Trinta Project is located approximately 3 kilometers northeast of the Montes Áureos Project.

The Initial Option commitments 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 with fair value of \$104,000); and
 - (c) 100,000 additional BRI Shares on or before September 30, 2013 (issued with fair value of \$80,000);
- (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 (incurred); 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 46% undivided 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 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 Agreement. If such dilution reduces a party's interest below 3%, the interest will convert to a 1.5% net smelter return royalty.

Artulândia

On December 8, 2011, the Company acquired a 100% undivided interest in the 12,000 acre Artulândia Property located in Goiás State, Brazil, through its wholly-owned subsidiary by way of an option (the "Artulândia Option Agreement"). The acquisition was completed by way of payments being made pursuant to terms of the Artulândia Option Agreement: (i) initial payment of R\$100,000; (ii) R\$50,000 within 6 months; and (iii) R\$200,000 within 12 months of the date 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.

Exploration expenses on a project basis were as follows for the periods indicated:

	For the year ended		For the period from incorporation, September 9, 2009, to November 30, 2013
	November 30, 2013	November 30, 2012	November 30, 2013
	(\$)	(\$)	(\$)
Cachoeira	2,153,812	179,935	2,333,747
Montes Áureos and Trinta	56,513	563,965	1,809,871
Artulândia	597,437	654,773	1,252,210
Apa High	57,186	12,498	69,684
Other Exploration Expenses	18,378	30,029	100,009
Total	2,883,326	1,441,200	5,565,521

7. Investment in Joint Venture

As at November 30, 2013, the Company holds an 84.05% interest in Boa Vista Gold Inc. ("BVG") pursuant to the BGC Arrangement. BVG, a corporation formed under the laws of British Virgin Islands, holds the rights to the Boa Vista Gold Project (the "Boa Vista Project").

The Company accounts for its investment in BVG using the equity method since the Company shares joint control over the strategic, financial permitting, development and operating decisions with Octa Mineração Ltda ("Octa"), who holds a 15.95% interest in BVG.

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 BVG. In consideration for D'Gold's 13.05% interest, BGC is required to

issue an aggregate of 1,500,000 BGC common shares over 18 months. At the closing date of BGC Arrangement, BGC had a remaining share issuance obligation of 1,125,000 BGC common shares to D'Gold after 375,000 BGC common shares were issued. Pursuant to the BGC Arrangement, the Company assumed BGC's share issuance obligation at a ratio of 0.172 BRI Share per BGC common share.

Subsequent to the BGC Acquisition closing date of November 22, 2013, 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; 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 dated January 21, 2010, as amended on May 25, 2011, June 24, 2011 and November 15, 2011, a 1.50% net smelter returns royalty is payable to D'Gold and a further 1.50% net smelter returns royalty is payable to Octa if its holdings in BGC drop below 10%. The Company can purchase each 1.50% net smelter returns 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 in March 2014);
- a cash payment of R\$80,000 due on September 5, 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.

8. Cash

	November 30, 2013 (\$)	November 30, 2012 (\$)
Cash consists of:		
Cash at bank and on hand	225,827	5,520,141
Total	225,827	5,520,141

9. Other Receivables

	November 30, 2013 (\$)	November 30, 2012 (\$)
Goods and service and sales tax receivable	81,228	84,324
Other receivables	20,406	7,357
Refundable advance	-	50,000
Total	101,634	141,681

10. Available-for-Sale Securities

Available-for-sale securities are recorded at fair value based on quoted market prices, with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss.

The available-for-sale securities include 1,000,000 shares in Pure Nickel Inc. acquired in the BGC Arrangement with fair value of \$20,000 at November 30, 2013.

11. Accounts Payable and Accrued Liabilities

	As at November 30, 2013 (\$)	As at November 30, 2012 (\$)
Trade payables	975,125	171,186
Accrued liabilities	112,460	80,061
Payroll and tax withholding	69,914	65,304
Total	1,157,499	316,551

12. 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 labor law, if RAC fails to pay the amounts awarded by 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 (\$514,357). As at November 30, 2013, Regent has deposited R\$104,334 (\$47,347) with various Brazilian government agencies as a guarantee related to these labour lawsuits.

13. Long-Term Obligations

All long-term obligations under the Cachoeira Agreement have been reflected as of November 30, 2013. The cash payments due have been discounted using an interest rate of 10%.

	As at November 30, 2013 (\$)	As at November 30, 2012 (\$)
Stated value as at Cachoeira Closing Date	600,000	600,000
Discount	(70,687)	(122,422)
	529,313	477,578
Less: current portion	(300,000)	(272,727)
Net present value	229,313	204,851

14. Share Capital

14.1 Authorized

The authorized share capital of the Company is comprised of an unlimited number of common shares without par value.

14.2 Issued Capital

	Notes	Number of Shares	Amount (\$)
Balance at November 30, 2011		35,166,811	9,246,579
Private Placement @ \$1.10 per share		4,324,136	4,756,550
Share issuance cost		-	(262,673)
Exercise of broker warrants		311,200	256,367
Issued pursuant to the Cachoeira Agreement	6	1,428,000	1,685,040
Issued pursuant to the Montes Áureos Agreement	6	100,000	104,000
Balance at November 30, 2012		41,330,147	15,785,863
Issued pursuant to the Cachoeira Agreement	6	1,214,000	1,432,520
Issued pursuant to the BGC Arrangement	4,7	17,884,682	12,876,971
Issued pursuant to the Montes Áureos Agreement	6	100,000	80,000
Balance at November 30, 2013		60,528,829	30,175,354

14.3 Share Issuance Obligations

	Notes	Share Issuance Obligations (\$)
Balance at November 30, 2011		-
Pursuant to the Cachoeira Agreement:	6	
2 nd Payment to Luna - 1,214,000 BRI Shares @ \$1.18 per share		1,432,520
4 th Payment to Luna - 1,214,000 BRI Shares @ \$1.18 per share		1,432,520
5 th Payment to Luna - \$2,500,000 in cash or BRI Shares		2,500,000
6 th Payment to Luna - \$3,000,000 in cash or BRI Shares		3,000,000
Balance at November 30, 2012		8,365,040
Issued pursuant to the Cachoeira Agreement 2 nd Payment	6	(1,432,520)
Pursuant to the BGC Arrangement:		
Deferred compensation and directors fees – 243,974 BRI Shares @ \$0.72 per share	6	175,661
D'Gold - 129,000 BRI Shares @ \$0.72 per share	7	92,880
Balance at November 30, 2013		7,201,061

14.4 Reserves

	Share Options (\$)	Broker Warrants (\$)	Total (\$)
Balance at November 30, 2011	491,867	54,087	545,954
Issuance of broker warrants	-	(54,087)	(54,087)
Share-based compensation	635,332	-	635,332
Balance at November 30, 2012	1,127,199	-	1,127,199
Share-based compensation	64,137	-	64,137
Balance at November 30, 2013	1,191,336	-	1,191,336

14.5 Broker Warrants

	Number of Broker Warrants	Weighted Average Exercise Price (\$)
Balance at November 30, 2011	311,200	0.65
Exercised	(311,200)	0.65
Balance at November 30, 2012	-	-
Balance at November 30, 2013	-	-

14.6 Share Options

The Company's share option plan (the "Option Plan") was approved by the Board of Directors of the Company (the "Board") on January 28, 2011. Pursuant to the terms of the Option Plan, the Board may designate directors, senior officers, employees and consultants of the Company eligible to receive incentive share options (the "Options") to acquire such numbers of BRI Shares as the Board may determine, each Option so granted being for a term specified by the Board up to a maximum of five years from the date of grant. The options vest in accordance with the vesting schedule during the optionee's continual service with the Company. There are no cash settlement alternatives. The maximum number of BRI Shares reserved for issuance for Options granted under the Option Plan at any time is 10% of the issued and outstanding BRI Shares in the capital of the Company. The Option Plan was affirmed, ratified and approved by the Company's shareholders in accordance with its term at the Annual General Meeting held on November 29, 2013.

The changes in the Options during the years ended November 30, 2013 and 2012 were as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance at November 30, 2011	1,587,500	1.22
Granted	445,000	1.20
Expired/Forfeited	(28,750)	1.20
Balance at November 30, 2012	2,003,750	1.22
Granted	115,000	1.04
Expired/Forfeited	(213,750)	1.06
Balance at November 30, 2013	1,905,000	1.22

The fair value of Options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

	November 30, 2013	November 30, 2012
Risk-free interest rate	1.15%	1.20%
Expected life (years)	2.85	2.85
Expected volatility	87.02%	83.06%
Expected dividend yield	0.00%	0.00%
Estimated forfeiture rate	1.88%	2.21%

During Fiscal Year 2013, the weighted average fair value of Options granted was \$0.57 (2012: \$0.61).

A summary of Options outstanding and exercisable at November 30, 2013:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number of Options Outstanding	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Exercisable	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)
\$0.90 to \$1.15	165,000	1.00	4.03	101,250	0.99	3.98
\$1.16 to \$1.25	1,275,000	1.20	2.86	1,275,000	1.20	2.86
\$1.26 to \$1.40	315,000	1.30	2.66	315,000	1.30	2.66
\$1.41 to \$1.50	150,000	1.50	3.19	150,000	1.50	3.19
	1,905,000	1.22	2.95	1,841,250	1.23	2.91

The fair value of the Options recognized as expense during the year ended November 30, 2013 was \$64,137 (2012: \$635,332) using the Black-Scholes option pricing model.

BRI Shares commenced trading on the TSX-V on May 16, 2011. Due to the short period of trading history, the expected volatility is based on the historical share price volatility of a group of comparable companies in the mining sector for a period similar to the expected life of the options.

15. Capital Risk Management

The Company's objectives are to safeguard the Company's ability to continue as a going concern in order to support the Company's normal operating requirements, continue the development and exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

At November 30, 2013, the Company's capital structure consists of the equity of the Company (Note 14). The Company is not subject to any externally imposed capital requirements. In order to maximize ongoing development efforts, the Company does not pay dividends.

16. Financial Instruments

The Company's financial assets include cash, other receivables and available-for-sale securities. The Company's financial liabilities include accounts payable and accrued liabilities, due to related parties and current and long-term obligations. 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 November 30, 2013, 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 (\$)
Financial Assets				
Cash	225,827	-	-	225,827
Available-for-sale securities	20,000	-	-	20,000
Financial Liabilities				
Due to related parties	-	-	5,289	5,289
Current portion of long-term obligations	-	300,000	-	300,000
Long-term obligations	-	229,313	-	229,313

16.1 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.

16.2 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 November 30, 2013 (\$)	As at November 30, 2012 (\$)
Assets		
United States Dollar	65,318	33,582
Brazilian Real	35,360	153,804
Paraguayan Guarani	3,841	-
Total	104,519	187,386

The following table demonstrates the sensitivity to a 5% change in the exchange rate of the foreign currencies to Canadian dollar on the Company's foreign currency denominated financial instruments based on balances at November 30, 2013 and 2012.

	Effect on loss for the year ended November 30, 2013 Increase/(Decrease) (\$)	Effect on loss for the year ended November 30, 2012 Increase/(Decrease) (\$)
+5%	5,226	9,369
- 5%	(5,226)	(9,369)

16.3 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.

16.4 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 receivable ("GST"), 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 GST and HST receivable includes amounts that have been accumulated to date in the Company. At November 30, 2013, 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.

16.5 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 has sufficient working capital for its present obligations for at least the next twelve months commencing from November 30, 2013. The Company's working capital as at November 30, 2013 was (\$1,550,821). On December 31, 2013, the Company completed a non-brokered private placement (the "Private Placement") of approximately \$6.4 million (Note 21). 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.

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 November 30, 2013 (\$)		As at November 30, 2012 (\$)	
	Due within		Due within	
	1 year	2-5 years	1 year	2-5 years
Account payable and accrued liabilities	1,157,499	-	316,551	-
Due to related parties	5,289	-	7,182	-
Current portion of long-term obligations	300,000	-	272,727	-
Long-term obligations	-	229,313	-	204,851
Total	1,462,788	229,313	596,460	204,851

16.6 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.

17. Income Tax

The Company had no assessable profit for the years ended November 30, 2013 and 2012. A reconciliation of the provision for income taxes computed at the combined Canadian federal and provincial statutory rate to the provision for income taxes as shown in the consolidated statement of comprehensive loss for the years ended November 30, 2013 and 2012 is as follows:

	For the year ended	
	November 30, 2013 (\$)	November 30, 2012 (\$)
Net loss for the year	5,502,012	4,537,369
Statutory rate	25.67%	25.13%
Recovery of income taxes at statutory rates	1,412,366	1,141,551
Non-deductible permanent differences	(884,158)	(673,736)
Income tax rate differences	47,478	(2,327)
Change in benefits not recognized	(593,149)	(520,555)
Change in estimates	15,402	-
Other	2,061	55,067
Tax recovery for the year	-	-

The temporary differences for which deferred income tax assets are not recognized are as follows:

	As at November 30, 2013 (\$)	As at November 30, 2012 (\$)
Non-capital loss carry forward	19,827,290	3,319,122
Mineral properties	8,437,510	253,061
Fixed Assets	9,621	-
Investments	1,030,000	-
Share issue costs	620,754	393,112
Cumulative eligible capital	102,024	96,608
Unrecognized deferred income tax assets	30,027,199	4,061,903

The deferred tax assets have not been recognized in the consolidated financial statements, as management does not consider it more likely than not those assets will be realized in the near future.

As at November 30, 2013, the Company has a taxable temporary difference of \$1,530,280 relating to exploration and evaluation assets, as a result of the BGC Acquisition (Note 4) which was accounted for as an asset acquisition and not a business combination. Any deferred income tax liabilities arising from the taxable temporary difference have not been recognized under the Initial Recognition Exception rule of IFRS.

The Company has non-capital losses which may be carried-forward to reduce taxable income in future years. The non-capital losses in Canada will expire as follows:

	As at November 30, 2013 (\$)	As at November 30, 2012 (\$)
Year 2014	549,000	-
Year 2026	901,000	-
Year 2027	284,000	-
Year 2028	1,760,000	-
Year 2029	1,547,000	2,000
Year 2030	1,294,000	320,000
Year 2031	3,474,000	1,117,000
Year 2032	3,686,000	1,880,000
Year 2033	4,388,000	-
Total	17,883,000	3,319,000

Upon acquisition of BGC, the non-capital loss carry-forward balance of approximately \$12,344,000 arose from BGC may be restricted due to Canadian acquisition of control rules and other tax return adjustments as a result of the BGC's previous years' operations in the taxation years that the non-capital losses arose.

The Company has non-capital losses in Brazil carried-forward balance of approximately \$1,944,000 (2012: \$nil) that are available indefinitely to carry forward against future taxable income of the subsidiaries in which the losses arose. Deferred tax assets have not been recognized in respect of those losses as there is no certainty of taxable income in the future in the subsidiaries in which the losses arose.

18. Related Party Transactions

18.1 Related Party Transactions

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

- During the year ended November 30, 2013, the Company incurred \$48,000 (2012: \$8,000) in consulting fees for corporate development consulting services paid to a direct family member of a director. The fees paid were for 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 November 30, 2013, \$4,200 was payable to such related party (2012: \$nil).
- During the year ended November 30, 2013, the Company incurred \$10,416 (2012: \$36,330) 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 fees paid were commensurate to fees charged to the company's other clients for similar services provided. As at November 30, 2013, \$1,089 was payable to such related party (2012: \$7,182).

Related party transactions are entered into based on normal market conditions at the amounts agreed to by the parties. As at November 30, 2013, the Company has not entered into any contracts or undertaken any commitment or obligation with any related parties other than as disclosed herein.

18.2 Transactions with Key Management Personnel

	For the year ended	
	November 30, 2013	November 30, 2012
	(\$)	(\$)
Fees, salaries and benefits ⁽¹⁾	199,755	162,618
Share-based compensation	-	74,746
Total	199,755	237,364

(1) Total directors' fees, salaries and benefits of \$749,582 disclosed on the consolidated statement of comprehensive loss for the year ended November 30, 2013 includes \$199,755 paid to the Company's Chief Executive Officer and Chief Financial Officer, \$252,000 in fees paid to the Company's directors, and \$297,827 paid for employees' salaries and benefits. Total directors' fees, salaries and benefits of \$598,604 disclosed on the consolidated statement of comprehensive loss for the year ended November 30, 2012 includes \$162,618 paid to the Company's Chief Executive Officer and Chief Financial Officer, \$158,250 in fees paid to the Company's directors, and \$277,736 paid for employees' salaries and benefits.

Total compensation payable, including share-based compensation, to key members of management and directors in the year ended November 30, 2013 was \$199,755 (2012: \$237,364). 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.

19. Segmented Information

The Company conducts its business as a single operating segment, being the acquisition, exploration and development of mineral properties.

The Company operates in three principal geographical areas – Canada (country of domicile), Brazil and Paraguay. The Company's total assets, total liabilities and operating loss by geographical location are detailed below for the years ended November 30.

	Total assets		Total liabilities		Operating loss	
	2013	2012	2013	2012	2013	2012
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Canada	334,168	5,613,920	1,423,155	647,690	2,364,109	2,631,894
Brazil	25,614,237	11,552,080	745,196	151,182	3,037,293	1,993,294
Paraguay	99,254	134,152	38,107	2,439	126,144	12,805
	26,047,659	17,300,152	2,206,458	801,311	5,527,546	4,637,993

20. Commitments

In addition to the Cachoeira Agreement, São Jorge Agreement, Jarbas Agreement, Altoro Agreement, Montes Áureos Agreement and Artulândia Option Agreement (note 6), as at November 30, 2013, the Company is renting or leasing various offices located in Canada and Brazil with total monthly payments of \$10,352. Office lease agreements expire between January 2014 to October 2014.

21. Subsequent Events

On December 6, 2013, following the completion of its acquisition of BGC, the Company has issued an aggregate of 243,974 BRI Shares at a deemed price of \$0.78 per share, to certain former senior officers, directors and consultants of BGC in full and final satisfaction of deferred compensation and directors fees amounting to approximately \$190,000.

On December 31, 2013, the Company announced the successful completion of the Private Placement of 11,650,620 units of the Company (each, a "Unit") at \$0.55 per Unit for aggregate gross proceeds of approximately \$6.4 million, with each Unit consisting of one BRI Share and one share purchase warrant (each, a "BRI Warrant"). Each BRI Warrant will entitle the holder thereof to purchase one BRI Share of the Company at an exercise price of \$0.75 at any time within 60 months from the closing date, subject to acceleration in certain circumstances in accordance with the terms of the warrant indenture governing the Warrants. The Units, BRI Shares and BRI Warrants issued under the Private Placement are subject to a hold period expiring on May 1, 2014 in accordance with the rules and policies of the TSX-V and applicable Canadian securities laws and such other further restrictions as may apply under foreign securities laws.

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.

On January 10, 2014, the Company paid \$306,000 to Luna pursuant to the Cachoeira Agreement (as amended).

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 in March 2014);
- 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.

Original terms of the Jarbas Agreement are disclosed in Note 6 of these financial statements.