

BRAZILIAN DIAMONDS LIMITED
(“Brazilian Diamonds” or “the Company”)

HALF YEAR RESULTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2009

The continuing uncertainty in international capital markets has had a demonstrable and negative impact on the ability of junior resource exploration companies to finance their activities. As at June 30, 2009, the Company has a net working capital deficiency. In order to manage liquidity requirements, the Company is reviewing its plans for future activities which may require the further sale or disposal of assets, the relinquishment of exploration licenses, suspension or termination of exploration activities and/or the search for joint venture partners as part of a rationalisation plan to meet the challenges posed by this difficult environment. The Company is waiting for the completion of the sale of its wholly owned subsidiary, Cobre Sul Mineracao Ltda., subsequent to the quarter end.

To conserve its cash reserves, the Company’s projects are currently on care and maintenance.

The Company remains encouraged by the publication of the Brazilian Government’s inter-departmental deliberations over the finalization of permanent boundaries for the Serra da Canastra National Park which is located in proximity to the Canastra 1 project and the progress made with respect to the passage of this legislation. A draft bill (Projeto de Lei # 1448/2007) was submitted in June 2007 to the Brazilian Congress which excludes the Company’s projects in the Serra da Canastra region from any new proposed National Park boundary. The draft bill was approved by the Camara dos Deputados (Lower House) on October 29, 2008 and has moved to the Senado (Upper House) for final approval which is expected during 2009. The Company has renewed the Canastra mineral licenses and is maintaining them in good standing while waiting for the trial mining permits. The Company hopes to commence trial mining at its Canastra 1 project once the bill has final approval. To conserve cash reserves, the projects in the Serra da Canastra region have been placed on care and maintenance.

The Company has kept its mineral licenses in the Santo Antonio do Bonito River region in good standing and the Company hopes to continue work on the project in the future. To conserve cash reserves, the Santo Antonio do Bonito River project has been placed on care and maintenance.

Only the Regis and Tucano mineral licenses in the Patos de Minas region have been renewed and maintained in good standing. To conserve cash reserves, the Patos de Minas projects have been placed on care and maintenance.

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Introduction

The following discussion of performance and financial condition should be read in conjunction with the interim consolidated financial statements of the Company for the six months ended June 30, 2009. The Company's financial statements are prepared in accordance with Canadian GAAP. The accounting policies followed by the Company are set out in note 3 to the audited consolidated financial statements. The Company's reporting currency is Canadian dollars. The date of this Management's Discussion and Analysis is August 24, 2009.

Description of Business

Brazilian Diamonds Limited (the "Company") is a development stage resource company currently engaged in the acquisition, exploration and development of kimberlite and alluvial diamond properties in Brazil. The Company holds 23,107 hectares of alluvial and kimberlite exploration properties in the Paranaíba and Santo Antonio do Bonito River Basins and the Patos de Minas region as well as over 51,328 hectares of prospective exploration properties in the Serra da Canastra Kimberlite Province including the advanced stage diamondiferous Canastra 1 kimberlite pipe.

The Company's head office is located in Belo Horizonte, Brazil and the corporate office is located in Vancouver British Columbia, Canada. Exploration headquarters are located in Patos de Minas, Brazil.

The Company is a reporting issuer in Ontario and British Columbia, Canada and its common shares trade on the TSX Venture Exchange and Alternative Investment Market ("AIM") of the London Stock Exchange under the symbol **BDY**.

Corporate Developments

As at June 30, 2009, the Company owes \$142,000 (June 30, 2008 - \$Nil) to Itapiruba Internacional Ltda., a subsidiary company of Hamilton Capital Partners Limited and Kenneth Judge (director), with accrued interest based on the monthly interest of the standard Brazilian CDB bank rate for Banco Itau payable on demand.

On June 22, 2009 at the close of market, the Company's shares were delisted from the TSX. The Company's shares commenced trading on the TSX Venture Exchange at the opening of the market on June 23, 2009 under the trading symbol "BDY".

On April 22, 2009, the Company announced the signing of formal contracts for the sale of the Company's wholly owned subsidiary, Cobre Sul Mineracao Ltda., through which the Company holds the Santo Antonio do Bonito alluvial diamond project to third parties for \$968,000 (\$750,000 USD). A pink diamond valued at \$398,000 (\$350,000USD) was received June 17, 2009 as payment for the first installment. The Company is in the process of selling the pink diamond. At the election of the purchasers, the balance of \$516,000 (\$400,000 USD) may be paid in polished diamonds to be independently valued in New York, USA and then delivered to the Company by July 15, 2009 or in cash. As at August 24, 2009, the balance of \$516,000 (\$400,000 USD) was outstanding. The Company is in discussion with the purchasers to ensure the sale will be completed as soon as possible.

On April 22, 2009, the Company announced the signing of formal contracts for the sale of the Patos de Minas laboratory and associated plant and equipment to third parties for \$452,000 (\$350,000 USD) payable in cash. A non-refundable deposit of \$14,000 (\$11,000 USD) was received on March 24, 2009. On May 5, 2009, the Company received a deposit of \$197,000 (\$168,000 USD). The balance of payment was received in June 2009.

Discussion of Operations

Current Year Activity

Amounts have been restated to conform to a change in accounting policy and also a restatement due to the retroactive treatment of future income taxes within other comprehensive income as set out in EIC 172. See “Changes in Accounting Policies” or note 2 of the audited consolidated financial statements for the year ended December 31, 2008.

Change in accounting policy and restatement regarding exploration costs:

	December 31, 2008 \$	Write-down \$	June 30, 2009 \$
Coromandel	792	-	792
Serra da Canastra	700	-	700
Total	1,492	-	1,492

	(Restated- note 2) December 31, 2007 \$	Write-down \$	December 31, 2008 \$
Coromandel	1,585	(793)	792
Patos de Minas	312	(312)	-
Serra da Canastra	1,400	(700)	700
Salvador 1	466	(466)	-
Total	3,763	(2,271)	1,492

During the period ended June 30, 2009, the Company focused on reorganizing activities and on care and maintenance of its properties.

Salvador 1

Salvador 1 Kimberlite Testing

The Salvador 1 kimberlite is a six hectare body partly exposed beneath the sands and gravels of an old alluvial diamond mine in central Bahia State, Brazil. The testing of the Salvador 1 kimberlite has involved the excavation of a number of pits, with each pit designed to extract approximately 1,300 tonnes of kimberlite from different parts of the kimberlite pipe.

Extraction began in the last quarter of 2007 and continued through to September 2008. The kimberlite is multiphase with as many as six kimberlite rock types identified in Pit 1, therefore providing numerous challenges in evaluation process.

Processing of the kimberlite samples began in December 2007 using a processing plant consisting of a primary disaggregation rotary pan, followed by x-ray flowsort and grease table for the recovery of diamonds. The processing plant has recently been augmented with a roll crusher to better handle harder kimberlite fragments, however, sample treatment remained slower than excavation.

Quality control and quality assurance of this evaluation process was undertaken at the Company's certified ISO 17025 indicator mineral processing laboratory on Patos de Minas, where concentrates were re-examined for diamonds that may not have been recovered in processing by the on-site plant.

By September 2008, the Company completed field operations at its pit sample evaluation of the Salvador 1 kimberlite pipe. The Company excavated three pits from 8 to 11m deep and processed the extracted kimberlite in a plant built on-site. In addition, the Company completed drill holes and conducted

microdiamond tests to identify potentially higher grade zone. Kimberlite weighing 603.5 tonnes from Pit 1 yielded 12.44 carats of diamonds, demonstrating that the pipe is diamondiferous although with a low abundance in the portion tested. Preliminary results from 402 tonnes of kimberlite extracted from Pit 3 yielded 10.44 carats of diamonds. Additional kimberlite, mostly from the second and third pits has been shipped to the Company's mineral processing laboratory in Patos de Minas, Brazil for final diamond processing and quality control tests following initial processing steps on-site. All field equipment was moved to the Santo Antonio do Bonito project site in Minas Gerais State where the Company was investigating the possibility of re-starting operations.

Salvador 1 Alluvial Sand and Gravel Testing

Concurrent with the kimberlite sampling and processing at Salvador 1, a separate processing plant was used to recover diamonds from the sands and gravels overlying the Salvador 1 kimberlite. Approximately 2,300 tonnes of sands and gravels were processed through the jig plant, yielding 78.93 carats. The two largest recovered diamonds weighed 3.15 and 2.65 carats respectively. The shallow overlying alluvial sands and gravels are enriched in diamond content compared to the kimberlite, although the volumes are smaller. The confirmation of a diamondiferous kimberlite feeding the alluvial deposits of central Bahia has positive implications for further exploration within the Company's extensive land position and database for the region.

At December 31, 2008, the Company had assessed the recoverability of its Salvador 1 project and had recorded an asset impairment of \$466,000. The Company had closed down its testing programs and it is unlikely that the relevant mineral licenses will be renewed. To conserve cash reserves, the Salvador 1 project is on care and maintenance.

Coromandel Region

Santo Antonio do Bonito River

In 2008, all field equipment was consolidated at the Santo Antonio do Bonito project site in Minas Gerais State, where the Company was investigating the possibility of re-starting operations.

As at December 31, 2008, the Company had assessed the recoverability of its Santo Antonio do Bonito River project and determined that no impairment was required as the project was written down to \$nil. The Company has kept its mineral licenses in good standing and hopes to continue work on the project in the future. To conserve cash reserves, the Santo Antonio do Bonito River project is on care and maintenance.

Santo Antonio do Bonito Alluvial Diamond Mining Joint Venture

In 2008, the Company's joint venture partners made a decision to defer the next phase of studies with regards to developing a large scale, dredge based mining operation on the Santo Antonio do Bonito alluvial project.

As at December 31, 2008, the Company had assessed the recoverability of its Santo Antonio do Bonito alluvial mining project and had recorded an impairment of \$793,000. The fair value of the mineral properties of Cobre Sul Mineração Ltda. was written down to reflect the sale proceeds subsequent to the period ending June 30, 2009.

Patos de Minas

As at December 31, 2008, the Company had assessed the recoverability of its project in Parima and had recorded an impairment of \$312,000. Only the Regis and Tucano mineral licenses in the Patos de Minas region have been renewed and maintained in good standing. To conserve cash reserves, the Patos de Minas projects are on care and maintenance.

Serra da Canastra

The issue of permits to commence trial mining of the Canastra 1 pipe has been delayed until a dispute surrounding a possible extension of the nearby Serra da Canastra National Park boundary is resolved. New legislation was submitted to the Brazilian Camara of Deputies (Lower House) in June 28, 2007 which proposed the creation of a new park boundary but excluded the Canastra 1 and nearby Canastra 1 trend. This new legislation was approved on October 29, 2008 and the bill will now proceed to the Senate (Upper House) for final approval which is expected during 2009.

The Company had assessed the recoverability of its project in the Serra da Canastra region and had recorded an asset impairment of \$700,000 at December 31, 2008. All Canastra mineral licenses have been renewed and maintained in good standing while the Company is waiting for the trial mining permits. The Company hopes to commence trial mining at its Canastra 1 project once approved. To conserve cash reserves, the Serra da Canastra region projects are on care and maintenance.

Historical Information

Following the acquisition of several mineral exploration databases from De Beers, the Company has access to the accumulated results of more than 30 years of exploration activity in the Canastra, Santo Antonio do Bonito and Patos de Minas regions in Minas Gerais and the Chapada Diamantina region in Bahia. Included within the Canastra data set are indicator mineral samples, microprobe chemical analyses, and 19,000 line kilometres of proprietary airborne geophysics covering the entire region. De Beers has also provided details about 35 known kimberlite occurrences and the results of ground geophysics within the Canastra region. The Chapada Diamantina data set, acquired in September 2006 from De Beers, includes 194,120 line kilometres of airborne geophysics, indicator mineral samples, microprobe analysis and mineral licenses covering the Salvador 1 kimberlite body plus five other kimberlites.

This data complements an already significant database the Company previously acquired as a result of the purchase of De Beers' Brazilian subsidiary Mineracao do Sul in August 2002. That acquisition also included 40,000 hectares of mineral claims in the Canastra area and the Canastra 1 kimberlite for which licenses are being sought to commence trial mining. The licencing process has been complicated by the potential expansion of a nearby National Park. Although there is every indication that a licence will be granted to mine Canastra 1, it is not possible to accurately estimate the timetable for such a grant. While the Company continues to work with various ministries of the Brazilian federal government in an effort to hasten the process for the license grant, the Company has been concentrating the majority of its exploration activity and resources on its other prospective projects outside the Canastra Region.

The Company has assessed the recoverability of its data sets and has recorded an asset impairment of \$1,583,000. The Canastra data set has value as long as the project continues. All Canastra mineral licenses have been renewed and maintained in good standing while the Company is waiting for trial mining permits.

During the past four years, the Company has committed significant resources evaluating kimberlite targets in the Santo Antonio do Bonito River Basin and Patos de Minas regions and subject to the availability of financing, this is set to remain a part of the Company's activities.

Salvador 1, Bahia

In 2007, the Company collected 6 replicate samples totaling 6 tonnes from the Salvador 1 kimberlite in an attempt to confirm results from a smaller (580 kg) sample taken in 2006. In total, 111 diamonds were recovered from these new samples which together with original sample tallied 120 diamonds. Preparations began in the third quarter of 2007 for the collection of six much larger samples of approximately 650 m³ each from different parts of the Salvador 1 kimberlite in order to better assess its diamond potential. Excavation of the first pit was completed in the fourth quarter and excavation of the

second and third pits were started. Results from the first of the bulk sample pits identified at least six different kimberlitic rock types or “phases”.

At December 31, 2008, the Company has assessed the recoverability of its Salvador 1 project and has recorded an asset impairment of \$466,000. The Company has closed down its testing programs and the mineral licenses will not be renewed. To conserve cash reserves, the Salvador 1 project has been placed on care and maintenance.

Serra da Canastra, Minas Gerais

The Company is awaiting final approval before commencing the environmental licensing process for the development of the Canastra 1 kimberlite body for which mine feasibility work has already been completed and the required Mines Department approvals are already in place. The Company hopes to bring Canastra 1 into production once the environmental licensing process is completed.

The Company has assessed the recoverability of its project in the Serra da Canastra region and has recorded an asset impairment of \$700,000. All Canastra mineral licenses have been renewed and maintained in good standing while the Company is waiting for the trial mining permits. The Company expects to commence trial mining at its Canastra 1 project once approved. To conserve cash reserves, the Serra da Canastra region projects has been placed on care and maintenance.

Coromandel – San Antonio do Bonito River

As at December 31, 2008, the Company has assessed the recoverability of its Santo Antonio do Bonito River project and determined that no impairment was required as the amounts were insignificant. The Company has kept its mineral licenses in good standing and expect to continue work on the project in the future.

Coromandel, Minas Gerais - San Antonio do Bonito Alluvial Diamond Mining Joint Venture

The Company with its Joint Venture partners assessed various alternatives for the possible development of one or more alluvial mining operations at the Santo Antonio do Bonito alluvial project. These options included large scale dredging operations on the broader river flat areas along the Santo Antonio do Bonito river as well as a smaller scale operation on what are considered to be highly prospective but narrower river terrace areas. As at September 30, 2008, the Joint Venture partners have made a decision to defer the next phase of studies. The Company has agreed to sell the mineral properties in the Santo Antonio do Bonito which were contained alluvial resources and its assets to a third party subsequent during the period ended June 30, 2009.

Patos de Minas, Minas Gerais

As at December 31, 2008, the Company has assessed the recoverability of its project in Parima and has recorded an impairment of \$312,000. Only the Regis and Tucano mineral licenses in the Patos de Minas region have been renewed and maintained in good standing. To conserve cash reserves, the Patos de Minas projects have been placed on care and maintenance.

Financial Performance

Second Quarter

The loss for the three months ended June 30, 2009 was \$248,000 as compared to a loss of \$1,071,000 (restated) for the same period last year. The decrease in losses over the same period last year is due mainly to a decrease in exploration costs of \$699,000, amortization expenses of \$43,000 and corporate administrative services of \$21,000. Increase in expenses over same period last year is due mainly to an

increase in office costs of \$43,000 and foreign exchange loss of \$70,000. The Company also recognized a gain on sale of assets of \$150,000.

Cash and cash equivalent balances increased by \$75,000 to \$84,000 at June 30, 2009. At June 30, 2009, the Company had a working capital deficiency \$560,000 (2008 – net working capital of \$1,041,000).

Year-to-date

The loss for the six months ended June 30, 2009 was \$603,000 as compared to a loss of \$2,055,000 (restated) for the same period last year. The decrease in losses over the same period last year is due mainly to a decrease in exploration costs of \$1,319,000, amortization expenses of \$117,000, regulatory expenses of \$29,000, investor relations of \$51,000 and travel expenses of \$23,000. Increase in expenses over same period last year is due mainly to an increase in office costs of \$60,000 and foreign exchange loss of \$78,000. The Company also recognized a gain on sale of assets of \$156,000.

Cash and cash equivalent balances increased by \$1,000 to \$84,000 at June 30, 2009. At June 30, 2009, the Company had a working capital deficiency \$560,000 (2008 – net working capital of \$1,041,000).

Results of Operations

Summary of Quarterly Results

The table below present's selected financial data for the Company's eight most recently completed quarters. Amounts have been restated to conform to a change in accounting policy. See "Changes in Accounting Policies" or note 2 of the audited consolidated financial statements for the year ended December 31, 2008.

(\$000)	June 30, 2009	Mar.31, 2009	Dec.31, 2008	Restated Sept.30, 2008	Restated June 30, 2008	Restated Mar.31, 2008	Restated Dec.31, 2007	Restated Sept.30, 2007
Financial results								
Net loss(income) for period	248	1,065	355	1,065	4,845	1,065	1,071	984
Comprehensive (income) loss	(22)	(34)	(28)	231	120	367	(9)	317
Basic and diluted loss (income) per hare	0.00	0.00	0.02	0.01	0.00	0.01	0.01	0.01
Exploration costs	107	89	272	666	806	709	1,000	554
Balance sheet data								
Cash and short term deposits	84	226	9	226	83	226	1,039	701
Resource properties	1,492	1,492	1,492	3,763	3,763	3,763	3,763	3,763
Total assets	3,030	2,857	2,945	7,505	8,730	8,539	8,835	9,015
Shareholders' equity	1,671	1,897	2,218	7,035	8,337	8,064	8,395	8,395

Selected Annual Information

The following financial data has been prepared in accordance with Canadian generally accepted accounting principles in Canadian currency: Amounts have been restated to conform to a change in accounting policy. See "Changes in Accounting Policies" or note 2 of the audited consolidated financial statements for the year ended December 31, 2008.

(\$000)	Year ended December 31, 2008	Restated Year ended December 31, 2007	Restated Year ended December 31, 2006
Financial results			
Net loss for period	7,773	3,883	15,957
Other comprehensive loss	690	1,037	-
Basic and diluted loss per share	0.04	0.03	0.11
Exploration costs	2,453	3,029	3,606
Balance sheet data			
Cash and cash equivalents	83	456	4,514
Mineral properties	1,492	3,763	3,763
Total assets	2,945	8,835	13,568
Shareholders' equity	2,218	8,395	11,881

Liquidity and Capital

The Company does not currently own or have an interest in any producing mineral properties and does not derive any revenues from operations. The Company's activities have been funded through equity financing and loans from companies associated with two of the Directors of the Company. While the Company remains optimistic that it will continue to be able to utilize these sources of financing until it develops cash flow from operations, there can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of finance cannot be obtained, then the Company will attempt to curtail its activities to a level for which funding is available or can be obtained.

Most of the capital equipment for operations at Canastra 1 has already been acquired and is included as part of resource properties. The Company has minimal operating lease commitments (refer to Contractual Commitments).

For the three months ended June 30, 2009, the Company incurred a net loss of \$248,000 (June 30, 2008 - \$1,071,000 (restated)). For the six months ended June 30, 2009, the Company incurred a net loss of \$603,000 (June 30, 2008 - \$2,055,000 (restated)). At June 30, 2009, the Company had a net working capital deficiency of \$560,000 (June 30, 2008 – net working capital of \$1,041,000). The Company is waiting for the completion of the sale of its wholly owned subsidiary, Cobre Sul Mineracao Ltda, through which the Company holds the Santo Antonio do Bonito alluvial diamond projects for gross proceeds of approximately \$1.0 million.

The Company's ability to continue as a going concern is dependent upon its ability to fund its ongoing operating costs and exploration and development of mineral properties. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

Subsequent Events

On April 22, 2009, the Company announced the signing of formal contracts for the sale of the Company's wholly owned subsidiary, Cobre Sul Mineracao Ltda., through which the Company holds the Santo Antonio do Bonito alluvial diamond project to third parties for \$968,000 (\$750,000 USD). A pink diamond valued at \$398,000 (\$350,000USD) was received June 17, 2009 as payment for the first installment. The Company is in the process of selling the pink diamond. At the election of the purchasers,

the balance of \$516,000 (\$400,000 USD) may be paid in polished diamonds to be independently valued in New York, USA and then delivered to the Company by July 15, 2009 or in cash. As at August 24, 2009, the balance of \$516,000 (\$400,000 USD) was outstanding. The Company is in discussion with the purchasers to ensure the sale will be completed as soon as possible.

Contractual Commitments

Except as outlined below, the Company has no other contractual commitments.

	2009	2010	2011	Total
Photocopier leases	\$ 4	\$ 9	\$ 1	\$ 14

Off Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements.

Transactions with Related Parties

During the period June 2009 and 2008, the Company entered into the following transactions with related parties:

	2009 \$	2008 \$
HRG Management Ltd. – Kenneth Judge (director), Stephen L. Fabian (director), Kerry Beamish (CFO) (note (a))		
Paid or accrued contractual service costs (note (a))	49,000	109,000
Deposits made (note (c))	44,000	81,000
Hamilton Capital Partners Limited (“HCPL”) – Kenneth Judge (director)		
Accrued consulting fees and office rent	83,000	87,000
Sale of Hidefield shares	-	185,000
Massif Limited – Stephen L. Fabian		
Accrued management fees - (note (d))	73,000	60,000
Lang Michener – David Cowan (partner)		
Paid or accrued legal fees - (note (e))	7,000	11,000
Itapiruba Internacional Ltda. - subsidiary of HCPL		
Related party demand loan and interest payable (note (h))	142,000	-

- a) The Company pays a monthly corporate administration fee of approximately \$13,400 (January 2009 - \$18,400) before any reimbursements (2008 - \$17,000) that includes office rent, administration, accounting, corporate secretarial, chief financial officer, investor relations and other related services to HRG Management Ltd. (“HRG”). HRG is a management company that provides shared office space and staff to certain other public companies on a cost recovery basis. The Company shares directors and officers in common with HRG. The agreement can be terminated by either party with ninety days written notice. Kenneth Judge and Stephen L. Fabian are both directors of HRG. Kerry Beamish is the CFO of HRG. During the six months ended June 30, 2009, the Company paid or accrued contractual services of \$49,000 (2008 - \$109,000) to HRG after reimbursements of \$25,000 for investor relations and \$11,000 for corporate administrative services.

- b) At June 30, 2009, HRG owed the Company \$1,000 (2008 - \$4,000) with normal trade terms.
- c) At June 30, 2009, \$39,000 (2008 - \$81,000) is included in accounts receivable, prepaids and deposits to HRG for fixed assets and services.
- d) The Company accrued management fees of \$73,000 (2008 - \$60,000) to Massif Limited, a company in which Stephen L. Fabian is interested.
- e) The Company paid or accrued professional fees of \$7,000 (2008 - \$11,000) to a law firm in which David Cowan, director is a partner.
- f) The Company owed \$44,000 (2008 - \$Nil) to directors of the Company, \$129,000 to Massif (2008 - \$Nil), \$184,000 to HCPL (2008 - \$Nil), \$8,000 to Lang Michener (2008 - \$Nil) and \$43,000 (2008 - \$Nil) to HRG with normal trade terms.
- g) The Company owed \$142,000 (2008 - \$Nil) to Itapiruba Internacional Ltda., a company associated with Kenneth Judge, with accrued interest based on the monthly interest rate of the standard Brazilian CDB bank rate for Banco Itau payable on demand.

Share Capital Information

The table below presents the Company's common share data as of August 24, 2009.

	Exercise Price	Expiry date	Number of common shares
Common shares, issued and outstanding			194,370,722
Securities convertible into common shares			
Options	\$0.45	October 26, 2009	2,875,000
	\$0.41	April 5, 2011	2,175,000
	\$0.25	July 12, 2012	1,750,000
	\$0.25	October 12, 2012	100,000
			201,270,722

Critical Accounting Estimates

Critical accounting estimates upon which the Company's financial status depends are those requiring estimates of the recoverability of its capitalized mineral property expenditures and intangible assets, impairment of long-lived assets and the amount of future reclamation obligations.

Mineral Properties and Development Costs

During the year ended December 31, 2008, the Company changed its accounting policy relating to mineral property exploration expenditures and it now expenses exploration expenditures when incurred. See "Changes in accounting policies" or note 2 of the consolidated financial statements for the year ended December 31, 2008 for a description and the effects of the change.

When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be amortized against production following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to prior agreements and non-compliance with regulatory requirements.

Impairment of Long-lived Assets

The Company assesses the possibility of impairment in the net carrying value of its long-lived assets when events or circumstances indicate that the carrying amounts of the net asset may not be recoverable. As outlined before, as of December 31, 2008 the Company has recorded the amount of \$4,097,000 related to impairment for its mineral properties and property, plant and equipment in the extension that it is necessary to reflect the recoverable amount.

Intangible assets

Intangible assets which consist of data sets related to the Company's Brazilian exploration activities, are recorded at cost and are expensed to operations. Management assess the recoverability of intangible assets annually and at such times as events or circumstances indicate that the carrying amounts may not be recoverable. In the event that an impairment is identified, the carrying value of the intangible asset is written down to its estimated fair value.

The Company has assessed the recoverability of its intangible assets and has recorded an asset impairment of \$1,583,000 as of December 31, 2008. The Canastra data set is considered to have significant value as long as the Company's projects continue.

Asset Retirement Obligations

The Company relied on the results of a professional, engineering firm and used the discount and inflation rate as at December 31, 2008 to estimate the fair value of its asset retirement obligations.

Changes in Accounting Policies

Goodwill and Intangible Assets

The Company adopted the new Handbook Section 3064, "Goodwill and Intangible Assets", which replaced Section 3062, "Goodwill and Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred.

Exploration Expenditures

During the year ended December 31, 2008, the Company retrospectively changed its accounting policy for exploration expenditures to more appropriately align itself with policies applied by other comparable companies at a similar stage in the mining industry. Prior to the year ended December 31, 2008, the Company capitalized all such costs to mineral properties on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be impairment in value.

Exploration expenditures are now charged to operations as they are incurred until the mineral property reaches the development stage. Significant costs related to property acquisitions, including allocations for undeveloped mineral interests, are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized. The impact of this change on the previously reported June 30, 2008 consolidated financial statements is as follows:

	June 30, 2008		June 30, 2008
	As previously reported	Restatement	As restated
	\$	\$	\$
Intangible assets	-	1,981	1,981
Mineral properties	23,152	(19,389)	3,763
Property, plant and equipment	-	1,173	1,173
For the six months ended June 30, 2008:			
Amortization	-	167	167
Exploration costs	-	1,515	1,515
Loss for the period	(3,393)	1,338	(2,055)
Loss per share	(0.02)	0.01	(0.01)
Deficit at June 30, 2008	(74,229)	(16,043)	(90,272)

* The numbers restated in this table do NOT include the adjustments of EIC 172 following mentioned.

Capital Disclosures

Effective August 1, 2008, the Company adopted CICA Handbook Section 1535 – Capital Disclosures. Section 1535 establishes standards for disclosing information about an entity’s capital and how it is managed. Under this standard the Company will be required to disclose the following based on the information provided by the entity’s key management personnel:

- 1) qualitative information about its objectives, policies and processes for managing capital;
- 2) summary quantitative data about what it manages as capital;
- 3) whether during the period it complied with such externally imposed capital requirements to which it is subject; and
- 4) when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

The Company has included the disclosures recommended by the new Handbook section in Note 4 to the audited consolidated financial statements.

Financial Instruments – Disclosures and Presentation

Effective August 1, 2008, the Company adopted CICA Handbook Sections 3862 (Disclosures) and Section 3863 (Presentation). These standards replace CICA 3861, Financial Instruments – Disclosure and Presentation. The increase disclosures will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided by the entity’s key management personnel.

The Company has included the disclosures recommended by the new Handbook section in Note 5 of the consolidated financial statements.

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, “General Standards on Financial Statement Presentation” (“CICA 1400”), has been amended to include requirements to assess and disclose an entity’s ability to continue as a going concern. During the year ended December 31, 2008, the Company has adopted the disclosure requirements of CICA 1400. The standard requires that management make an assessment of a company’s ability to continue as a going concern and to use the going concern basis in the preparation of the financial statements unless management either intends to liquidate the company or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon a company’s ability to continue as a going concern, those uncertainties should be disclosed.

Income Statement Presentation of a Tax Loss Carryforward Recognized Following an Unrealized Gain in Other Comprehensive Income

Effective September 30, 2008, the Company adopted EIC-172, “Income Statement Presentation of a Tax Loss Carryforward Recognized Following an Unrealized Gain in Other Comprehensive Income” (“EIC-172”). This abstract provides guidance on whether the tax benefit from the recognition of previously unrecognized tax loss carryforwards consequent to the recording of unrealized gains in other comprehensive income, such as unrealized gains on available-for-sale assets, should be recognized in net income or in other comprehensive income. Upon adoption, EIC 172 was applied retrospectively with restatement of prior periods resulting in a reduction of \$658,000 in “opening balance adjustment – transition adjustment” in accumulated other comprehensive income in order to record the future income tax liability against deficit. Future income tax recovery in the same amount was recorded against deficit. As of December 31, 2007, the amount of \$466,000, due to the unrealized gain reversal, was booked against accumulated other comprehensive income. Future income tax expense in the same amount was recorded against operations accordingly.

New Accounting Pronouncements

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canadian GAAP. The effective date is for the Company’s interim and annual financial statements for the year beginning January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Risk

There are significant risks that might affect further development of the Company. Although the Company has prospective diamond projects and has demonstrated that it has the ability to obtain environmental and trial mining permits, there is a risk that these projects will not be economically mineable or that the required permits will be granted in the future. Further, future market prices for diamonds are not predictable. There is also a risk that should additional development of the properties be required, financing may not be obtainable. Repatriation of earnings and capital from Brazil is subject to compliance with registration requirements. There can be no assurance that restrictions on repatriation will not be imposed in the future.

Management’s Responsibility for Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a

determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the President, Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures was conducted as of June 30, 2009, by and under the supervision of management, including the CEO and the CFO. Based on this evaluation, the CEO and the CFO have concluded that the Company’s disclosure controls and procedures, as defined by Multilateral Instrument 52-109, *Certification of Disclosure in Issuers’ Annual and Interim Filings*, are effective to ensure that information required to be disclosed in reports filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time period specified in those rules and forms and reported to senior management so that appropriate decisions can be made regarding public disclosure.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

An evaluation of the design of the Company’s internal control over financial reporting was conducted as of June 30, 2009, by and under the supervision of management, including the CEO and the CFO. Based on this evaluation, the CEO and the CFO have concluded that the Company’s design of internal control over financial reporting, as defined by Multilateral Instrument 52-109, *Certification of Disclosure in Issuers’ Annual and Interim Filings*, is sufficient to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP.

There have been no changes in internal control over financial reporting during the period ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Caution Regarding Forward Looking Statements

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements. Forward-looking statements are made based on management’s beliefs, estimates and opinions on the date the statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.

Other information

Additional information is available on the Company’s website at www.braziliandiamonds.com or on SEDAR at www.sedar.com.

Consolidated Balance Sheet(expressed in thousands of Canadian Dollars)
(unaudited)

	June 30	December 31
	2009	2008
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	84	83
Accounts receivable, prepaids and deposits	614	204
Due from related parties	1	11
	699	298
Investments	124	68
Intangible assets	251	264
Property, plant and equipment	464	823
Mineral properties	1,492	1,492
	3,030	2,945
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	311	309
Due to related parties	550	318
Deposits	398	-
	1,259	627
Asset retirement obligation	100	100
	1,359	727
Shareholders' Equity		
Capital stock	95,326	95,326
Contributed surplus	3,336	3,336
Deficit	(96,785)	(96,182)
Accumulated other comprehensive loss	(206)	(262)
	1,671	2,218
	3,030	2,945

Nature of Operations and Going Concern (note 1)

Consolidated Statements of Loss and Deficit

(expressed in thousands of Canadian dollars, except per share amounts)

(unaudited)

	(Restated- note 2)		(Restated- note 2)	
	Three months ended	Three months ended	Six months ended	Six months ended
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Expenses				
Amortization	\$ 22	\$ 65	\$ 50	\$ 67
Corporate administrative services	1	22	16	39
Consultants	50	55	98	107
Exploration costs	107	806	196	1,515
Foreign exchange loss (gain)	48	(22)	56	(22)
Insurance	1	10	12	23
Interest	8	(3)	8	(4)
Investor relations	(17)	(2)	(4)	47
Legal and audit	39	32	70	64

Office costs	73	30	140	80
Regulatory	29	40	45	74
Salaries and management fees	36	30	73	60
Travel	1	8	(1)	22
	<hr/>			
Loss before other items	(398)	(1,071)	(759)	(2,172)
Other income (expenses)				
Unrealized gain on Hidefield options	-	-	-	19
Gain on sale of investments	-	-	-	98
Gain on sale of assets	150	-	156	-
	<hr/>			
Loss for the period	(248)	(1,071)	(603)	(2,055)
Deficit - Beginning of period	(96,537)	(89,201)	(96,182)	(88,217)
	<hr/>			
Deficit - End of period	\$ (96,785)	\$ (90,272)	\$ (96,785)	\$ (90,272)
	<hr/>			
Earnings (Loss) per common share				
Basic and diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.01)
	<hr/>			
Weighted average common shares outstanding (000's)				
Basic and diluted	194,371	194,371	194,371	182,248
	<hr/>			

Consolidated Statements of Comprehensive Loss (expressed in thousands of Canadian dollars) (unaudited)	(Restated- note 2)		(Restated- note 2)	
	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Loss for the period	\$ (248)	\$ (1,071)	\$ (603)	\$ (2,055)
Other comprehensive gain (loss)				
Unrealized gain (loss) on available-for-sale securities (note 4(a))	22	(120)	56	(487)
	<hr/>			
Comprehensive loss for the period	\$ (226)	\$ (1,191)	\$ (547)	\$ (2,542)
	<hr/>			

Consolidated Statements of Changes in Shareholders' Equity (expressed in thousands of Canadian dollars) (unaudited)	December 31,	
	June 30, 2009	2008
Share capital		\$ (audited)
Balance – beginning of period	95,326	92,848
Issued pursuant to private placement, net of share issue costs	-	2,478
Balance - end of period	<hr/> 95,326	<hr/> 95,326
Contributed surplus		
Balance – beginning of period	3,336	2,817
Fair value of warrants expired	-	519
Balance - end of period	<hr/> 3,336	<hr/> 3,336

Deficit

Balance – beginning of period	(96,182)	(88,217)
Loss for the period	(603)	(7,965)
Balance - end of period	<u>(96,785)</u>	<u>(96,182)</u>

Accumulated other comprehensive income (loss)

Balance – beginning of period	(262)	428
Unrealized gain (loss) on available-for-sale securities	56	(690)
Balance - end of period	<u>(206)</u>	<u>(262)</u>

Total Shareholders' Equity

<u>1,671</u>	<u>2,218</u>
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Consolidated Statements of Cash Flows

(expressed in thousands of Canadian dollars)

	Three months ended June 30, 2009	(Restated- note 2) Three months ended June 30, 2008	Six months ended June 30, 2009	(Restated- note 2) Six months ended June 30, 2008
Cash flows from operating activities				
Loss for the period	\$ (248)	\$ (1,071)	\$ (603)	\$ (2,055)
Adjustments for non-cash charges				
Amortization	22	65	50	167
Gain on sale of investments	-	-	-	(98)
Gain on sale of assets	(150)	-	(156)	-
Unrealized fair value of Hidefield options	-	-	-	(19)
Foreign exchange loss	58	-	58	-
Changes in non-cash working capital				
Increase in accounts receivable, prepaids and deposits	(418)	(41)	(410)	(66)
Decrease due from related parties	4	3	10	13
Increase (decrease) in accounts payable and accrued liabilities	(21)	(82)	2	(28)
Increase due to related parties	22	-	232	-
Increase deposits	398	-	398	-
	<u>(333)</u>	<u>(1,126)</u>	<u>(419)</u>	<u>(2,086)</u>
Cash flows from financing activities				
Issue of shares for private placement	-	-	-	2,596
Subscription receivable	-	1,436	-	-
Share issue costs	-	28	-	(112)
	<u>-</u>	<u>1,464</u>	<u>-</u>	<u>2,484</u>
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	408	-	420	-
Proceeds from exercise of HIF options and shares	-	-	-	185
	<u>408</u>	<u>-</u>	<u>420</u>	<u>185</u>
Increase in cash and cash equivalents	75	338	1	583
Cash and cash equivalents - beginning of period	9	701	83	456
Cash and cash equivalents - end of period	\$ 84	\$ 1,039	\$ 84	\$ 1,039

Notes to Consolidated Financial Statements

1. Nature of Operations and Going Concern

The Company is engaged in the exploration for and development of mineral resources. The properties of the Company are without a known body of commercial ore, the exploration programs undertaken and proposed constitute an exploratory search, and there is no assurance that the Company will be successful in its search. The Company has not earned any revenue to date from its current operations and is therefore considered to be in the development stage. The business of exploring for minerals and mining involves a high degree of risk, and few properties that are explored are ultimately developed into producing mines. Significant expenses may be required to establish ore reserves, to develop recovery processes, and to construct mining and processing facilities at a particular site. It is not possible to ensure that the current exploration programs planned by the Company will result in a profitable commercial mining operation.

These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The Company has adopted the disclosure requirements of The Canadian Institute of Chartered Accountants (“CICA”) Section 1400 - General Standards of Financial Statement Presentation. This standard requires that management make an assessment of a company's ability to continue as a going concern and to use the going concern basis in the preparation of the financial statements unless management either intends to liquidate the company or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon a company's ability to continue as a going concern, such as those set out below, those uncertainties should be disclosed.

For the three months ended June 30, 2009, the Company incurred a net loss of \$248,000 (June 30, 2008 - \$1,071,000 (restated)). For the six months ended June 30, 2009, the Company incurred a net loss of \$603,000 (June 30, 2008 - \$2,055,000 (restated)). At June 30, 2009, the Company had a net working capital deficiency of \$560,000 (June 30, 2008 – net working capital of \$1,041,000). The Company is waiting for the completion of the sale of its wholly owned subsidiary, Cobre Sul Mineracao Ltda., through which the Company holds the Santo Antonio do Bonito alluvial diamond projects for gross proceeds of approximately \$1.0 million.

The Company's ability to continue as a going concern is dependent upon its ability to fund its ongoing operating costs and exploration and development of mineral properties. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. Change in Accounting Policy and Adoption of Recent Accounting Pronouncements

Goodwill and Intangible Assets

The Company adopted the new Handbook Section 3064, “Goodwill and Intangible Assets”, which replaced Section 3062, “Goodwill and Intangible Assets”. The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred.

Exploration Expenditures

During the year ended December 31, 2008, the Company retrospectively changed its accounting policy for exploration expenditures to more appropriately align itself with policies applied by other

comparable companies at a similar stage in the mining industry. Prior to the year ended December 31, 2008, the Company capitalized all such costs to mineral properties on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be impairment in value.

Exploration expenditures are now charged to operations as they are incurred until the mineral property reaches the development stage. Significant costs related to property acquisitions, including allocations for undeveloped mineral interests, are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized. The impact of this change on the previously reported March 31, 2008 consolidated financial statements is as follows:

	June 30, 2008		June 30, 2008
	As previously reported	Restatement	As restated
	\$	\$	\$
Intangible assets	-	1,981	1,981
Mineral properties	23,152	(19,389)	3,763
Property, plant and equipment	-	1,173	1,173
For the six months ended June 30, 2008:			
Amortization	-	167	167
Exploration costs	-	1,515	1,515
Loss for the year	(3,393)	1,338	(2,055)
Loss per share	(0.02)	0.01	(0.01)
Deficit at June 30, 2008	(74,229)	(16,043)	(90,272)

3. Significant Accounting Policies

Basis of consolidation

These consolidated financial statements have been prepared using accounting principles generally accepted in Canada (“Canadian GAAP”) for interim reporting and include the accounts of the Company and its wholly owned subsidiaries: BSG Investments Inc. (“BSGII”) and its subsidiaries, Canastra Investments Holdings Inc. (“Canastra”), Mineração do Sul Ltda. (“Mineração”), and Parimá Mineração Ltda. (“Parimá”); Game Creek Company Ltd. (“Game Creek”) and its subsidiaries, principally Samsul Mineração Ltda. (“Samsul”) and Cobre Sul Mineração Ltda. (“Cobre Sul”) Inter-company balances and transactions are eliminated on consolidation. The Company’s corporate office is located in Vancouver, British Columbia, Canada. Canastra, Mineração, Parimá and Samsul are located in Brazil. BSGII and Game Creek are British Virgin Island incorporated companies.

As these unaudited interim consolidated financial statements do not contain all of the disclosures required by Canadian GAAP, they should be read in conjunction with the notes to the Company’s audited consolidated financial statements for the year ended December 31, 2008.

The accounting policies followed by the Company are set out in note 3 to the audited consolidated financial statements for the year ended December 31, 2008, and have been consistently followed in the preparation of these consolidated financial statements.

4. INVESTMENTS

June 30, 2009				
	Number of Shares	Carrying Value	Fair Value	% Holding
Available-for-sale investments (a)				
Hidefield Gold plc	7,625,000	\$ 331	\$ 124	2.26%
December 31, 2008				
	Number of Shares	Carrying Value	Fair Value	% Holding
Available-for-sale investments (a)				
Hidefield Gold plc	7,625,000	\$ 331	\$ 68	2.74%

- a) Investments classified as available-for-sale are reported at fair value based on quoted market prices, with unrealized gains or losses reported as other comprehensive income or loss.
- b) During the year ended December 31, 2008, the Company recognized an unrealized loss, net of future income tax of \$613,000 (2007 - \$1,037,000) on marketable securities designated as available-for-sale in other comprehensive loss.
- c) On February 8, 2008, the Company sold 2,000,000 Hidefield Gold plc ("Hidefield") shares at a price of 4.75 pence per share for a total of \$185,000 to Hamilton Capital Partners Limited (note 10(d)) and recorded a gain of \$98,000.
- d) On January 25, 2008, the Company's 7,125,000 Hidefield options expired and the \$19,000 unrealized fair value of the Hidefield options was written off.

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Acquisition (Disposition)	Accumulated Amortization	June 30, 2009 Net
	\$	\$	\$	\$
Heavy equipment	253	(5)	(237)	11
Vehicles	231	(36)	(175)	20
Building	438	(284)	-	154
Furniture and fixtures	213	(1)	(211)	1
Machine and equipment	651	(15)	(586)	50
Plant	289	-	(219)	70
Computers	165	(10)	(153)	2
Computers software	39	-	(39)	-
Land	156	-	-	156
Leasehold improvements	27	-	(27)	-
	2,462	(351)	(1,647)	464

	Cost	Accumulated Amortization	Write-down	December 31, 2008 Net
	\$	\$	\$	\$
Heavy equipment	253	(232)	-	21
Vehicles	231	(176)	-	55
Building	550	(55)	(112)	383
Furniture and fixtures	251	(168)	(38)	45
Machine and equipment	686	(581)	(35)	70
Plant	323	(211)	(34)	78
Computers	176	(150)	(11)	15
Computers software	52	(39)	(13)	-
Land	156	-	-	156
Leasehold improvements	27	(27)	-	-
	2,705	(1,639)	(243)	823

6. MINERAL PROPERTIES

	(December 31, 2008 \$	Write-down	June 30, 2009
Coromandel	792	-	792
Serra da Canastra	700	-	700
Total	1,492	-	1,492

	(Restated- note 2) December 31, 2007 \$	Write-down	December 31, 2008
Coromandel (a)	1,585	(793)	792
Patos de Minas (b)	312	(312)	-
Serra da Canastra (c)	1,400	(700)	700
Salvador 1 (d)	466	(466)	-
Total	3,763	(2,271)	1,492

7. INTANGIBLE ASSETS

Data Sets

	December 31, 2008 \$	Amortization \$	Write-down \$	June 30, 2009 \$
Data Sets	264	(13)	-	251

	(Restated-note 2) December 31, 2007 \$	Amortization \$	Write-down \$	December 31, 2008 \$
Data Sets	2,115	(268)	(1,583)	264

8. CAPITAL STOCK

a) Authorized

Unlimited common shares without par value

	Number of shares	Capital stock	Contributed surplus
Balance - December 31, 2007	168,413,722	\$ 92,848	\$ 2,817
Private placement (i)	25,957,000	2,596	-
Less: Share issue costs	-	(118)	-
Fair value of warrants expired	-	-	519
Balance - December 31, 2008 and June 30, 2009	194,370,722	\$ 95,326	\$ 3,336

- i. On March 26, 2008, the Company issued 25,957,000 common shares at a price of \$0.10 per share for net proceeds of \$2,478,000.

b) Incentive stock options

A summary of the changes in the Company's stock options for the period ended is set out below:

	June 30, 2009		December 31, 2008	
	Number of options outstanding	Weighted average exercise price per share	Number of options outstanding	Weighted average exercise price per share
Opening balance	6,950,000	\$ 0.39	10,950,000	\$ 0.37
Expired	(50,000)	0.65	(4,000,000)	0.34
Ending balance	6,900,000	\$ 0.38	6,950,000	\$ 0.39

The following table summarizes information about stock options outstanding and exercisable at June 30, 2009:

Number of Stock Options	Exercise Price	Expiry Date
2,875,000	0.45	October 26, 2009
2,175,000	0.41	April 5, 2011
1,750,000	0.25	July 12, 2012
100,000	0.25	October 12, 2012
6,900,000	\$ 0.38	

9. SEGMENTED INFORMATION

The Company operates in one operating segment being the exploration and development of mineral properties located in Brazil. The Company's head office is located in Canada. Geographical locations are as follows:

(Restated-note 2)

	Six months ended June 30, 2009	Six months ended June 30, 2008
(Gain) Loss for the period		
Canada	\$ 352	\$ 499
Brazil	237	1,672
Other	14	(116)
	<hr/> \$ 603	<hr/> \$ 2,055
Identifiable assets		
Canada	\$ 68	\$ 940
Brazil	2,838	7,325
Other	124	465
	<hr/> \$ 3,030	<hr/> \$ 8,730