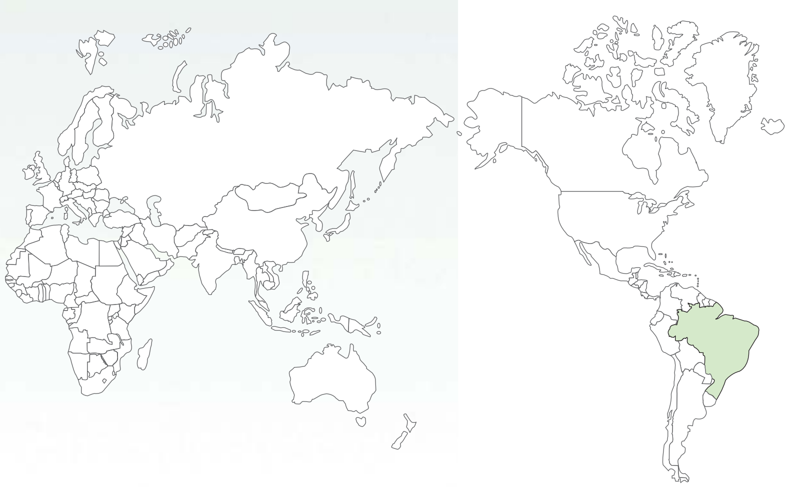
BrazMin CORP.

2006 Annual Report

With a strong treasury and an experienced management team, BrazMin is well-positioned to advance exploration in Brazil and pursue new opportunities globally.

BRAZMIN PROJECTS

BRAZIL



Message to Shareholders

In 2006, the first full year in which BrazMin Corp. ("BrazMin" or the "Company") was listed on the Toronto Stock Exchange, the Company focused its exploration efforts on its portfolio of Brazilian gold projects. BrazMin expended approximately $3.5 million on exploration in 2006, the majority of which was spent on exploration at the São Jorge and Água Branca Projects in Brazil's Tapajós Gold District.

This past year was not without its challenges for BrazMin; however, your Company continues to move ahead to realize its potential and achieve value for shareholders. In September 2006, the Company announced it had reached an agreement (the "Toc Agreement") with Brazauro Resources Corporation ("Brazauro") regarding the Tocantinzinho Project ("Toc") area. Under the terms of the Toc Agreement, effective February 2007, Brazauro acquired BrazMin's interests in the Toc area in exchange for 13,150,000 treasury shares of Brazauro. The Toc Agreement allows Toc to be explored as a single project; Brazauro recently announced a mineral resource estimate of 0.79 million ounces of gold in the indicated category and 0.83 million ounces of gold in the inferred category for Toc. As this report goes to press, exploration by Brazauro at Toc is ongoing.

Subsequent to year-end, BrazMin's founding President and CEO, Tony Ransom, chose to retire for personal reasons. Effective March 31, 2007, Dr. Fiona Childe was appointed President and CEO of the Company. On behalf of the board, I would like to take this opportunity to thank Tony sincerely for his dedication and to welcome Fiona to the Company. Fiona is a geologist with fifteen years of experience in the exploration industry and a PhD in Economic Geology from the Mineral Deposit Research Unit at the University of British Columbia.

The Company's treasury totals approximately $10.5 million, and its share position in Brazauro is worth approximately $11.2 million, based on the closing share price as of the date of this letter. With a strong treasury and an experienced management team, BrazMin is well-positioned to advance exploration in Brazil and pursue new opportunities globally.

As a result of the efforts of the Company's employees and consultants, BrazMin continues to move forward to evaluate new exploration and development opportunities. On behalf of the board, I sincerely thank the BrazMin team for their dedication and hard work. Finally, to our loyal shareholders: we look forward to keeping you informed of new developments in your Company.

On behalf of the board,

Sandra Cowan
Chairman of the Board
April 7, 2007

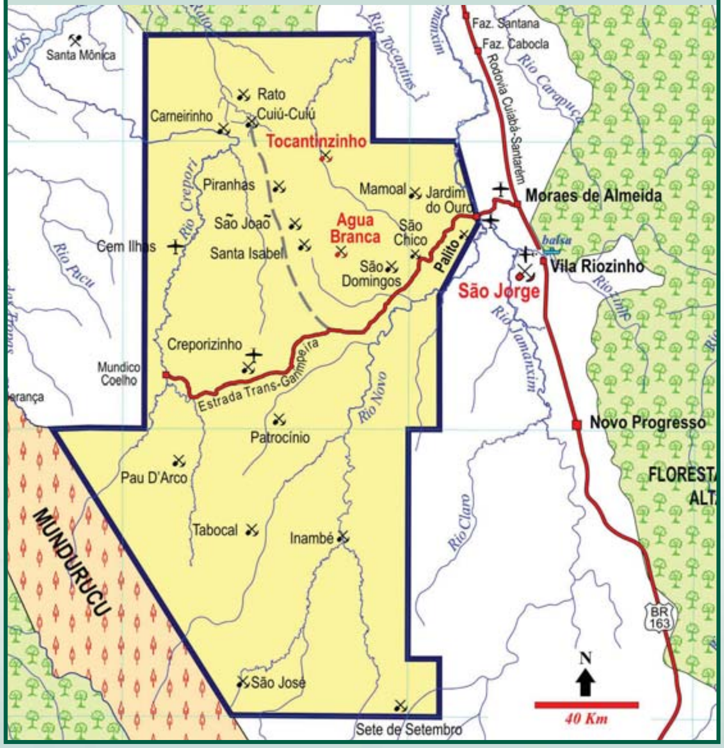
The Projects

TAPAJÓS GOLD DISTRICT

The Tapajós Gold District, in Brazil's Pará State, is the site of significant alluvial gold production, with an estimated 19 million ounces of gold produced over the last 40 years.* Primary mineralization in the district is characterized by structurally controlled, intrusive-related lode gold deposits.

In 2006, BrazMin conducted surface exploration and diamond drill programs on the São Jorge and Água Branca Projects. In addition, the Company continues to hold an interest in the Tocantinzinho Project via its share position in Brazauro.

** This information is of historic significance only and is not necessarily indicative of mineralization on BrazMin's properties.*



SÃO JORGE PROJECT

The São Jorge Project ("São Jorge" or the "Project") covers 57,420 hectares in the eastern part of the Tapajós Gold District. In 2006, BrazMin conducted a Phase Two exploration program on the Project and announced the results of initial independent studies for the Wilton Zone, consisting of a mineral resource estimate and metallurgical test work.

Phase One drilling (10,104 metres in 48 holes) in 2005 delineated a zone of gold mineralized material to a depth of approximately 236 metres below surface in the Wilton Zone. Based on this work, the Company commissioned SRK Consulting (Canada) Inc. ("SRK") to prepare a mineral resource estimate in accordance with National Instrument 43-101 ("NI 43-101") for the Wilton Zone and contracted Mr. John R. Goode to coordinate and interpret the results of initial metallurgical analyses by SGS Lakefield Research Limited ("SGS"). On September 1, 2006, the Company announced the results of these studies. The mineral resource estimate, which was classified according to "CIM Standards on Mineral Resources and Reserves: Definitions and Guidelines" (December 2005) by Mr. G. David Keller of SRK, was 5.00 million tonnes at an average grade of 1.19 g/t (191,000 ounces of gold) in the indicated category to a depth of 100 metres below surface (see Table 1 on page 4). Three composite samples representative of the different grades and depths along the mineralized trend within the unoxidized Wilton Zone mineralization were prepared for initial metallurgical test work. Results show that the selected samples were very responsive to standard gold recovery techniques. SGS conducted a carbon-in-leach test on the gravity tailings from each sample. Overall recovery varied from 91% for the low-grade sample to 98% for the high-grade sample, and reagent consumption values were very low. Preliminary rougher flotation tests on gravity tailings showed that flotation could be developed as an alternative process approach. Overall rougher recovery for a high-grade sample was 99%, to a concentrate containing 35 g/t gold. Medium and low-grade samples gave 97% and 94% recovery, respectively, to a 14 g/t concentrate. It is anticipated that the concentrates could be upgraded, albeit with some loss in overall gold recovery.*

The Phase Two program, conducted from May to September 2006, included an airborne magnetic/radiometric survey, ground magnetic and induced polarization surveys, regional soil sampling, trenching, mapping, a base-line environmental study and 7,952 metres of diamond drilling in 34 holes. Drilling was successful in identifying four new mineralized zones at São Jorge, namely the Wilton East, Kite, Wilton West and Borboleta Zones. Based on the interpretation of structural and airborne geophysical data, a total of eight new regional targets have also been defined. Geological mapping and grid-based soil sampling are planned, with the objective of delineating additional drill targets.

** Additional information with respect to the metallurgical test work is set out in the Company's news release dated September 1, 2006.*

Table 1. Mineral Resource Estimate, Wilton Zone, São Jorge[1,2]

CATEGORY	ROCK TYPE	TONNAGE [Mt]	GOLD[3,4]		
			g/t	1000 kg	000′ ounces
Indicated	Saprolite	0.50	1.30	0.65	21
Indicated	Unweathered Bedrock	4.50	1.18	5.31	170
Indicated	**Unweathered Bedrock and Saprolite**	**5.00**	**1.19**	**5.95**	**191**
Inferred	Saprolite	0.01	0.89	0.10	0
Inferred	Unweathered Bedrock	0.02	1.09	0.02	1
Inferred	**Unweathered Bedrock and Saprolite**	**0.03**	**1.02**	**0.03**	**1**

[1] Effective date August 30, 2006.

[2] For additional information on São Jorge and this mineral resource estimate, see the independent technical report entitled "BrazMin Corp.: Resource Estimate and Technical Report for the São Jorge Project, Brazil", dated October 12, 2006, which has been filed on SEDAR and may be accessed on the Company's profile at www.sedar.com.

[3] Gold cut-off grade 0.5 grams per tonne (g/t) gold; all composite assays capped at 20 g/t gold.

[4] Numbers in columns are expressed in significant figures and may not total due to rounding.

Água Branca Project

The road-accessible Água Branca Project ("Água Branca") is located in the Tapajós Gold District, approximately 70 kilometres west of São Jorge. In late 2006, BrazMin commenced a limited Phase One exploration program. During the program, the project area was increased to 20,306 hectares, in three non-contiguous blocks, to cover several new target areas.

The 2006 Phase One program included an airborne magnetometer survey, channel sampling and diamond drilling (2,416 metres in 13 holes), focusing on the Camarão Hill target. Camarão Hill is a 750- by 300-metre area of historic workings that represents the most developed of several target areas at Água Branca. The drill program was successful in intercepting mineralization in all holes drilled, several of which contained bonanza grades (see Table 2).

Field reconnaissance of the newly acquired landholdings at Água Branca began in late 2006, and three target areas, Paraíso, Araguari and Jerimum, were identified based on high-grade gold assays (up to 22 g/t Au) in grab and/or channel samples. Detailed mapping and grid-based soil sampling are planned to be initiated over these targets in 2007, with the objective of better defining the mineralized zones and their possible extensions prior to selection of drill targets.

Table 2. Phase One Drill Highlights, Água Branca

DRILL HOLE	GOLD GRADE (g/t)	WIDTH (metres)
ABD-009	120.36	1.00
ABD-005	31.32	1.17
ABD-004	6.21	5.75
ABD-002	23.37	1.06
ABD-013	35.62	0.90
ABD-011	1.89	12.47
ABD-011	2.15	9.80
ABD-011	14.20	1.25

statements disclosure in the Management's Discussion and Analysis in this report.

Tocantinzinho Project

Effective February 2007, Brazauro acquired BrazMin's interests in the Toc area in exchange for 13,150,000 treasury shares of Brazauro. Toc is located in the Tapajós Gold District, approximately 90 kilometres northwest of São Jorge.

On December 6, 2006, Brazauro announced an initial independent mineral resource estimate for the TZ zone at Toc of 6.33 million tonnes at a grade of 1.48 g/t Au (0.79 million ounces of gold) in the indicated category and 7.50 million tonnes at a grade of 1.34 g/t Au (0.83 million ounces of gold) in the inferred category, using a 0.2 g/t Au cutoff.* Exploration at Toc is currently ongoing to test four new target areas outlined by geochemical and geophysical surveys.

Campo Grande Project

BrazMin's 2,611-hectare Campo Grande Project is located in Brazil's famous "Iron Quadrangle" in Minas Gerias State. The Iron Quadrangle is a world-class gold camp with continuous gold production since the 17th century. The main mines in the Iron Quadrangle are Morro Velho, Cuiaba and Raposos. Historic production for the camp is estimated at approximately 60 million ounces of gold.* The road-accessible Campo Grande project lies 20 kilometres northwest of Jaguar's Turmalina (Pitangui) Gold Project, which commenced commercial operations in early 2007 and contains proven and probable reserves of 0.6 million ounces and measured and indicated resources of 0.9 million ounces. Past production at Pitangui is estimated at approximately one million ounces of gold.**

Previous operators at Campo Grande identified a strong, semi-coincident gold, arsenic and antimony anomaly measuring 1,800 by 300 metres, which is open in one direction. The anomaly is coincident with a silicified and argillically altered shear zone. In 2006, BrazMin conducted detailed geological mapping, accompanied by rock sampling over the main geochemical anomaly at Campo Grande. Sulphide-bearing siliceous rocks typical of epithermal-style gold mineralization were identified. In early 2007, BrazMin commenced a 1,500-metre diamond drilling program; the results of which are pending.

Rio Maria Project

BrazMin's 45,153-hectare Rio Maria Project ("Rio Maria") is located in southeastern Pará State, near the town of Rio Maria, in an area with excellent access and infrastructure. Past exploration at Rio Maria focused primarily on iron oxide copper-gold ("IOCG") and sedimentary copper-zinc potential. However, property-scale exploration has identified Rufino's trend, a +10-kilometre gold anomaly that is yet to be drill tested. In early 2007, BrazMin initiated a detailed program of geological mapping and rock sampling over Rufino's trend, with the objective of generating drill targets.

Mato Grosso Properties

In late 2006 and early 2007, BrazMin commenced the acquisition of new landholdings the Peixoto de Azevedo – Juruena Gold District in northern Mato Grosso State. These include the Batistão and Terra Nova properties. The Company plans to compile existing data and commence surface exploration in 2007 to delineate drill targets.

** The above mineral resource estimate for Toc was prepared by Mr. Leonel Lopez, an employee of Pincock, Allen, Holt. Mr. Lopez is a Qualified Person within the meaning of NI 43-101 and is independent of Brazauro. For additional information on Toc and the mineral resource estimate, see the independent technical report entitled "Technical Review of the Tocantinzinho Exploration Project, in the Tapajós District, Pará State, Brazil", dated November 27, 2006, which has been filed on SEDAR and may be accessed on Brazauro's profile at www.sedar.com.*

*** This information is of historic significance only and is not necessarily indicative of mineralization on BrazMin's properties.*

Management's Discussion and Analysis

For the year ended December 31, 2006

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Management's Discussion and Analysis

For the year ended December 31, 2006

*This Management's Discussion and Analysis ("**MD&A**") of the consolidated financial position for the year ended December 31, 2006, should be read in conjunction with the consolidated financial statements of BrazMin Corp. ("**BrazMin**" or the "**Company**") and notes thereto for the year ended December 31, 2006.*

Unless otherwise indicated all funds in this document are in Canadian Dollars.

1. Special Note Regarding Forward-Looking Statements

This MD&A contains certain "forward-looking statements". All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding mineral resources, metallurgical results, the Company's exploration plans with respect to the São Jorge and Água Branca Projects, exploration results and potential mineralization and resources) are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to significant risks and uncertainties and other factors that could cause the actual results to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: failure to establish estimated mineral resources, the preliminary nature of metallurgical results, changes in gold prices, changes in equity markets, political developments in Brazil, changes to regulations affecting the Company's activities, delays in obtaining or failures to obtain required regulatory approvals, uncertainties relating to the availability and costs of financing needed in the future, the uncertainties involved in interpreting drilling results and other geological data, and the other risks involved in the gold exploration and development industry. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

The mineral resource figures referred to in this MD&A are estimates, and no assurances can be given that the indicated levels of gold will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the resource estimate included in this MD&A is well established, by their nature, resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that mineral resources can be upgraded to mineral reserves through continued exploration.

2. Overview

The focus of BrazMin Corp. is the acquisition, exploration and development of high-quality gold opportunities, primarily in Brazil. Management believes that the long term fundamentals of the gold industry are attractive and that Brazil, with its attractive geology, infrastructure, fiscal environment and long history of mining activities, is ideally suited to exploration and mining of gold. The Company has acquired a balanced portfolio of gold exploration properties ranging from advanced to grassroots stages of development. The principal asset, São Jorge Gold Project in Pará State, is an advanced-staged exploration project and Phase I and Phase II diamond drilling and work programs were completed in 2005 and 2006 respectively.

The strategy is to focus on evaluating BrazMin's property portfolio in Brazil, as well as evaluate other potential precious metal opportunities within Brazil and elsewhere to enhance the Company's assets. Management continually reviews the Company's asset base and any potential new acquisitions to ensure optimum use of shareholders' funds. BrazMin's strategy of establishing a portfolio of gold projects at different stages of development is aimed at providing benefit from both near-term exploration success and any future rise in the price of gold. The continuation of higher gold prices during the past period tends to support the Company's decision to focus on precious metals.

3. Exploration Projects

São Jorge Gold Project

During 2005, the Company entered into two agreements with independent third parties whereby approximately 40,000 hectares of adjacent mineral rights were acquired, thereby increasing the total project area to 57,420 hectares. Total acquisition-related costs for the year ended December 31, 2005 amounted to US$320,000. During the current twelve months under review, a total of $416,104 was expended on acquisition-related costs. No further cash payments are anticipated. On April 22, 2005, the Company entered into an agreement with Jaguar Resources B Ltda whereby BrazMin acquired a 100% interest in three adjacent claims in the São Jorge area. On May 13, 2005, an agreement was made with Tapajós Mineração and a Mr. Pacheco whereby BrazMin acquired a 100% interest in certain adjacent claims within the São Jorge area. One of the vendors of the latter claims is entitled to receive a bonus at the time the São Jorge project reaches the development stage. The bonus amount corresponds to 1% of the proven mineable reserves as demonstrated by a feasibility study relating to the São Jorge area. This study is to be prepared in accordance with internationally accepted practices and be compliant with National Instrument 43-101 ("NI 43-101"). This 1% bonus was purchasable by the Company on or before September 30, 2006 for an amount of US $2,500,000. The Company has elected not to exercise its right to purchase the bonus. In addition, cash option payments totalling US$400,000 were payable, all of which have been made. Also, one of the newly acquired properties has a residual royalty amounting to 2% of gross proceeds from any mining operation, 1.5% of which is purchasable at any time for US $1,500,000.

On May 5, 2006, the Company issued a press release in respect of certain alleged irregularities affecting Licence #024, being one of the licences that were obtained from Centaurus Resources Ltd. ("**Centaurus**") in 2004. BrazMin has received a document from the Brazilian Mining Department ("DNPM"), the DNPM, dated August 7, 2006, indicating that in the event that any such alleged irregularity should result in Licence #024 being nullified by the DNPM, then Licences #058 and #275, each owned 100% by the Company, will prevail and be granted priority rights over the São Jorge deposit and a large area surrounding such deposit.

In 2005, the Company completed a Phase I diamond drilling program on the São Jorge Gold Project ("**São Jorge**"). A total of 10,104 metres was drilled in 48 holes. The main target, the Wilton Zone, had 42 drill holes totalling 9,228 metres completed, covering the 650 metre by 100 metre zone on sections of approximately 40 metre spacing and at 40 metre intervals down dip to approximately 150 metres below surface. Assay results for all the holes were received and published in BrazMin news releases. Referee samples amounting to approximately 8% of the total number were submitted to a separate laboratory, independent of BrazMin, for check analyses. The results indicate acceptable levels of correlation.

As of March 31, 2006, the Company completed the geological interpretation of the Wilton Zone at São Jorge on the basis of the Phase I drilling results and field programs. The entire data set was provided to SRK Consulting (Canada) Inc. ("**SRK**"), an independent engineering firm, contracted to perform a NI 43-101-compliant mineral resource estimate of the Wilton Zone, based on diamond drilling information from both BrazMin's Phase I Program, as well as data from the previous drilling performed by a subsidiary of Rio Tinto PLC.

In a news release dated September 1, 2006, the Company announced the results of SRK's mineral resource estimate for the Wilton Zone. The zone of mineralized material has been constrained to a depth of about 236 metres below surface by an envelope delimited by hanging wall and footwall boundaries of a structural-alteration zone associated with gold mineralization. This zone has been delineated for 700 metres along a strike direction of 290°, with a sub-vertical dip. The average estimated true thickness of this zone is 60 metres. Within this broader zone of mineralization, four main high-grade gold zones, as well as mineralized sub-zones are present. These main zones are sub-parallel to the strike of the deposit and have estimated average true thicknesses ranging from 1 to 7 metres.

Using a 0.5 g/t gold cut-off, SRK classified only that material in the Wilton Zone occurring within 100 metres of surface as a mineral resource. SRK's estimate of indicated mineral resources is presented in Table 1.

Table 1: Wilton Zone Indicated Mineral Resource* (approximately 0 to 100 metres depth)

Category	Rock Type	Tonnage (million tonnes)	Gold**		
			(g/t)	(kg)	(ounces)
Indicated	Saprolite	0.50	1.30	650	21,000
Indicated	Unweathered Bedrock	4.50	1.18	5,310	170,000
Indicated	**Saprolite + Unweathered Bedrock**	**5.00**	**1.19**	**5,950**	**191,000**

*effective date: August 30, 2006
gold cut-off grade of 0.5 grams per tonne ("g/t**") gold, all individual composite assays capped at 20 g/t gold
Note: numbers in columns above may not total due to rounding

Mineral resources have been classified according to "CIM Standards on Mineral Resources and Reserves: Definition and Guidelines" (December, 2005) and prepared by G. David Keller, P. Geo. Mr. Keller is a Professional Geoscientist with the Association of Professional Geoscientists of Ontario and an employee of SRK. Mr. Keller is a "qualified person" within the meaning of NI 43-101 and independent of BrazMin.

On October 13, 2006, the Company filed a NI 43-101 technical report entitled "Resource Estimate and Technical Report for the São Jorge Project, Brazil", dated October 12, 2006, and prepared by Mr. Keller. A copy of this report is available on SEDAR at www.sedar.com.

During the first quarter of 2006, three 50 kilogram representative composite core samples were sent to SGS Lakefield Metallurgical Laboratory ("**Lakefield**") in Lakefield, Ontario, Canada, an accredited laboratory independent of BrazMin, for preliminary metallurgical testing. Samples were analyzed and tested by Lakefield under the direction of Mr. John R. Goode, P.Eng. A summary of the results of this work was reported in a BrazMin news release dated September 1, 2006. The work demonstrated that on the three representative samples, gold mineralization from São Jorge is very responsive to the standard gold recovery technique of carbon-in-leach on gravity tailings. Mr. Goode was contracted by BrazMin to coordinate and interpret the metallurgical test work performed by Lakefield. Mr. Goode is independent of BrazMin and a "qualified person" within the meaning of NI 43-101.

A Phase II Exploration Program commenced in May 2006. The drilling portion of this program has been completed, and comprised 7,952 metres in 34 holes. Of this drilling, 2,302 metres in eight holes consisted of in-fill diamond drilling on the Wilton Zone. The balance of the drilling was directed towards the testing of new target areas and step-out drilling from the Wilton Zone to identify additional mineralization. Two new gold-mineralized zones, the "Kite Zone" and "Wilton East Zone", were discovered some 350 metres northwest and 430 metres southeast, respectively, of the Wilton Zone, as reported in news releases of July 24, 2006 and November 3, 2006.

Results for all 34 holes in the Phase II Program are contained in news releases dated July 24, 2006, August 17, 2006, October 6, 2006 and November 3, 2006.

The Phase II program also included 33.26 line-kilometres of ground geophysics consisting of Induced Polarization and magnetometer surveys covering an area some two kilometres in radius surrounding the Wilton Zone. A regional airborne geophysical program consisting of 2,284 line-kilometres of magnetometer and radiometric surveys has been completed.

Based on the interpretation of structural and airborne geophysical data, a total of eight new regional targets have been defined at São Jorge. Geological mapping and grid-based soil sampling is planned for these targets, with the objective of delineating drill targets.

A total of $1,760,881 has been expended on the São Jorge Phase II Exploration Program during the twelve month period under review, excluding acquisition-related costs. A total of $4,000,000 was budgeted for this program during 2006, with sufficient funds available for this program of work.

Tartarugalzinho ("Little Turtle") Gold Project

During 2005, BrazMin acquired from an independent third party the rights to the 9,602 Ha Tartarugalzinho Project, located in Amapá State, Brazil. Annual payments of $100,000 USD will be made until the commencement of mine production. There is an underlying royalty of 1.2%, purchasable for US$1 million. In the 1980's, a major mining company did extensive work in the area, including some 88 diamond drill holes. During 2005, BrazMin has performed surface work on the property and completed a 1,504m diamond drilling program consisting of 13 holes. The cost of the drilling program and related expenses to date amounts to $583,790. Gold assay results from all the holes have been received and published. They generally confirm the results obtained during the 1980's by a previous operator.

During the twelve month period under review, BrazMin made the first annual payment to the vendor amounting to US$100,000, as well as other additions during the year consisting of assays and minor fieldwork, amounting to $114,481. The Company is attempting to farm-out Tartarugalzinho to a third party.

Água Branca Gold Project

On July 16, 2004 the Company acquired through Brazmin Ltda. a 100% interest in the underlying mineral rights to the 9,356 hectare Água Branca Gold Project ("**Água Branca**"), located in Pará State, Brazil within the Tapajós Gold District, from an independent vendor and Centaurus. An application to transfer these rights from the vendor to Brazmin Ltda., and to convert them into exploration licenses, was submitted to the DNPM. BrazMin has received notification from the DNPM that the conversion process was completed and the transfer of the licences into the name of Brazmin Ltda, was published in the official Government Gazette. The purchase price includes US$5,000 upon registration of the project; US$20,000 within 6 months of the initial payment; US$40,000 within 18 months of the initial payment; US$80,000 within 30 months of the initial payment; and US$150,000 within 42 months of the initial payment. The property is subject to a 2% net smelter return royalty, with a buyout of US$2 million. Subsequent to year end, the Company announced in January 2007, that it has acquired, from three independent vendors, a 100% interest in an additional 10,950 hectares of ground adjacent to the above permits, bringing the total area of the Água Branca project to 20,306 hectares. Staggered option payments are payable in respect of the latter areas.

Água Branca is situated approximately 70 kilometres west-northwest of São Jorge and 30 kilometres northwest of the Transgarimperia Highway. A recently completed road from the highway to the nearby community of Água Branca facilitates access for personnel and equipment.

Mineralization at Água Branca is associated with linear zones of hydrothermal alteration within a northwest-trending crustal-scale deformation zone characteristic of the Tapajós Gold District. The Project is the site of widespread historic "garimpo" (artisanal) workings, in the form of hand dug pits and trenches up to 35 to 40 metres deep from which "garimpeiros" (artisanal miners) extracted gold from saprolite, the in-situ weathered rock overlying the bedrock. In 1996, TVX Gold Inc. conducted limited exploration activities at Água Branca, including channel and auger sampling of saprolite in five zones, as well as bedrock testing of one of these zones via two diamond drill holes. These two holes returned results of 1.1 g/t Au over 40 metres and 0.9 g/t Au over 32 metres.

Initial fieldwork by BrazMin at Água Branca commenced in July 2006, when a field crew was mobilized to the property to conduct a program of geological mapping and systematic channel sampling. A total of 585 channel samples have been collected from saprolite and mottled-zone exposures, shafts and adits. Results from these samples have been received and were reported in BrazMin news releases dated September 19, 2006, October 17, 2006 and November 9, 2006.

A 474.51 line kilometre airborne Magnetometer geophysical survey was flown over Água Branca in July 2006 by Fugro-Geomag, an ISO9001:2000 accredited company, independent of BrazMin. Line spacing for the survey ranged from 200 to 400 metres. Interpretation of results is ongoing.

Based on the results of the geological mapping, sampling and interpretation of the results of the geophysical survey, drill targets have been identified for a proposed 2,000 metre (12 to 15 hole) Phase I Drill Program. This program commenced in October 2006, as reported in a BrazMin news release of October 17, 2006. A total of 2,416 metres were drilled in 13 holes, covering approximately 550 metres of the 750 by 300 metre Camarao Hill target area. All results were received subsequent to year-end and announced in news releases dated

January 9, 2007 and February 13, 2007. Mapping and channel sampling will continue at Água Branca within the newly acquired land holdings prior to possible additional drilling.

A total of $500,000 was budgeted for exploration at Água Branca in 2006. During the twelve months ending December 31, 2006, a total of $835,643 was spent at Água Branca.

Tocantinzinho Gold Project

On September 13, 2006 BrazMin announced that an agreement had been reached whereby Brazauro Resources Corporation (“**Brazauro**”) would acquire all of BrazMin’s interests in the Tocantinzinho gold project area (“**Toc**”) in exchange for 13,150,000 treasury shares of Brazauro. The agreement consolidates BrazMin’s mineral interests with Brazauro’s and extends the mineral land holdings of Brazauro in the area.

Toc is located in the Tapajós Gold District of Brazil, approximately 90 kilometres northwest of São Jorge.

In a news release dated December 4, 2006, the Company announced that the (“**DNPM**”) in Brazil had awarded title for Toc to a party related to Brazauro. As a result, on February 7, 2007 BrazMin announced that it had completed the acquisition of the 13,150,000 shares of Brazauro (representing 17.4% of the issued and outstanding shares of Brazauro as at March 29, 2007) in settlement of the sale of all of its interests in Toc. Outside of these shares, BrazMin does not own beneficially, directly or indirectly, any shares of Brazauro. For a limited period of time, Brazauro will have the right to direct the voting of the shares issued to BrazMin except in certain conditions. The acquisition by Brazauro was accomplished by the purchase of a wholly-owned subsidiary of BrazMin, which indirectly held BrazMin’s Toc interests.

Pursuant to the acquisition agreement, the Company entered into a placement rights agreement with Brazauro, under which the Company granted Brazauro the rights to be notified by the Company of every proposed sale, transfer, assignment, or any other transaction which alienates the Brazauro shares. In the event the transaction involves 100,000 or less shares, 5 business days notice must be given. If the transaction involves 100,001 and 500,000 shares, fifteen days must be given, and more than 500,000 shares, 30 days notice must be given. The placement rights agreement terminates when the Company ceases to own 10% of the issued and outstanding Brazauro shares.

During the 12 month period under review, an amount of $220,491 was spent on the Toc property. As Toc is now owned and operated by Brazauro, no further expenditures are contemplated by BrazMin.

Other Properties

The Company owns or has interests in several other mineral properties in Brazil. Other than preliminary geological reconnaissance work, no formal exploration programs were performed on these properties during 2006.

During the twelve months ended December 31, 2006 an amount of $61,152 was expended on these properties, primarily related to property maintenance and acquisition costs.

Subsequent to year end, the Company elected to perform a limited diamond drilling program on its 100%-owned Campo Grande project, located in Minas Gerais State. The 1,500-metre drill program is estimated to cost $250,000. Sufficient funds are available to fund this program.

It is anticipated that some work will be performed during the first half of 2007 on at least one additional property. The scope, magnitude and estimated expenditures of such programs will be dependent on the results of preliminary ground investigations. An amount of $350,000 has been budgeted for these programs. The Company has sufficient funds for this work.

Qualified Persons

BrazMin’s exploration programs have been managed by BrazMin’s President & CEO, Mr. Tony Ransom, and on-site, by BrazMin’s VP Exploration, Mr. Paulo Ilidio de Brito, both of whom are “qualified persons” within the meaning of NI 43-101. Mr. Ransom will be retiring as of March 31, 2006, after which point Mr. Ilidio de Brito will continue as the “qualified person”.

4. Critical Accounting Estimates and Accounting Policies:

(a) General

The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to select accounting policies and make estimates. Such estimates may have a significant impact on the financial statements and the valuation of stock-based compensation expense.

Actual amounts could differ from the estimates used and, accordingly, affect the results of the operation.

(b) Cash and cash equivalents

Cash and cash equivalents include cash and term deposits with original maturities less than three months from the date of acquisition.

(c) Equipment

Equipment is stated at cost and amortized at 20% per annum on a declining balance. One-half of the above rate is applied in the year of acquisition.

(d) Mineral properties and deferred exploration costs

Interest in mineral exploration properties are recorded at cost. Exploration expenditures, other than those of a general nature, relating to mineral properties in which an interest is retained are deferred and carried as an asset until the results of the projects are known. If a project is unsuccessful or if exploration has ceased because continuation is not economically feasible, the cost of the property and the related exploration expenditures are written off.

The cost of mineral properties includes the cash consideration and the negotiated value of shares issued on the acquisition of properties. Properties acquired under option agreements, whereby option payments are made at the discretion of the company, are recorded in the financial statements at the time payments are made.

Certain option payments that management have determined are likely to be made, have been accrued in the financial statements. The proceeds from options granted on properties are credited to the cost of the related property.

Once the feasibility of a project has been established, deferred exploration expenses and other costs are segregated as deferred development expenditures. These costs are amortized over the estimated useful life of the related mineral property as commercial production commences. If the net carrying amount of the deferred development expenditures are not recoverable, these costs are written down to net recoverable amount of the deferred development expenditures.

Although the Company believes it has taken reasonable measures to ensure proper title to its mineral properties in which it has an interest, there is no guarantee that title to any of its mineral properties will be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests, including prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

(e) Values

Mineral properties and deferred exploration costs represents cost to date, and do not necessarily represent present or future values as they are entirely dependent upon the economic recovery of future reserves.

(f) Cost of maintaining mineral properties

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

(g) Risks

The exploration and development of mineral deposits involves significant financial risks. The success of the Company will be impacted by a number of factors including financing, currency, exploration and extraction risks, political uncertainty, regulatory issues and environmental and other regulations. The Company's mining obligations are denominated in U.S. dollars.

The share price of the Brazauro shares held by BrazMin are subject to volatility. There can be no assurance that an active trading market for the Brazauro shares is sustainable. The trading price could be subject to wide fluctuations in response to factors beyond the Company's control including, quarterly variation's in Brazauro's results of operations, changes in earnings, estimates by analysts, conditions in the industry and general market or economic conditions. Such fluctuations could adversely affect the value of the Brazauro shares held by BrazMin.

(h) Stock-based compensation

From time to time, the Company may grant share purchase options to employees, directors and service providers. The Company uses the Black-Scholes option pricing model to estimate a value for these options. This model which is used to value options and warrants, require inputs such as expected volatility, expected life to exercise and interest rates. Changes in any of these inputs could cause a significant change in the stock-based compensation expense, or other expenses, charged in a period.

The Company uses the accounting standard for stock-based compensation which requires the use of the fair value method for valuing stock option grants. Under this method, compensation cost attributable to all share options granted is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

(i) Asset retirement obligation

An asset retirement obligation is a legal obligation associated with the retirement of long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred, when a reasonable estimate of the fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company does not have any significant asset retirement obligations for the years presented.

(j) Income taxes

Income taxes are accounted for using the liability method under which future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of substantive enactment. In assessing future tax assets, the Company considers whether it is more likely than not some portion or all of the future income tax asset will be realized and whether a valuation allowance is required.

(k) Foreign currency translation

The functional currency of the company is Canadian dollars. A portion of the Company's transactions are denominated in United States dollars and Brazilian reals. The Company's foreign subsidiaries are integrated operations and financial statements stated in foreign currencies are translated using the temporal method. Monetary assets and liabilities denominated in United States dollars or Brazilian reals are translated to Canadian dollars at the rate in effect at the balance sheet date. Non-monetary items are translated at historical rates. Revenue and expenses are translated at average rates prevailing in effect during the period. The resulting gain or loss is included in the statement of operations.

(l) Financial instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable and other assets, accounts payable and accrued liabilities, and mining obligations. The fair value of these financial instruments approximates carrying value.

(m) Basic and diluted loss per share

The Company uses the treasury stock method to determine the dilutive effect of the share purchase warrants and the stock options. Per share amounts have been computed based on the weighted average number of common shares outstanding for the period presented. Diluted loss per share is calculated by adjusting outstanding shares to take into account the dilutive effect of stock options and share purchase warrants.

(n) Share issue costs

Share issue costs are charged directly to deficit.

(o) Revenue recognition

Revenue comprises interest income and is recognized when received.

5. Disclosure of Outstanding Share Data:

The following details the share capital structure as at March 29, 2007.

	Expiry Date	Exercise Price	Total
Common Shares			27,054,222
Share purchase options	April 18, 2010	$ 1.25	1,815,000
Warrants	February 10, 2008	$ 2.75	2,500,000
Share purchase options	May 31, 2011	$ 2.00	437,500
Share purchase options	December 20, 2011	$ 1.00	200,000
Total fully diluted number of shares			32,006,722

6. Capital Expenditure on Exploration Projects:

The properties on which the Company's subsidiaries carry out exploration and development activities are located in Brazil. The mineral properties and deferred expenditures are comprised as follows:

Name of Project	Current Percentage of interest in project	December 31, 2006 (audited)	December 31, 2005 (audited)
BRML			
São Jorge	100%	$ 5,114,914	$2,937,929
BRAZMIN LTDA			
Tartarugalzinho	100%	583,790	469,309
Ãqua Branca	100%	893,784	58,141
Campo Grande	100%	357,822	337,950
Serrita and Serrita Norte	65%	362,301	333,536
Other	100%	112,067	50,915
EIMB			
Tocantinzinho	100%	744,214	523,723
		$ 8,170,892	$ 4,711,503

7. Results of Operations

(in thousands of $)

Review of Certain Operating Expenses

	Year ended December 31, 2006	Year ended December 31, 2005
Stock based compensation expense	$ 651	$ 932
Administration	1,616	1,522
Foreign exchange gain (loss)	(137)	(63)
Exploration expenses written off	0	393

- Stock based compensation expenses varies depending upon when the stock options were granted and when they vest.
- Foreign exchange gain (loss) due to the appreciation/depreciation of the Brazilian Real versus the US dollar.

The loss for the years ended December 31, 2006 and 2005 was $1,976,205 and $2,858,147 respectively. The Company recorded a loss of $0.08 and $0.17 per share (basic and diluted), respectively, for the years ended December 31, 2006 and 2005.

Capitalized exploration for the years ended December 31, 2006 and 2005, amounted to $3,459,389 and $2,284,484 respectively and mainly reflects work performed on the São Jorge Gold Project in Pará State, Brazil and the Água Branca project and for ongoing land acquisition costs previously committed to.

Summary of Quarterly Results (as required by National Instrument 51-102):
(in Canadian Dollars and in accordance with Canadian Generally Accepted Accounting Practice)

	Dec 31, 2006	Sept . 30, 2006	June 30, 2006	Mar. 31, 2006	Dec. 31, 2005	Sept. 30, 2005	June 30, 2005	Mar. 31, 2005
Total Revenues	$124,890	$111,512	$121,317	$70,208	$16,654	$17,388	$13,792	$4,239
Net Loss	$793,500	$214,142	$858,970	$109,593	$621,547	$453,034	$1,408,695	$374,871
Net Loss (basic and diluted per-share basis)	$0.03	$0.01	$0.03	$0.01	$0.04	$0.02	$0.08	$0.03

The June 30, 2006 quarterly Net Loss number included the expense for Stock based compensation as required by Canadian generally accepted accounting principles.

This amount derived using the Black Scholes option pricing model, represents the expected future cost to the Company relating to the exercising of the outstanding share warrants and options.

During 2006, the Company continued with its exploration program with most of the capitalized expenditure relating to São Jorde, "Little Turtle" and Água Branca projects.

Other than the financing in February, the issue of options on May 31, 2006 described in section 8 (below) and the issuance of options in December 2006, there were no other major items in 2006 that require specific mention.

Selected Annual Information
(in thousands of $)

	2006	2005
Revenue	$ 428	$ 52
Net loss	1,976	2,858
Loss per share (Basic and diluted)	0.08	0.17
Total assets	19,864	10,711
Total liabilities	280	778
Dividends declared	0	0

8. Financial Condition, Cash Flow, Liquidity and Capital Resources:

(in thousands of $) **Cash Flow Highlights**

	2006	2005
Operating activities	$ (1,684)	$ (1,481)
Financing activities	10,685	8,863
Investing activities	(3,448)	(2,453)
Beginning cash balance	5,887	958
Net cash for the period	5,552	4,929
Ending cash balance	11,439	5,887

- Operating activities consumed $1,684,000 for the year ended December 31, 2006.
- Financing activities generated $10,685,000 for the year ended December 31, 2006 through the issuance of common shares.
- Investing activities consumed $3,448,000 for the year ended December 31, 2006 due to expenditure on mineral properties and deferred exploration expense and acquisition of equipment.

In March 2005, the Company completed a private placement of 5,600,000 units at a price of $1.25 per unit for total gross proceeds of $7,000,000. Each unit consisting of one common share of the Company and one half of one common share purchase warrant. Each whole warrant entitled the holder thereof to purchase one common share of BrazMin at an exercise price of $1.35 and the unexercised balance of these warrants expired on September 4, 2006. An amount of $433,285 was taken to contributed surplus in respect of these warrants. In consideration for assistance with the private placement the Company paid to the agents a cash commission of $560,000 out of the total gross proceeds and granted broker warrants which entitled the agents to acquire 588,000 shares of the Company at $1.25 per share on or before September 4, 2006. An amount of $82,709 was taken to contributed surplus in respect of the unexercised balance of these warrants. The value of both sets of unexercised warrants referred to above, was calculated at $0.23 and $0.27 per option respectively using a Black-Scholes calculation. The assumptions used for this was a volatility of 41%, dividends of 0%, a risk-free interest rate of 3.59% and an expected life of 1.5 years.

On December 15, 2005, the Company raised an additional $3,500,000 through a private placement of 2,592,591 units of BrazMin, each unit consisting of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $1.70, and expired on December 15, 2006. An amount of $593,368 has been taken to Contributed Surplus in respect of these expired warrants.

On February 10, 2006, the Company issued 5,000,000 units at $2 per unit in terms of a private placement. Each unit consists of one common share of BrazMin and one half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share of BrazMin at a price of $2.75 until February 10, 2008. This is provided that in the event that the closing price of the common shares of BrazMin exceeds $3.50 for any period of ten consecutive trading days, BrazMin may accelerate the expiry date of the warrants by giving notice to the holders thereof, and in such case the warrants will expire on the 30th calendar day after the date of such notice. Warrants were also issued to the private placement brokers at a rate of 6% of the units issued. These warrants are exercisable within 12 months at a price of $2.13 or another price set by the Exchange. The Company determined a value of $171,910 for these Broker warrants using a Black-Scholes calculation. Assumptions used were a risk free interest rate of 3.9%, expected life of 1 year, volatility of 67% and dividends of 0%. The fair value of these warrants is included in share issue costs on the Consolidated Statement of Operations and Deficit and Share Capital on the Consolidated Balance Sheet.

During the second quarter of fiscal 2006, the Company issued a total of 437,500 stock options to its directors, consultants and employees. The options expire on May 31, 2011 and are exercisable at any time, except for 50,000 options which vest over an eighteen month period. The exercise price is $2 per share. All these options are outstanding at December 31, 2006. The fair value of these options was calculated using the Black-Scholes model. The assumptions used were an expected life of 5 years, risk-free interest rate of 4.3%, volatility of 72% and dividends of 0%. Based on the 404,170 options which have vested, $505,200 is included in the Consolidated Statement of Operations and Deficit and Contributed Surplus on the Consolidated Balance Sheet. A further $41,675 will be included in the Consolidated Statement of Operations and Deficit and Contributed Surplus in respect of the other 33,330 options over their 18 month vesting period.

During the last quarter of fiscal 2006, the Company issued a total of 200,000 stock options to its director's, officers, employees and consultants. These options expire in December, 2011 and are exercisable at any time. The exercise price is $1 per share. All these options are outstanding at December 31, 2006. The Company determined the fair value of these options using the Black-Scholes option pricing model. Assumptions used were an expected life of 5 years, risk-free interest rate of 3.8%, volatility of 93% and dividends of 0%. Since all these options have vested, $146,218 is included in the Consolidated Statement of Operations and Deficit and Contributed Surplus on the Consolidated Balance Sheet.

A summary of options outstanding as at December 31, 2006 (and at March 29, 2007) is presented below:

	Options	Weighted Average Exercise Price
Outstanding – beginning of year	1,815,000	$1.25
Granted	637,500	1.69
	2,452,500	$1.36
Exercisable – end of year	2,419,170	$1.35

A summary of contributed surplus for the two years ended December 31, 2006 is as follows:

Balance	Dec 31, 04	$0
Options	Granted 05	931,827
Balance	Dec 31, 05	931,827
Options	Granted 06	651,462
Warrants	Expired 06	1,109,363
Balance	Dec 31, 06	$2,692,652

The Company estimates total 2007 expenditures to be approximately $2.2 million. Current cash is $11.4 million. The Company therefore has sufficient liquidity to sustain operations for a minimum of 18 months from the date hereof. After that, it could be necessary to raise additional funds by means of public equity issue. The Company may also raise cash in the future, through the sale of some of the Brazauro shares which it owns as a result of the sale of the Tocantinzinho project.

9. Contractual Obligations

Mining obligations:

The mining obligations bore no interest and were the costs of acquisition for the São Jorge project.

10. Related Party Transactions

On August 1, 2004, the Company entered into an administrative service agreement (the "**Tau Agreement**") with Tau Capital Corp. ("**Tau**"). The controlling shareholder of Tau is a 6% shareholder of the Company. The Tau Agreement has an initial term of three years, terminating on July 31, 2007, subject to further renewal by the parties to the agreement. The terms of the Tau Agreement require the Company to pay Tau a monthly service fee of $10,000 until the listing of the Company's shares on a Canadian stock exchange. As the shares are now listed, the agreement calls for Tau to be paid a monthly service fee of $22,500. For the years ended December 31, 2006 and 2005, fees paid to Tau for these services were $270,000 and $262,490 respectively.

Accounts receivable and other assets, at December 31, 2006, include $22,500 paid to Tau for advisory services for January 2007. Consulting fees paid to officers of the Company for the years ended December 31, 2006 and 2005 were $250,873 and $240,708 respectively.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

11. Risks

The Company is subject to a number of risk factors due to the nature of the mineral business in which it is engaged, the limited extent of its assets and its stage of development. The following factors should be considered, among others:

The exploration for mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by BrazMin or any of its joint venture partners will result in a profitable commercial mining operation.

BrazMin's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

Although BrazMin maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with the Company's operations.

All phases of the Company's operations are subject to environmental regulation which is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies.

Government approvals and permits are required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties.

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Company believes it has taken reasonable measures to ensure valid title to its material properties, there is no guarantee that title to any of its material properties will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests, including prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

The construction of mining facilities and commencement of mining operations, will require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of a property interest. Additional financing may not be available when needed or if available, the terms of such financing might not be favourable to the Company.

Gold prices fluctuate and are affected by numerous factors beyond the control of the Company. The price of gold has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business.

The Company's operations are currently conducted in Brazil and, as such, the Company's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to, terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licences,permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. Gold or other minerals are generally sold in US Dollars and the Company's costs are incurred principally in Canadian Dollars and Brazilian Reals. The appreciation of non-US Dollar currencies against the US Dollar can increase the cost of gold and other mineral exploration and production in US Dollar terms.

12. 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 Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this MD&A, management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this MD&A, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Administrators) and other reports filed or submitted under Canadian securities laws is recorded, processed, analyzed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

13. Outlook

BrazMin will continue to pursue gold exploration in the coming year. Any new, quality opportunities will be carefully reviewed and acquired, if warranted. BrazMin's other projects will be critically reviewed, evaluated and prioritized.

14. Additional Information

Additional information relating to the Company, including the Company's annual information form dated March 29, 2007, is available on SEDAR at www.sedar.com.

Management's Responsibility for Financial Information

Management has prepared the information and representations in this financial statement. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in Canada, and where appropriate, reflect management's best estimates and judgment.

BrazMin maintains adequate systems of internal accounting and administrative controls, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that relevant and reliable financial information is produced. Our independent auditors have the responsibility of auditing the consolidated financial statements and expressing an opinion on them.

The Board of Directors, through it's Audit Committee, is responsible for ensuring that management fulfills it's responsibilities for financial reporting and internal control. The Audit Committee is comprised of three directors. This Committee meets periodically with management and the independent auditors to review accounting, auditing, internal control and financial reporting matters.

Tony Ransom, President and CEO	Nelson Pfaltzgraff, CFO

Auditors' Report

To the Shareholders of BrazMin Corp.

We have audited the consolidated balance sheets of BrazMin Corp. as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Zeifman & Company, LLP

Toronto, Canada
March 2, 2007

Zeifman & Company, LLP
Chartered Accountants
Licensed Public Accountants

Consolidated Balance Sheets

Expressed in Canadian Dollars
December 31, 2006

	2006	2005
Assets		
Current assets		
Cash and cash equivalents	$ 11,439,157	$ 5,886,806
Accounts receivable and other assets	171,251	71,427
	11,610,408	5,958,233
Equipment (note 3)	82,641	41,256
Mineral properties and deferred expenditures (note 4)	8,170,892	4,711,503
	$ 19,863,941	$ 10,710,992
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 279,609	$ 486,926
Mining obligations (note 5)	–	291,505
	279,609	778,431
Shareholders' equity		
Share capital and warrants (note 6)	24,104,131	13,399,767
Contributed surplus (note 6)	2,692,652	931,827
Deficit	(7,212,451)	(4,399,033)
	19,584,332	9,932,561
	$ 19,863,941	$ 10,710,992

See accompanying notes to the consolidated financial statements.

On behalf of the Board

L. M. F. Azevedo
Director

G. S. Kinross
Director

Consolidated Statements of Operations and Deficit

Expressed in Canadian Dollars
Years ended December 31, 2006 and 2005

	2006	2005
Interest Income	$ 427,927	$ 52,073
Expenses		
Stock based compensation	651,462	931,827
Office and general	393,721	382,582
Professional fees	367,645	285,041
Consulting fees	277,873	240,708
Management fees	270,000	262,490
Travel	138,288	152,138
Listing and filing expense	106,422	175,577
Bank charges	55,675	20,827
Amortization of equipment	6,000	3,277
Exploration expenses written off	–	392,517
	2,267,086	2,846,984
Loss for the year before the following:	(1,839,159)	(2,794,911)
Foreign currency translation loss	(137,046)	(63,236)
Loss for the year	(1,976,205)	(2,858,147)
Deficit, beginning of year	(4,399,033)	(297,536)
Share issue cost	(837,213)	(1,243,350)
Deficit, end of year	$ (7,212,451)	$ (4,399,033)
Basic and diluted loss per share (note 7)	$ (0.08)	$ (0.17)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Expressed in Canadian Dollars
Years ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities		
Loss for the year	$ (1,976,205)	$ (2,858,147)
Items not affecting cash:		
Exploration expenses written off	–	392,517
Stock-based compensation expense	651,462	931,827
Amortization	6,000	3,277
	(1,318,743)	(1,530,526)
Changes in non-cash working capital balances:		
Accounts receivable and other assets	(99,824)	(45,776)
Accounts payable and accrued liabilities	(265,654)	94,955
	(1,684,221)	(1,481,347)
Cash flows from financing activities		
Proceeds from issuance of shares and warrants	11,641,816	10,503,281
Share issue cost	(665,303)	(1,107,064)
Decrease in loan payable	–	(120,200)
Decrease in mining obligations	(291,505)	(412,599)
	10,685,008	8,863,418
Cash flows from investing activities		
Acquisition of equipment	(47,385)	(35,996)
Mineral properties and deferred exploration expenses	(3,401,051)	(2,416,778)
	(3,448,436)	(2,452,774)
Increase in cash and cash equivalents	5,552,351	4,929,297
Cash and cash equivalents, beginning of year	5,886,806	957,509
Cash and cash equivalents, end of year	$ 11,439,157	$ 5,886,806

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

For the Years ended December 31, 2006 and 2005

1. Incorporation and Operations

Resource Holdings & Investments Inc. ("RHI") was incorporated on July 8, 2004 under the International Business Companies Act in the Territory of The British Virgin Islands to engage in the acquisition, exploration, development and operations of mineral properties in Brazil. On April 5, 2005 RHI amalgamated with Ventures Resource Corporation ("VRC"), a publicly traded company, to form BrazMin Corp. (the "Company").

The Company has a wholly-owned subsidiary, Resource Holdings 2004 Inc. ("RH2004"), which was incorporated in BVI on July 8, 2004. The Company together with RH2004 own 100% of the subsidiaries (all subsidiaries incorporated in Brazil), Brazilian Resources Mineracao Ltda. ("BRM"), Brazmin Ltda. ("BRAZ LTDA"), and EIMB - Empresa Internacional De Mineracao Brasil Ltda. ("EIMB"). The Company, through its subsidiaries, has acquired rights ranging from a 65% to 100% interest in a number of prospective gold mining projects situated in Brazil.

South American Resource Holdings Inc. ("South American") was incorporated in BVI during the year, and is a wholly-owned subsidiary of the Company. Subsequent to December 31, 2006, BRM and BRAZ LTDA were transferred into South American so that RH 2004 owned only EIMB. RH 2004 was then sold as described in Note 4.

These consolidated financial statements include the accounts of the Company's subsidiaries. All intercompany balances have been eliminated.

2. Summary of significant accounting policies

(a) General

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Because a precise determination of assets and liabilities depends on future events, the preparation of financial statements for a period necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expense during the period. Actual amounts could differ from these estimates. These consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

(b) Cash and cash equivalents

Cash and cash equivalents include cash and term deposits with original maturities less than three months from the date of acquisition.

(c) Equipment

Equipment is stated at cost and amortized at 20% per annum on a declining balance. One-half of the above rate is applied in the year of acquisition.

(d) Mineral properties and deferred exploration costs

Interests in mineral exploration properties are recorded at cost. Exploration expenditures, other than those of a general nature, relating to mineral properties in which an interest is retained are deferred and carried as an asset until the results of the projects are known. If a project is unsuccessful or if exploration has ceased because continuation is not economically feasible, the cost of the property and the related exploration expenditures are written off.

The cost of mineral properties includes the cash consideration and the negotiated value of shares issued on the acquisition of properties. Properties acquired under option agreements, whereby option payments are made at the discretion of the company, are recorded in the financial statements at the time payments are made. Certain option payments that management have determined are likely to be made, have been accrued in the financial statements. The proceeds from options granted on properties are credited to the cost of the related property.

Once the feasibility of a project has been established, deferred exploration expenses and other costs are segregated as deferred development expenditures. These costs are amortized over the estimated useful life of the related mineral property as commercial production commences. If the net carrying amount of the deferred exploration expenses are not recoverable, these costs are written down to net recoverable amount of the deferred exploration expense.

Although the Company believes it has taken reasonable measures to ensure proper title to its mineral properties in which it has an interest, there is no guarantee that title to any of its mineral properties will not be challenged or impaired. Third parties may have valid claims underlying portions of the Company's interests, including prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

The amounts shown for mineral properties and deferred exploration costs represents cost to date, and do not necessarily represent present or future values as they are entirely dependent upon the economic recovery of future reserves.

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

(e) Stock-based compensation

The Company uses the accounting standard for stock-based compensation which requires the use of the fair value method for valuing stock option grants. Under this method, compensation cost attributable to all share options granted is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

(f) Asset retirement obligation

An asset retirement obligation is a legal obligation associated with the retirement of long-lived assets that the company is required to settle.

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred, when a reasonable estimate of the fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company does not have any significant asset retirement obligations for the years presented.

(g) Income taxes

Income taxes are accounted for using the liability method under which future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of substantive enactment. In assessing future tax assets, the Company considers whether it is more likely than not some portion or all of the future income tax asset will be realized and whether a valuation allowance is required.

(h) Foreign currency translation

The functional currency of the company is Canadian dollars. A portion of the Company's transactions are denominated in United States dollars and Brazilian reals. The Company's foreign subsidiaries are integrated operations and financial statements stated in foreign currencies are translated using the temporal method. Monetary assets and liabilities denominated in United States dollars or Brazilian reals are translated to Canadian dollars at the rate in effect at the balance sheet date. Non-monetary items are translated at historical rates. Revenue and expenses are translated at average rates prevailing in effect during the period. The resulting gain or loss is included in the statement of operations.

(i) Financial instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable and other assets, accounts payable and accrued liabilities and mining obligations. The fair value of these financial instruments approximates carrying value.

(j) Basic and diluted loss per share

The Company uses the treasury stock method to determine the dilutive effect of the share purchase warrants and the stock options. Per share amounts have been computed based on the weighted average number of common shares outstanding for the period presented. Diluted loss per share is calculated by adjusting outstanding shares to take into account the dilutive effect of stock options and share purchase warrants.

(k) Risks

The exploration and development of mineral deposits involves significant financial risks. The success of the Company will be impacted by a number of factors including financing, currency, exploration and extraction risks, political uncertainty, regulatory issues and environmental and other regulations. The Company's mining obligations are denominated in US dollars.

The share price of the Brazauro shares acquired after year end are subject to volatility. There can be no assurance that an active trading market for the Brazauro shares is sustainable. The trading price could be subject to wide fluctuations in response to factors beyond the Company's control including, quarterly variation's in Brazauro's results of operations, changes in earnings, estimates by analysts, conditions in the industry and general market or economic conditions. Such fluctuations could adversely affect the value of the Brazauro shares held by BrazMin.

(l) Share issue costs

Share issue costs are charged directly to deficit.

(m) Revenue recognition

Revenue comprises interest income and is recognized when earned.

(n) Comparative figures

Certain of the comparative figures have been reclassified for the presentation adopted in the current year.

3. Equipment

	2006	2005
Cost	$ 92,866	$ 45,481
Accumulated Amortization	10,225	4,225
Net Book Value	$ 82,641	$ 41,256

4. Mineral properties and deferred expenditures

The properties on which the Company's subsidiaries carry out exploration and development activities are located in Brazil. The mineral properties and deferred exploration expenditures are comprised as follows:

Name of Project		2006	2005
BRM			
São Jorge	100%	$ 5,114,914	$2,937,929
BRAZ LTDA			
Tartarugalzinho	100%	583,790	469,309
Água Branca	100%	893,784	58,141
Campo Grande	100%	359,822	337,950
Serrita and Serrita Norte	65%	362,301	333,536
Other	100%	112,067	50,915
EIMB			
Tocantinzinho	100%	744,214	523,723
		$ 8,170,892	$ 4,711,503

(a) São Jorge Project

On July 16, 2004 the Company entered into an agreement whereby BRM acquired a 100% interest in São Jorge exploration license and mineral rights located in Pará State, Brazil, within the Tapajós Gold District, from Centaurus Brazil. The license has an initial term of three years from the date of publication of the license on March 2, 2003. An application for the extension of the license for a second term of three years was submitted to the Departamento Nacional de Producao Mineral ("DNPM") in December 2005.

On April 22, 2005 the Company entered into an agreement with Jaguar Resources B Ltda whereby BrazMin acquired a 100% interest in 3 adjacent claims in the São Jorge area. On May 13, 2005 an agreement was made with Tapajós Minerãçao and a Mr. Pacheco whereby BrazMin acquired a 100% interest in certain adjacent claims within the São Jorge area. One of the vendors of the latter claims is entitled to receive a bonus at the time the project reaches development stage. The bonus amount corresponds to 1% of the proven minable reserves as demonstrated by a feasibility study relating to the São Jorge area. This study should be prepared in accordance with internationally accepted practices and be compliant with NI 43-101. This 1% bonus is purchasable by the Company on or before September 30, 2006 for an amount of US $2,500,000. BrazMin has elected not to exercise the purchase of this bonus. In addition, cash option payments totaling $400,000 were payable, all of which have been made. One of the newly acquired properties has a residual royalty amounting to 2% of gross proceeds from any mining operation, 1.5% of which is purchasable at any time for US $1,500,000. The total area of São Jorge including all the above is 57,420 hectares.

(b) Água Branca Project

On July 16, 2004 the Company acquired through BRAZ LTDA, a 100% interest in the underlying mineral rights of Água Branca, a 13,100 hectare property, located in Pará State, Brazil within the Tapajós Gold District, from an independent vendor and Centaurus Brazil. An application to transfer these rights from the vendor to BRAZ LTDA, and to convert them into exploration licenses, has been submitted to the DNPM. BrazMin has received notification from the DNPM that the conversion process has been completed, and the transfer of the licenses into the name of BRAZ LTDA was published in the official Government Gazette. The final area granted by the DNPM was 9,356 hectares. The purchase price includes US$5,000 upon registration of the project; US$20,000 within 6 months of the initial payment; US$40,000 within 18 months of the initial payment; US$80,000 within 30 months of the initial payment; and US$150,000 within 42 months of the initial payment. Additionally, the vendor is entitled to a net smelter royalty ("NSR") of 2%, which the Company has the right to buy out for US$2,000,000. Subsequent to year end, an additional 10,950 hectares has been acquired from 3 independent vendors, each with staggered option payments.

The total area now comprising the Água Branca property is 20,306 hectares.

(c) Tartarugalzinho ("Little Turtle") Project

During 2005 the Company acquired a 100% interest in the 9,602 hectare Tartarugalzinho property, located along the paved highway north from Macapá, capital of Amapá State, Brazil. Annual payments amounting to US$100,000 will be made until the commencement of mine production. The property is subject to a 1.2% NSR royalty, with a buyout option in the Company's favour of US$1 million. In the 1980's, a major mining Company did extensive work in the area, including some 88 diamond drill holes. During 2005, the Company performed surface work on the property and completed a 1,504 m diamond drilling program consisting of 13 holes. The cost of the drilling program and related expenses to date, amounted to $706,906. Gold assay results from all the holes have been received and published. They generally confirm the results obtained during the 1980's by a previous operator. During the year under review, the Company made the first annual payment to the vendor amounting to $100,000, with total other expenses for the year amounting to $114,481. The Company is attempting to farm-out Tartarugalzinho to a third party.

(d) Campo Grande Project

The Campo Grande project is located in the Iron Quadrangle gold camp, approximately 100 km west of Belo Horizonte, the capital of Minas Gerais State, Brazil. This project consists of three exploration areas covering 2,611 hectares, of which the Company owns two claims (1,850 hectares) with respect of the three areas and has an option to acquire with respect to the third area. No option payments are payable by the Company with respect to the third claim which is subject to a 1.5% NSR on reaching commercial production. The Company has the right to buy out the NSR for US$750,000.

(e) Serrita Projects

The Serrita and Serrita Norte Project are two adjoining parcels located in Pernambuco State, Brazil (together the “Serrita Project”). The eleven Serrita Project exploration licenses cover 19,363 hectares. BRAZ LTDA currently owns a 65% interest in the Serrita Project exploration licenses. The Company has decided to farm-out this project as it does not constitute a core asset. On February 8, 2006, the Company entered into an option agreement with Troy Resources of Australia (“Troy”). Troy has the right to up to a 75% interest in the Serrita project by spending US$700,000 over 4 years and making certain cash payments to the Company and its partners. Should Troy earn its 75% interest, the Company may retain a 16.25% interest or elect to convert to a NSR royalty.

(f) Tocantinzinho Project

The Tocantinzinho project, located in Pará state, Brazil consists of a number of permit applications totalling approximately 13,900 hectares. Applications have been submitted to the DNPM to transfer the rights and convert them to exploration permits in EIMB’s name. The property is subject to a 0.5% NSR to the vendor, a director of the Company. A single option payment of US$8,000 (US$3,000 of which has been made) is payable by EIMB to a related party with respect to this project. The balance on the option is due upon confirmation of the applications by the DNPM.

In February, 2007 Brazauro Resources Corporation (“Brazauro”) acquired all of the Company's interests in the Tocantinzinho gold project area (“Toc”), which was included in EIMB, in exchange for 13,150,000 treasury shares of Brazauro. This was in accordance with the agreement entered into between the Company and Brazauro in September 2006. Toc is located in the Tapajós Gold District of Brazil, approximately 90 kilometres northwest of the Company’s São Jorge project.

The agreement resulted in the Company owning approximately 19.9% of the issued shares of Brazauro as at the Closing date. The Company does not currently own beneficially, directly or indirectly, any other shares of Brazauro. For a limited period of time Brazauro will have the right to direct the voting of the shares to be issued to the Company except in certain conditions. The acquisition was accomplished by the purchase of a wholly owned subsidiary of the Company which indirectly held the Company’s Toc interests.

Pursuant to the acquisition agreement, the Company entered into a placement rights agreement with Brazauro, under which the Company granted Brazauro the rights to be notified by the Company of every proposed sale, transfer assignment or any other transaction which alienates the Brazauro shares. In the event the transaction involves 100,000 or less shares, 5 business days notice must be given. If the transaction involves between 100,001 and 500,000 shares, fifteen days notice must be given, and for transactions of more than 500,000 shares, 30 days notice must be given. The Placement rights agreement terminates when the Company ceases to own 10% of the issued and outstanding Brazauro shares.

5. Mining Obligations

The mining obligations bore no interest and were the costs of acquisition from Centaurus Brazil, Tapajós Mineração and Jaguar Resources for the transfer of the mineral rights for the São Jorge Project (see note 4).

6. Share capital and warrants

The Company has an unlimited number of authorized voting common shares.

	Number of shares	Number of Warrants	Amount
Balance, December 31, 2004	11,720,000	–	$2,760,200
Issue of shares – amalgamation	901,858	–	–
Issue of shares and warrants	8,192,591	4,096,296	10,500,000
Warrants issued to broker	–	588,000	136,286
Warrants exercised	2,625	(2,625)	3,281
Balance, December 31, 2005	20,817,074	4,681,671	13,399,767
Issue of shares and warrants	5,000,000	2,500,000	10,000,000
Warrants expired	–	(3,444,523)	(1,109,362)
Warrants issued to broker	–	300,000	171,910
Warrants exercised	1,237,148	(1,237,148)	1,641,816
Balance, December 31, 2006	27,054,222	2,800,000	$ 24,104,131

The fully diluted share capital of the Company is 32,306,722 common shares.

This is made up of the shares and warrants as above as well as the options as mentioned below.

Stock options

During the last quarter of fiscal 2006, the Company issued a total of 200,000 stock options to its directors, officers, employees and consultants. The options expire in December, 2011 and are exercisable at any time. The exercise price is $1 per share. All these options are outstanding as at December 31, 2006.

Estimated fair value of stock options

The Company determined the fair value of the 200,000 stock options issued using the Black-Scholes option pricing model under the following assumptions:

Expected life	5 years
Fair value ($/option)	$ 0.73
Risk-free interest rate	3.80%
Volatility	93%
Dividends	0%

Since all of these options have vested, $146,218 is included in the Consolidated Statement of Operations and Deficit and Contributed Surplus on the Consolidated Balance Sheet.

During the second quarter of fiscal 2006, the Company issued a total of 437,500 stock options to its directors, officers, employees and consultants. The options expire on May 31, 2011 and are exercisable at any time, except for 50,000 options which vest over a period of 18 months. The exercise price is $2 per share. All these options are outstanding as at December 31, 2006.

The Company determined the fair value of the 437,500 stock options issued using the Black-Scholes option pricing model under the following assumptions:

Expected life	5 years
Fair value ($/option)	$ 1.25
Risk-free interest rate	4.30%
Volatility	72%
Dividends	0%

Based on the 404,170 options which have vested, $505,200 is included in the Consolidated Statement of Operations and Deficit and Contributed Surplus on the Consolidated Balance Sheet. A further $41,675 will be included in the Consolidated Statement of Operations and Deficit and Contributed Surplus in respect of the other 33,330 options over their remaining vesting period.

During the previous year, the Company issued a total of 1,815,000 stock options to its directors, officers and employees. The options expire on April 18, 2010 and are excercisable at any time. The exercise price is $1.25 per share. All the stock options are still outstanding as at December 31, 2006.

The Company determined the fair value of the 1,815,000 stock options issued using the Black-Scholes option pricing model under the following assumptions:

Expected life	5 years
Fair value ($/option)	$ 0.51
Risk-free interest rate	3.59%
Volatility	41%
Dividends	0%

As all of these options have vested, $931,827 is included in the Consolidated Statement of Operations and Deficit and Contributed Surplus on the Consolidated Balance Sheet.

A summary of options outstanding as at December 31, 2006 and 2005 and changes during the years ended on those dates is presented below:

	2006		2005	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding – beg. of year	1,815,000	$1.25	–	$ –
Granted	637,500	1.69	1,815,000	1.25
	2,452,500	1.36	1,815,000	$1.25
Exercisable – end of year	2,419,170	$1.35	1,815,000	$1.25

Warrants

During the previous year, the Company issued 2,800,000 warrants as part of a private placement. These warrants entitled the holder to purchase one half-share per warrant at an exercise price of $1.35 and the unexercised balance of these warrants expired on September 3, 2006. An amount of $433,285 has been taken to Contributed Surplus in respect of these unexercised warrants. During the previous year, the Company also issued a total of 588,000 warrants to the broker/agents who arranged the acquisition and the private placement of April 5, 2005. The warrants entitled the holder to purchase one common share per warrant at the exercise price of $1.25, the unexercised balance of these warrants expired on September 3, 2006 . An amount of $82,709 has been taken to Contributed Surplus in respect of these unexercised warrants. The fair value per warrant of both sets of unexercised warrants referred to above, was calculated at $0.23 and $0.27 respectively using the Black-Scholes option pricing model using assumptions for volatility of 41%, dividends of 0%, risk-free interest rate of 3.59% and an expected life of 1.5 years.

The Company also issued a total of 1,296,296 warrants as part of the private placement on December 15, 2005. These warrants entitled the holder to purchase one-half share per warrant at an exercise price of $1.70, and all expired on December 15, 2006. An amount of $593,369 has been taken to Contributed Surplus in respect of these.

The fair value of each warrant was calculated using the Black-Scholes option pricing model using assumptions for volatility of 65%, risk-free interest rate of 3.8%, dividends of 0% and an expected term of 1 year.

On February 10, 2006, the Company issued 5,000,000 units at $2 per unit by way of private placement. Each unit consists of one common share and one-half of one common share purchase warrant. Each full warrant entitles the holder to purchase one common share of the Company at a price of $2.75 until February 10, 2008. Warrants were also issued to the private placement brokers at a rate of 6% of the total number of units issued ("Compensation Warrants"). These warrants are exercisable within 12 months at a price of $2.13, or an amount agreed by the Toronto Stock Exchange. Should the Company's shares close above $3.50 per Share for ten (10) consecutive trading days, the Company shall have the right to require the holder to exercise the Compensation Warrants within thirty (30) days after giving notice to the holder, after which time all unexercised Compensation Warrants will expire.

Estimated fair value of warrants

The Company determined the value of $171,910 for the February 10, 2006 warrants issued to the brokers using the Black-Scholes option pricing model under the following assumptions:

Fair value ($/option)	$ 0.57
Risk-free interest rate	3.90%
Expected Life	1
Volatility	67%
Dividends	0%

The fair value of the warrants is included in share issue costs on the Consolidated Statement of Operations and Deficit and Share Capital on the Consolidated Balance Sheet.

As at year end there are 300,000 warrants with an expiry date of February 10, 2007 and exercisable at $2.13 each. There are also 2,500,000 warrants outstanding with an expiry date of February 10, 2008 exercisable at $2.75 each.

Contributed Surplus

A summary of contributed surplus for the two years ended December 31, 2006 is as follows:

Balance – December 31, 2004	$ 0
Options granted in 2005	931,827
Balance – December 31, 2005	931,827
Options granted in 2006	651,462
Warrants expired unexercised in 2006	1,109,363
Balance – December 31, 2006	$ 2,692,652

7. Loss per share

The following table sets forth the computing of basic and diluted loss per share:	2006	2005
Numerator for basic and diluted loss per share available to common shareholders	$ (1,976,205)	$ (2,858,147)
Denominator for basic and diluted loss per share – weighted average number of common shares outstanding	26,122,343	16,661,168
Basic and diluted loss per share	$ (0.08)	$ (0.17)

8. Income taxes

Since the Company is incorporated under the International Companies Business Act, it is exempt from tax in the British Virgin Islands. The Brazilian subsidiaries have loss carryforwards of $157,489 which are available to shelter future taxable income. These losses have no expiry date but can only be offset against taxable income to the extent of 30% in any given year.

The Company has taken a full valuation allowance against the future tax asset relating to these losses, and accordingly, no future income tax asset has been recognized in these financial statements.

The difference between the expected tax recovery at statutory rates and the actual tax recovery of $ nil, is due to the tax effect of losses not booked, and the exempt status.

9. Related party transactions and balances

On August 1, 2004, the Company entered into an administrative service agreement (the "Agreement") with Tau Capital Corp. ("Tau"). The controlling shareholder of Tau is a 6% shareholder of the Company. The Agreement has an initial term of three years, terminating on July 31, 2007, subject to further renewal by the parties to the agreement. The terms of the Agreement require the Company to pay Tau a monthly service fee of $22,500. For the year ended December 31, 2006 fees paid to Tau for these services were $270,000 (2005: $262,490).

Consulting fees paid to officers of the Company for the year ended December 31, 2006 were $250,873 (2005: $240,708).

Accounts receivable and other assets include $22,500 paid to Tau for management fees for January 2007 (December 31, 2005: $22,500).

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. Geographic information

Revenue of the Company is attributable to the British Virgin Islands. All of the Company's equipment and mining properties are located in Brazil.

Corporate Directory

DIRECTORS
Sandra S. Cowan*
Francis J. Crothers
Gregory S. Kinross*
Donald W. T. Lewis*
Luis Maurico F. Azevedo
Warren E. Newfield

* *Members of Audit & Corporate Governance Committee*

MANAGEMENT
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President, Chief Executive Officer

Sandra S. Cowan,
Chairman of the Board

Luis Maurico F. Azevedo,
Chief Operating Officer

Nelson F. M. Pfaltzgraff,
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Paulo Ilidio de Brito,
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SHARE INFORMATION
(as at April 9, 2007)

Listing	TSX:BZM
Shares Outstanding	27,054,222
Fully Diluted	32,006,722
Price	$1.00

EXCHANGE RATES
Unless otherwise indicated, all dollar amounts in this annual report are expressed in Canadian dollars. The following table reflects the rate of exchange for Canadian dollars in effect at the end of each of the following periods and the average rates of exchange during each such period.

	2005	2006
Brazilian Reals:		
Rate at end of year	$0.5009	$0.5470
Average rate for the year	$0.5000	$0.5227
United States Dollar:		
Rate at end of year	$1.1660	$1.1664
Average rate for the year	$1.2117	$1.1346

QUALIFIED PERSONS
Exploration is being conducted under the supervision of Mr. Paulo Ilidio de Brito, BrazMin's VP Exploration, and the Company's Qualified Person, as defined under NI 43-101. Mr. Ilidio de Brito has reviewed and approved the technical information in the report.
The mineral resource estimate for São Jorge was prepared by Mr. G. David Keller. Mr. Keller is employed by SRK and is an independent Qualified Person as defined under NI 43-101.
Initial metallurgical testwork for São Jorge was interpreted and coordinated by Mr. John R. Goode. Mr. Goode is a principal of J.R. Goode and Associates and is an independent Qualified Person as defined under NI 43-101.

BrazMin Corp.

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