



Mercenary Alert: Update on Brazil Resources Inc

A Special Alert Musing from Mickey the Mercenary Geologist

For Subscribers Only

[Contact@MercenaryGeologist.com](mailto:contact@mercenarygeologist.com)

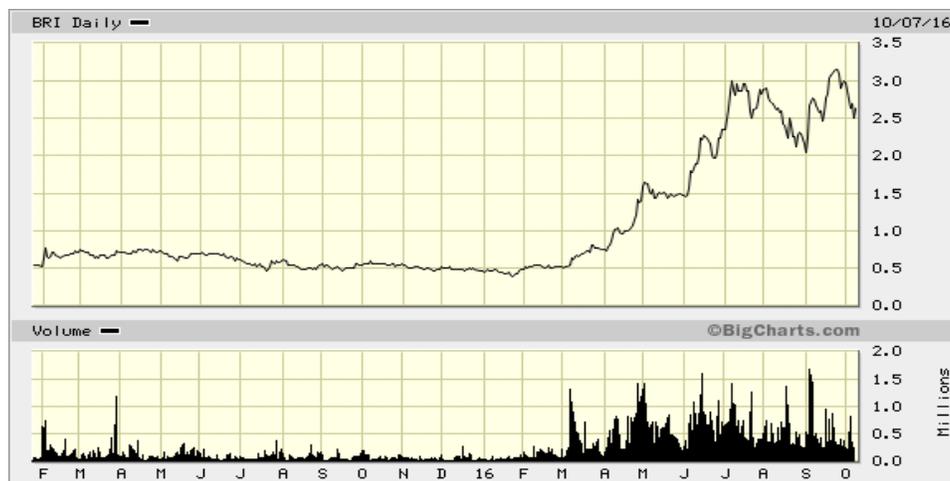
October 10, 2016

When an exploration company that I have covered at various times in both bull and bear market cycles substantially rewards thousands of subscribers, I tend to cycle back on a periodic basis.

I first covered [Brazil Resources Inc \(BRI.V\)](#) shortly after it went public over five years ago. It is one stock that I continue to play successfully thru the typical up and downs of a junior resource company. As with many of my favorite holdings, I maintain a core position and a trading position.

Since I last wrote about BRI in early 2015 ([Mercenary Alert, January 23, 2015](#)), the company has significantly expanded its project portfolio with gold resource acquisitions in Alaska and Colombia. We will discuss these items later.

Most importantly for us as shareholders has been its share price performance from the date of my previous Alert to present:



With two major all-share acquisitions in little more than a year that diluted the company less than 10%, Brazil Resources now has 112 million shares outstanding and 127 million fully diluted, including 12.0 million in-the-money warrants and 2.9 million options. Cash position stands at \$9.4 million. Management and insider ownership constitute 25% of holdings and institutions control about 30%. Despite these large blocks that seldom move, liquidity is excellent with daily trading volumes averaging nearly 1.5 million shares since March.

When my last musing was posted on January 23 2015, BRI closed at 54 cents. Seven trading days later it hit 85 cents. As the junior golds tumbled to an all-time low in early 2016, the company followed suit, reaching its all-time low of 38.5 cents on January 22.

As contrarians we know that patience with well-run companies is ultimately rewarded and in this case, it has been. BRI started an uptick at the PDAC in March on strong volumes and with a few pauses and corrections, continues to make new highs.

We reached our goal of a double on April 11 when the stock hit \$1.14, albeit more than three months after our self-imposed time frame of one year. Few would quibble with that delay when it touched \$3.35 in mid-September.

Folks, this stock has been among the top performers in the gold sector this year. For us, it's been a six bagger since I last reported and illustrates why we choose to back talented management teams with promotional savvy. With last week's 7% correction in the gold price, BRI has fallen back to the \$2.50 - \$2.60 range. As traders, we love corrections within bull markets because they present buying opportunities.

Now on to important Brazil Resources updates since early 2016:

- After acquisition of the 170-sq km Whistler gold-copper porphyry project in south-central Alaska in summer 2015 from Kiska Metals for 3.5 million shares and \$150,000 in maintenance services, the company tabled an updated 43-101 resource estimate. Base case indicated resources are 79 million tonnes grading 0.51 g/t Au, 1.97 g/t silver, and 0.17 % copper and inferred resources are 146 million tonnes grading 0.40 g/t gold, 1.75 g/t silver, and 0.15 % copper.
- In March 2016, BRI closed an oversubscribed private placement of 10 million shares to raise \$4.5 million.
- In April, it announced completion of a ground geophysical survey on its Rea uranium 75-25 joint-venture with uranium giant Areva in the southwestern Athabasca Basin. Strong electromagnetic conductors were encountered and drill targets defined.
- In April and May, it announced 43-101 resource estimates for the Island Mountain and Raintree West satellite deposits at the Whistler project. With these resource additions to the, the total Whistler base case indicated resources are 110 million tonnes grading 0.50 g/t Au, 1.72 g/t Ag, and 0.14 % Cu; inferred resources are 311 million tonnes grading 0.47 g/t Au, 2.26 g/t Ag, and 0.11% Cu.
- This month, BRI completed 100% acquisition of the Titiribi gold-copper porphyry project in central Colombia from Trilogy Metals (TMQ.NYSE. MKT). It was an all-equity transaction for

5.0 million shares and 1.0 million warrants at \$3.50. The company then completed a 43-101 resource estimate with base case indicated resources at 286 million tonnes grading 0.50 g/t Au and 0.10% Cu and inferred resources of 208 million tonnes grading 0.49 g/t Au.

With these two acquisitions made near the bottom of the metals cycle, measured, indicated, and inferred resources for all BRI projects now total 18.1 million ounces gold-equivalent ounces. That is an increase of a whopping 14.2 million ounces since my last report on the company. The company has now established a significant pipeline of gold projects for development, production, or disposition.

Its near-term development project remains Sao Jorge in the Tapajos area of Para state, Brazil. This area is benefitting from strong regional activity by both major and junior gold companies. For example, Eldorado Gold recently announced plans to commence construction on its Tocantinzinho project next year.

The 100%-owned Sao Jorge project is an advanced gold project hosting an indicated resource of 14.4 million tonnes grading 1.54 g/t Au for 715,000 oz gold and an inferred resource of 28.2 million tonnes grading 1.14 g/t Au for 1,035,000 oz gold at a cut-off grade of 0.3 g/t. Sao Jorge is located 70 km north of the town of Novo Progresso via mostly paved roads with power and water on site. A mining license application has been submitted.

The 100%-owned Cachoeira project in northeastern Brazil contains three gold deposits with a combined indicated resource of 692,000 ounces gold (17.5 million tonnes grading 1.23 g/t Au) and 538,000 ounces gold (15.7 million tonnes grading 1.07 g/t Au) in the inferred category at a 0.35 g/t cutoff. The deposits are open along strike and at depth with several drill targets to be tested in future programs. An environmental license application has been submitted.

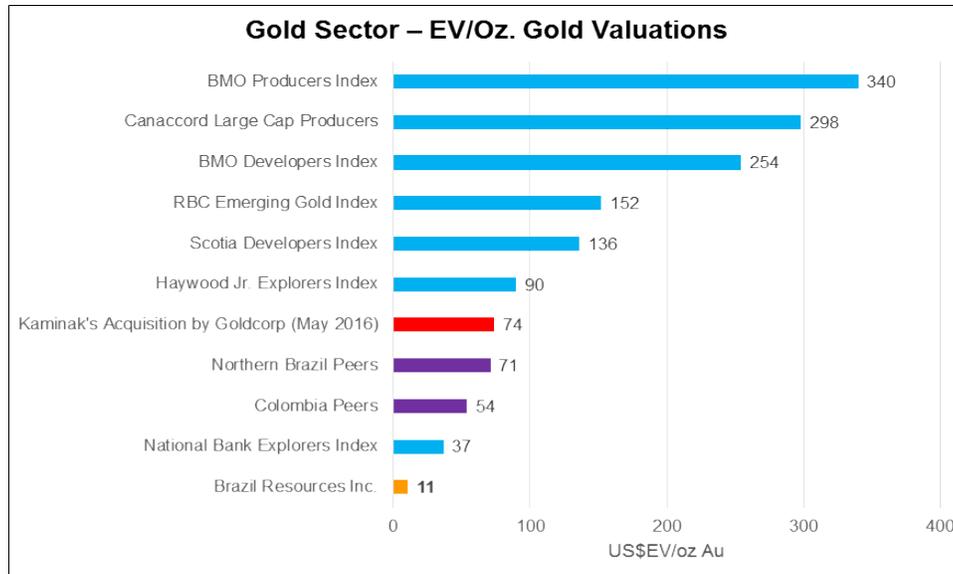
The company is currently assessing opportunities to joint ventures its other Para state holdings. They include the Boa Vista and Surubim projects, both of which have qualified resources, and three early-stage prospects.

Both of its new acquisitions, Whistler and Titiribi, are large, low-grade gold-copper porphyries that are not currently economic but will become more valuable assets as metal prices inevitably recover. AngloGold-Ashanti is currently working on pre-feasibility studies on three Colombian porphyry projects in the same belt as Titiribi.

Another asset of significance in BRI's portfolio is the aforementioned Rea uranium project in northeastern Alberta. It will likely remain on the backburner until the uranium market recovers.

The company remains on the acquisition hunt for gold assets in other countries in the Americas. With its recent acquisitions outside of Brazil, I expect a re-branding in the near future.

This chart shows that the current enterprise value of Brazil Resources Inc's gold portfolio is at the very low end with respect to its exploration and development peers in both Brazil and Colombia. It succinctly attests to the company's upside in market capitalization:



Note that my cost basis in BRI is now zero because I have taken profits since the spring and may do so again if the stock continues its rise. That said, I continue to maintain significant core holdings in Brazil Resources Inc.

My [Power of Two](#) trading philosophy has worked quite well since I became a shareholder of the company in 2010. I always encourage you to follow this method of programmed trading to maximize potential profits in the junior resource sector.

The company pays fees to sponsor this website so please factor my biased opinions into your consideration.

As always, proper due diligence is incumbent before speculating in any financial instrument.

Ciao for now,

Mickey Fulp
Mercenary Geologist



The [Mercenary Geologist Michael S. “Mickey” Fulp](#) is a Certified Professional Geologist with a B.Sc. Earth Sciences with honor from the University of Tulsa, and M.Sc. Geology from the University of New Mexico. Mickey has 35 years experience as an exploration geologist and analyst searching for economic deposits of base and precious metals, industrial minerals, uranium, coal, oil and gas, and water in North and South America, Europe, and Asia.

Mickey worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for over 20 years, specializing in geological mapping, property evaluation, and business development. In addition to Mickey's professional credentials and experience, he is high-altitude proficient, and is bilingual in English and Spanish. From 2003 to 2006, he made four outcrop ore discoveries in Peru, Nevada, Chile, and British Columbia.

Mickey is well-known and highly respected throughout the mining and exploration community due to his ongoing work as an analyst, writer, and speaker.

Contact: Contact@MercenaryGeologist.com

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