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**Mercenary Alert: Brazil Resources Inc: A Golden Opportunity**

**A Special Alert Musing from Mickey the Mercenary Geologist**

**For Subscribers Only**

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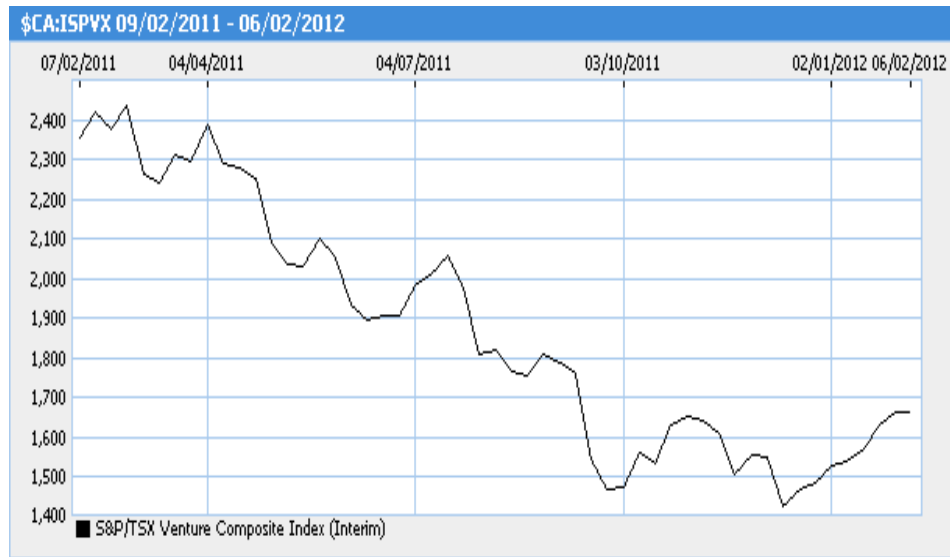
**February 9, 2012**

Last June I introduced subscribers to a newly-formed gold explorer that I had invested in via two pre-IPO private placements: **[Brazil Resources Inc \(BRI.V\)](#)**. My speculative dollars went to this company because of its management, tight share structure, influential investors, promise to acquire significant gold exploration properties, and goal to become a mid-tier Brazilian gold producer in the mid-term (**[Mercenary Alert, June 15, 2011](#)**).

Since its 65 cent IPO financing and first trade on May 16, 2011, Brazil Resources has accomplished the following:

- Acquired four gold exploration projects and increased overall land holdings in Brazil from under 2000 to over 120,000 hectares. Three projects are in the Gurupi Gold Belt, an up and coming region of gold production, and one commands a large land position in Goias state.
- Strengthened its management team with the following additions: Paulo Pereira, VP Exploration, with over 25 years of major mining company experience in exploration and mining activities in Brazil and Canada; Enzo Garayp, Director, who was previously the exploration manager for Kinross in Brazil; Herb Dhaliwal, Advisor, who was Canada's Minister of Natural Resources; and Ovidio Antonio de Angelis, Advisor, formerly Minister of Regional Politics in Brazil, served in the cabinet under President Fernando Cardoso, and recently was Secretary of the Foreign Trade Bureau of Goias State.
- Raised cash during market lows in late December with a \$4.76 million equity financing at a slight discount to market at \$1.10 with no warrant. BRI currently has \$10 million in cash and its six-month burn rate is about \$320,000 per month.

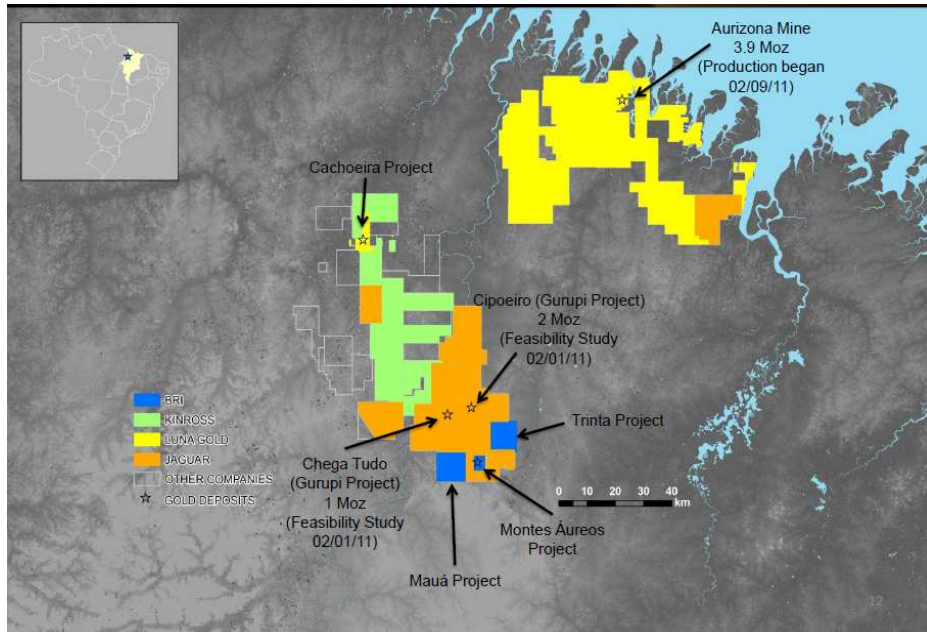
Perhaps the most impressive thing about the company is its performance in a very negative market for gold juniors since inception in the late spring of 2011. Within the context of a Toronto Venture Exchange Index dropping 18% in the past nine months, Brazil Resources has seen over a 40% rise in its share price over the same time period. Here are the one-year charts:



BRI had an all-time low of \$1.00 on the first day of trading and recently spiked briefly to \$1.75. It has a very tightly held equity structure with 39.4 million shares outstanding, 1.6 million options at \$1.20, and 300,000 broker warrants at 65 cents issued in conjunction with the IPO and expiring in May. Over 70% of shares are held by insiders and six institutions; they include Brazil Invest at about 10%, KCR Fund at 15%, and the Encompass Fund. The company estimates there are about 10 million shares in the public float. At current share prices, it has a market capitalization of about \$60 million.

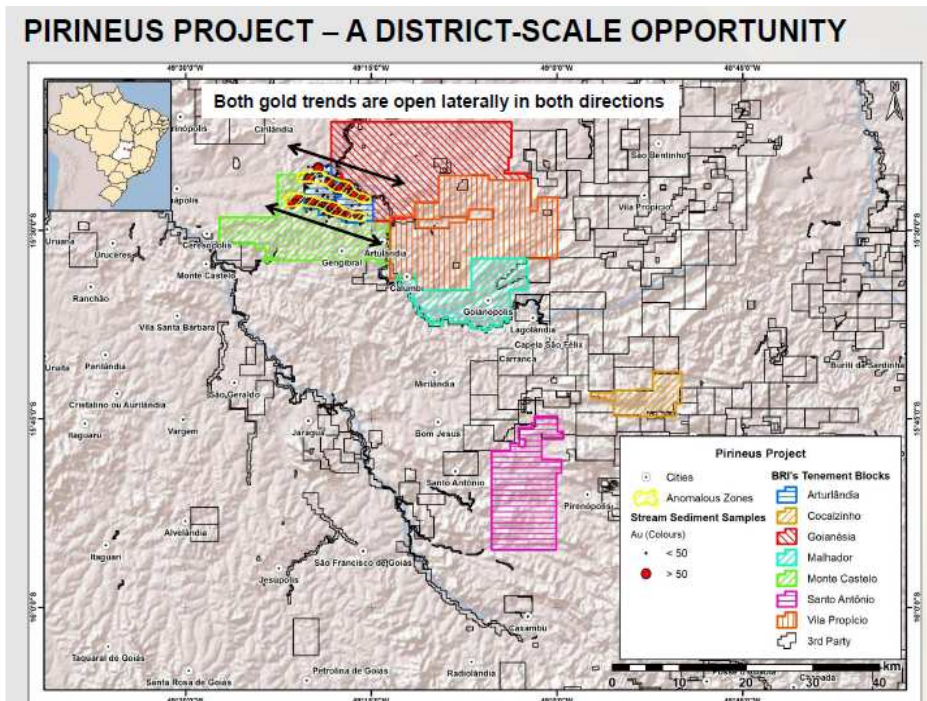
Brazil Resources' strength in the midst of 2011's second half market downturn is impressive. Even more so is this fact: Since its inception in mid-May until the end of January, the company has traded over 10 million shares, or essentially its entire public float, at an average price of \$1.19. That folks, is building a very strong base.

Now let's look briefly at BRI's projects. Landholdings in the Gurupi Belt are over 21,000 ha and include the **Montes Aureos** flagship project where an initial 3000 m drill program will commence soon. The company also controls two other strategically-located projects in this emerging gold region:



**BRI's Landholdings in the Gurupi Gold Belt (in blue)**

BRI recently acquired over 100,000 ha in the central savannah state of Goiás. The **Pirineus project** covers two 11 km parallel trends with known gold occurrences and past artisanal mining. Initial exploration is on-going with stream and soil sampling and auger drilling to define targets:



**BRI's Land Position in Goiás State**

Brazil Resources currently controls four early-stage projects with good exploration potential. However, its main focus is a business plan of becoming a mid-tier gold producer in the mid-term. The company publicly stated its plans to acquire advanced stage gold exploration and development projects in Brazil in 2012. Additional financings will be required to achieve these goals.

Despite a continuing robust gold price, there has been a nine-month downturn in junior gold equity valuations. In-the-ground ounces of gold are cheaper now than at any time since the global economic meltdown in 2008 and early 2009.

I agree with managements' position that a golden opportunity now exists in today's market to acquire projects of merit at sale prices. With its strong base price at \$1.20, acquisition of an advanced stage gold project (s) could be the requisite catalyst to move the stock above its current trading range of \$1.35-1.50 and perhaps to much higher levels.

In my view, the upside of this gold explorer is high. However, as stated in the very first sentence written today, I acquired my position in Brazil Resources Inc via two pre-IPO private placements. Therefore, my cost basis is less than its IPO price, all-time low trade, and current trading range.

Simply put, my opinion is biased because I own shares in the company and it is a paying sponsor of my website. Please do not buy or sell this or any other stock before doing your own careful research, due diligence, and determining if it meets your own speculative criteria.

Ciao for now,

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**Acknowledgement:** Erin Ostrom is the editor of MercenaryGeologist.com.

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 over 30 years experience as an exploration geologist 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 has worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for the past 24 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.

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