

Further Exploration Work at Rea; Reiterate Buy

Stock Data		04/05/2016	
Rating		Buy	
Price		C\$0.81	
Exchange		TSXV	
Price Target		C\$2.20	
52-Week High		C\$0.84	
52-Week Low		C\$0.38	
Enterprise Value (MM)		C\$71	
Market Cap (MM)		C\$76	
Public Market Float (MM)		54.9	
Shares Outstanding (MM)		94.2	
3 Month Avg Volume		222,624	
Balance Sheet Metrics			
Cash (MM)		C\$5.50	
Total Debt (MM)		C\$0.00	
Total Cash/Share		C\$0.06	
General: all figures in C\$ unless otherwise noted.			
EPS Diluted			
Full Year - Nov	2015A	2016E	2017E
FY	C\$(0.07)	C\$(0.07)	C\$(0.07)
Revenue (C\$M)			
Full Year - Nov	2015A	2016E	2017E
FY	0.0	0.0	0.0



On April 6, 2016, Brazil Resources announced an update for its Rea uranium project. The firm released a Time Domain Electromagnetic (TDEM) ground survey for the Rea Project. The site is located in the Western Athabasca and is 75% owned by Brazil Resources while AREVA (AREVA; not rated) owns the remaining 25%. In our view, the survey uncovered multiple anomalies that deserve further exploration work. In short, we think the completed survey should provide the necessary information required to conduct a drilling program at Rea in the future. Given significant recent discoveries in the Western Athabasca, including Fission's (FCUUF; Buy) Patterson Lake South and NexGen's (NXE; not rated) Arrow deposit, we expect management to actively pursue potentially similar mineralization at Rea through additional exploration work.

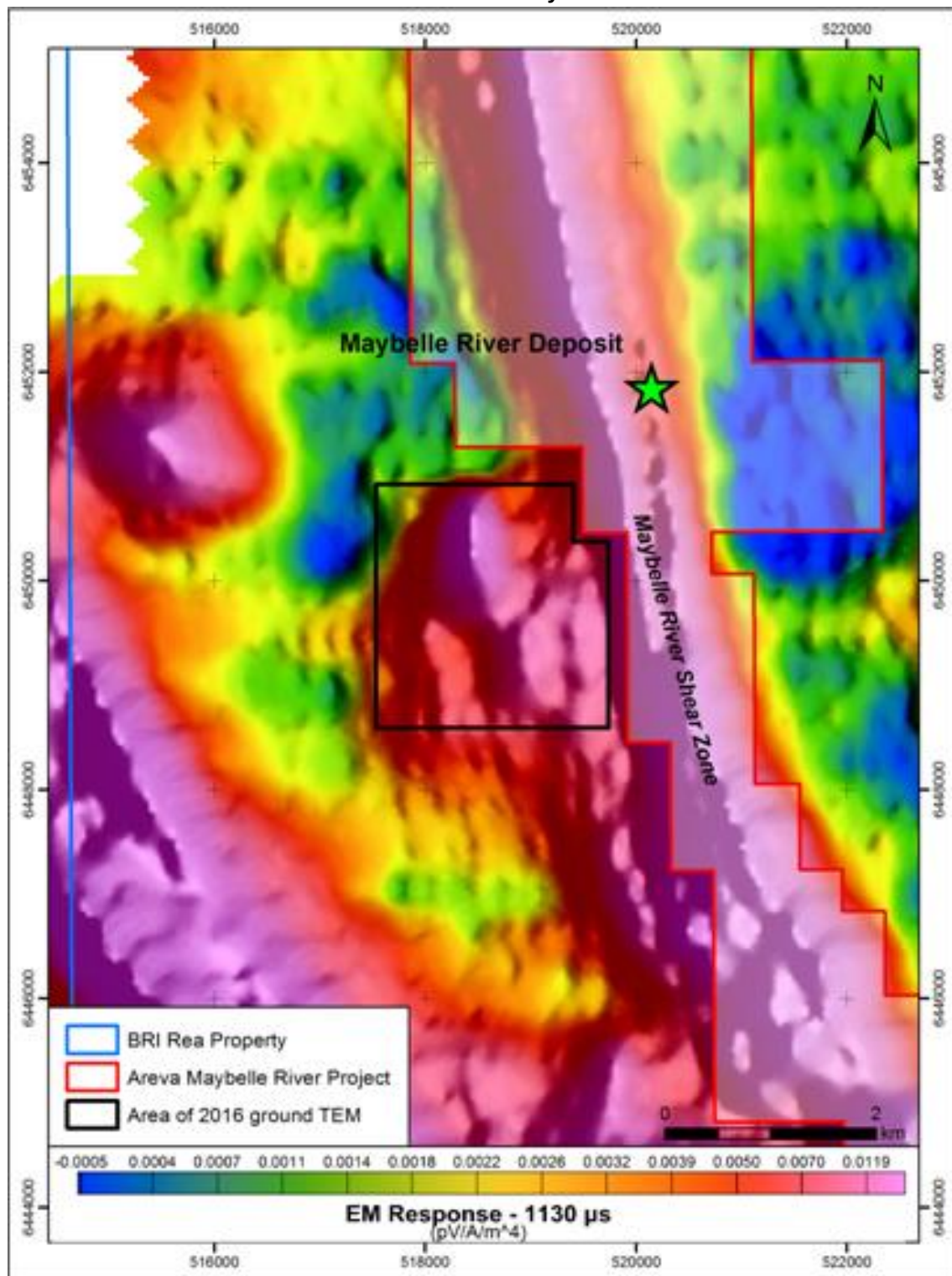
Signs of a potentially meaningful discovery. The TDEM survey took a total of 10 days along 19 east-west lines that were 200 meters apart. While the data is still being interpreted by the firm, a single north-trending conductor over 1.8km has already been identified. We note that the anomalies discovered are just two kilometers west of AREVA's Maybelle deposit (see Exhibit 1) with the decay rate of the conductor response in the TDEM showing similar characteristics to a graphite-related ore body. That said, while we do believe the potential for a game changing discovery at Rea remains possible, we believe further drilling is required and expect the firm to allocate additional drilling dollars towards Rea going forward.

Recent financing allows for exploration work. During 1Q16, Brazil Resources closed an oversubscribed C\$4.5 million capital raise, which we feel should provide necessary capital to allocate exploration dollars to Rea. That said, we do expect the firm to concurrently focus on permitting for its two Brazilian gold assets, as we expect progress to be made on this front throughout the year. We continue to believe Rea provides commodity diversification to the firm's asset base, while providing upside for shareholders through either a spin out or a sale of the asset. Alternatively, we believe the project may host a meaningful discovery across the 88,400 hectare land package.

We are reiterating a Buy rating and C\$2.20 per share price target on Brazil Resources. Our valuation is based on a DCF of operations at São Jorge utilizing a 10% discount rate. Our model assumes first production in 2019, with total production reaching 1.2 million ounces over a 12-year mine life. To this, we add net cash and value for the firm's other assets such as Rea.

Risks. 1) Drop in gold price; 2) increase in capital required to construct São Jorge; 3) political risk; and 4) financing risk.

Exhibit 1: TDEM Survey Location



Source: Brazil Resources.

Brazil Resources

	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Sao Jorge														
Tonnes Processed (000's)				1,250	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Gold grade (g/t)				1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Gold Recovery				85.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Annual gold production (000's oz)			-	49,572	104,977	104,977	104,977	104,977	104,977	104,977	104,977	104,977	104,977	104,977
Gold sales price	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200
Total gold equivalent produced (000's oz)				49,572	104,977	104,977	104,977	104,977	104,977	104,977	104,977	104,977	104,977	104,977
Total revenue				\$59,487	\$125,972	\$125,972	\$125,972	\$125,972	\$125,972	\$125,972	\$125,972	\$125,972	\$125,972	\$125,972
Cost per tonne milled			\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00
Total operating costs			\$ -	\$ (37,500)	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ (75,000)
Gross profit (in 000's)			\$ -	\$ 21,987	\$ 50,972	\$ 50,972	\$ 50,972	\$ 50,972	\$ 50,972	\$ 50,972	\$ 50,972	\$ 50,972	\$ 50,972	\$ 50,972
CapEx (in 000's)	\$ (1,000)	\$ (1,000)	\$ (75,000)	\$ (25,000)	\$ (2,000)	\$ (2,000)	\$ (2,000)	\$ (2,000)	\$ (2,000)	\$ (2,000)	\$ (2,000)	\$ (2,000)	\$ (2,000)	\$ (2,000)
(Tax) / Tax Benefit (in 000's)						\$ (14,692)	\$ (14,692)	\$ (14,692)	\$ (14,692)	\$ (14,692)	\$ (14,692)	\$ (14,692)	\$ (14,692)	\$ (14,692)
Operating cash flow	\$ (1,000)	\$ (1,000)	\$ (75,000)	\$ (3,013)	\$ 48,972	\$ 34,280	\$ 34,280	\$ 34,280	\$ 34,280	\$ 34,280	\$ 34,280	\$ 34,280	\$ 34,280	\$ 34,280
Cash flow discount rate														
	\$ (1,000)	\$ (909)	\$ (61,983)	\$ (2,264)	\$ 33,449	\$ 21,285	\$ 19,350	\$ 17,591	\$ 15,992	\$ 14,538	\$ 13,217	\$ 12,015	\$ 10,923	\$ 9,930
Current value of cash flow	\$ 102,134													
Plus cash & equivalents	\$ 5,500	<i>pro forma following financing</i>												
Plus other assets	\$ 50,000													
Less debt	\$ -													
Total current value	\$ 157,634													
Shares outstanding	94,168													
BRI share price	\$ 0.81													
BRI NAV	\$ 1.67	51.6% discount to NAV												
BRI NAV in C\$	0.75	\$ 2.23												
NAV Premium for target price														
Rounded (\$0.10) price target	\$ 2.20													
<i>Source: Rodman & Renshaw estimates.</i>														

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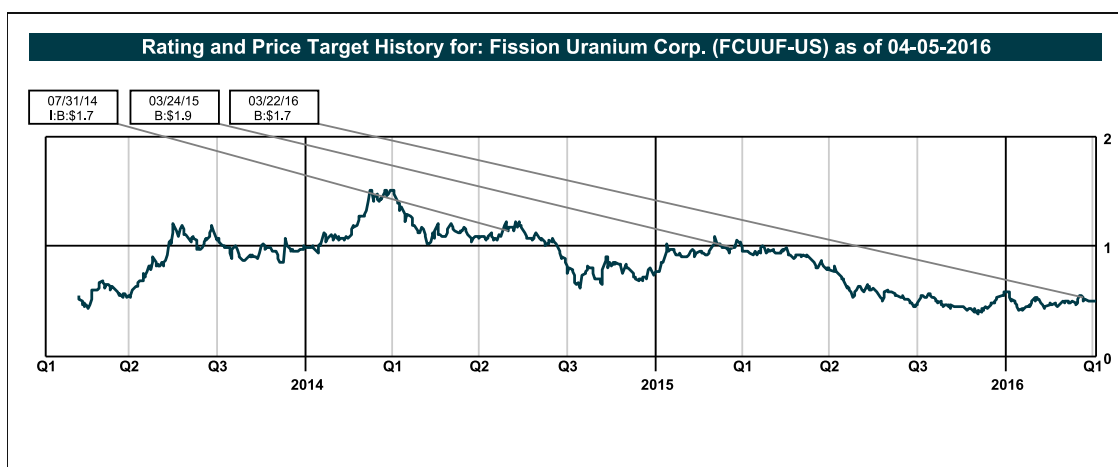
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Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

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Related Companies Mentioned in this Report as of					
Company	Ticker	H.C. Wainwright Rating	12 Month Price Target	Price	Market Cap
Fission Uranium Corp.	FCUUF	Buy	\$1.70	\$0.50	\$242

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Distribution of Ratings Table				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	170	97.70%	45	26.47%
Neutral	4	2.30%	2	50.00%
Sell	0	0.00%	0	0.00%
Under Review	0	0.00%	0	0.00%
Total	174	100%	47	27.01%

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