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# HRA Journal

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## Bravo Ventures (BVG-V, B6I.F-Frnk)

### New Journal Review

We have followed Bravo for several years at SD level, and it was one of the few big gainers (after being beaten down) during last year's debt crunch as its Homestake Ridge gold-silver project on British Columbia's north coast was reinvigorated by high-grade results that upped the potential of the existing 900,000 oz gold resource considerably. This year's work on untested portions of the system could double or better the length of the mineralized trend. There will also be a small drill program on one of Alaska's southern islands that offers a discovery potential in the same rocks hosting Hecla's Greens Creek mine.

**Speculative buy ahead of new results from the Homestake Ridge gold-silver project, and discovery testing at the Woewodski Island VMS system.**

### OVERVIEW

Bravo farmed in the Homestake Ridge project from Teck, expanded its resource to 900,000 gold oz, then (oddly to us) got hammered when Teck chose not to back-in to the project. When last year's work sorted out how to focus on higher grade potential, BVG gained on holding 100% of the project. The company has just funded this year's work.

Though different in some aspects, the Homestake Ridge deposit is in the same regional setting as the Eskay Creek deposit. While we are not expecting the exceptionally high *average* of Eskay from Homestake, Homestake did generate enough high-grade last year to greatly enhance its potential. Woewodski is also a VMS system, and a direct analogue of Greens Creek after which it is modeled.

### Briefing Book

(amounts in \$CAD)

#### Bravo Ventures Group Inc.

Listed: **TSX-V: BVG**  
**Frankfurt: B6I.F**

Share Issue: 110 MM; 153 MM F.D.

Share Float: 100 MM

Working Capital:

\$6 Million, \$22 MM Fully Diluted

52 Week High-Low: \$0.61–0.18

Recent Price: \$0.42

3 mo Av Daily Volume: 150,000 shs.

Phone #: 1-888-456-1112

E-mail: corpdev@mnxltd.com

Website:

<http://www.bravoventuregroup.com>

While BVG is speculative, it will be testing strong potential from a comfortable valuation base, and is well geared to rising gold-silver prices.

### CORPORATE SUMMARY

Bravo Ventures management group has a series of wins

from grass roots to its credit, and a marked persistence in moving towards them even during periods of market duress. That track record allowed the company to finance and stay active even in the midst of a market meltdown.

The Bravo market did struggle after Teck declined to exercise its back in rights to Homestake last year, and the stock faded through most of 2008. The negative view was compounded by a tragic helicopter accident last summer that left the remainder of the field season and the 2008 drill program in doubt.

The company was able to regroup and get the drill turning, and then succeeded in intersecting some spectacular grades. This led to one of the very few strong spec buys we issued in the

Special Delivery last fall.

BVG more than doubled in the midst of a world wide market collapse and was able to finance continued work. Bravo has just closed another large, mainly flow-through placement at \$0.35, giving the company \$6 million to work with.

There is a lot of potential dilution in the current price range from outstanding warrants. While this is a concern, its also a method of self-financing if good results generate a high trading volume which they have in the past. This is important for a project that has a defined field season and where money can go

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quickly. However, to see all of company's real volume you need to be watching the trade on Frankfurt. Bravo's management has strong European contacts and it trades heavily there.

### Management

Bravo's is directed by president **Joe Kizis**, a veteran geologist with 30 years experience with both major and junior companies. Joining Kizis on the "technical" side of the board are **Paul Dirksen** who has seen several gold projects through to pre-production in Nevada and South Dakota, and **Ken Thorsen** who spent many years at Teck culminating in the position of manager for Teck's worldwide exploration.

Also on the board are **Terry Eyton** who is an accountant with broad public company experience; **Lawrence Page** a well known lawyers in mining and capital market circles; and Stephen Beardslee who is a retired engineer and has been involved with Wewoodski Island exploration for 20 years. Last but certainly not least is Robert Swernarchuk, who handles investor relations and financing and who's high effectiveness we can certainly attest to.

### PROJECT SUMMARY

#### Homestake Ridge

This project is located about 30 km southeast of Stewart, on British Columbia's northern coast. Bravo owns 100% of the project, net of royalties that vary from 1.5 to 4%

but which can be reduced to 2% by cash payment of \$2 million prior to cash flow. A core portion of the project is fee-simple "Crown Granted" mineral claims.

The project contains Jurassic aged volcanic rocks hosting gold and silver enriched *volcanogenic massive sulphide* (VMS)/epithermal mineralization. These two classes of deposit, VMS and epithermal, are created when heated fluid carries metal from depth and deposits it at or near surface. There are marked differences in these two classes, but some deposits like the exceptionally rich Eskay Creek 115 km to the north are considered to be hybrids of the two. No deposit should be expected to compete with Eskay's overall grade, but the Homestake Ridge system is beginning to show some high-grade areas that could enhance its development potential.

Homestake Ridge has gone through a series of operators with different target types in mind. Teck focused on the VMS type exposed on the ridge, and when BVG farmed in the ground from them its initial focus was to better outline the Main Homestake deposit. This generated the project's first and so far only resource in early 2007.

Currently, the Main Homestake deposit has an **inferred 11.9 million tonnes @ 2.36 g/t gold, 15 g/t silver & 0.11% copper**, using a 0.5 g/t cut-off grade.

This is 903,000 gold oz; using higher cut-offs infers 557,000 oz at 7.5 g/t (3 g/t cut-off), or 432,000 oz at may be the main driver of whether and at what scale the deposit is viable.

Last year's program generated some spectacular results, including **52 metres of 21 g/t gold that included 5.4 m of 182 g/t.** In addition to several other high-grade results at Main, the Homestake Silver mineralization was confirmed as having +1000 g/t silver grades, and the two modeled as overlapping systems along a 1.4 km trend. The inferred resource area is only about 450 metres of this trend.

Importantly, the high-grade portions of the system include either abundant visible gold grains or abundant discrete silver bearing minerals. This suggests a relatively straight for extraction is possible.

This year's drill program will test the known balance of the trend. With the geological tools developed last year it should be easier to hone in on high-grade areas if and as they are located. Using just the current data we would expect a new calculation to outline a resource with a higher valuation than the current market cap, making the speculation a fairly simple one.

### **Silver Basin**

This silver-copper farm-in project is located about 14

km from Homestake Ridge, and is similarly an area of old showings in a setting with similarities to Eskay Creek. BVG is still early in assessing it. In this sort of high-grade environment its possible this project could add an enhancement to the work at Homestake Ridge.

### **Woewodski Island**

Bravo has conducted several short hole drill programs on this 100% owned project which is about 30 km south of Petersburg, Alaska. The work has verified that pyrite rich VMS system in the same setting as the Greens Creek mine (24 Mt of 14% zinc, 5% lead, 5.8 g/t gold & 730 g/t silver at start-up), some 100 km to the northwest.

While this year's planned drill program is limited due to the focus at Homestake, it will be the first deep test on the Island. The target is a trough like depression in the host rock that could be a catchment for heavy minerals. While not the basis for the current speculation, we do like this target and will be watching for results from it.

### **Other Projects**

BVG also has a series of gold projects in Nevada. Our initial interest with the company partly related to this part of its portfolio, since like most of our other Nevada exploration picks we liked its having other areas of interest. These projects saw earlier work by the company, and a couple of them are op-

VMS deposits are created during periods of "volcanic" activity on the sea floor. When this activity drives hot, metal laden fluids up to the sea floor, the metals combine with sulphur to create "sulphide" minerals in layers on the sea floor and in rock just below surface. The most common metal is iron in uneconomic pyrite. "Massive" parts of these piles can contain viable copper, zinc and lead grades. Silver is often a significant addition, and gold sometimes is.

These deposits are often found in clusters, with individual deposits being created by different vents to surface and/or by a gradual shifting of the sea floor over a deep seated "hot spot" that is responsible for creating the circulating pattern of heat that drives the fluids to surface. An important element of this year's work at Homestake Ridge will be determining how several different areas of venting were responsible for depositing metal.

tioned at this time. Nevada projects always have the potential for third party interest and the remainder would probably be JV'ed if the right deals came along.

The company is now however firmly entrenched on the northwest Pacific coast, and that is where its market interest will come from. **Ω**

## Too Much of a Good Thing?

There is ample evidence in the measures we watch that a more normal commerce, still significantly reduced from a year ago, has returned to the 3rd rock from the sun. Though inter-country trade in finished goods is still way down, the leading indicators for raw goods point to a healthy resumption in activity (see the following piece on the BDI). We attribute that to an increased domestic focus in the growth economies, which is what we had laid out as our base case for sector gains. We are not, however, feeling sanguine about all this.

It is equally clear that recent commodity price gains have been fueled as much by the rapidly declining greenback as by shifting fundamentals. While we agree with the underlying tone of that sentiment, we are cautious about what it means for the near term. The largest concern is against rising **oil** prices since this is most likely to damage fragile economies. There is no current supply constraint on oil, nor is there even much excess storage left for this anti-dollar to become a de facto reserve currency, as happened in late 2007.

Capital is pulling out of the bond market, and our concern is that too much of that may head for oil. The 33% gain in crude oil prices since the beginning of May, to a

current \$68 for WTI, is not yet what we consider perilous. It has resulted from improved sentiment as well as a dropping dollar. Economies do need some optimism in order to prosper. Big capital spends like the oils sands do need sustained price to get funded. But this latest rise has been steep. Other considerations aside, we would be happier with some oil consolidation.

That said, the LME **copper** stockpiles do continue to decline. About 2/3 of the 350 Kt of added stocks that built up between mid-2008 and mid-February of this year have gone. Much of this is being sucked into China where figures for May show a continued expansion of manufacturing despite export weakness. We said when these stockpiles were rising that some of the offer was a way to make cash in a debt starved environment. We assume that some of the decline in these offers is sellers hoping improved sentiment, and a weaker greenback, will mean more near term price gains.

After peaking at \$2.32 (breaching the psychological \$5000/tonne level) in yesterday's Asian market, copper's price again looks like it wants to consolidate. We would like to see that happen in order to better gauge the actual excess. Another 100 Kt drop in the LME warehouse numbers would reach the top of the range they held for three years

ahead of the debt crunch. At that 200Kt level a major mine site disruption could drain the excess. But we aren't there yet.

Other base metals that typically have bigger excesses appear still to continue chasing copper gains. **Nickel** operations in Sudbury will be shut in for the summer to help drain some of that excess, so this is a market worth keeping an eye on.

We are not rushing to the exits. We do think the base pricing for most metals has been pulled up, and we continue to think that medium term pricing, for copper and zinc in particular, will be governed by supply constraint. But given the recovery in the sector, we don't think you should ignore the gains to date this year. The **gold** subsector, however, has shifted into its next phase that rewards risk taking. That is where we are focused. While this is partly a response to the weakening greenback, it is also a shifting of gains from the larger gold players to those that may jump higher. In this shift, higher volume is the key to future gains.

We also expect **silver** to resume its role as gold's volatile cousin, but if you want a more detailed summery of silver's market we suggest you click the link on page 4 that leads to David Morgan's study on that subject.

Ω

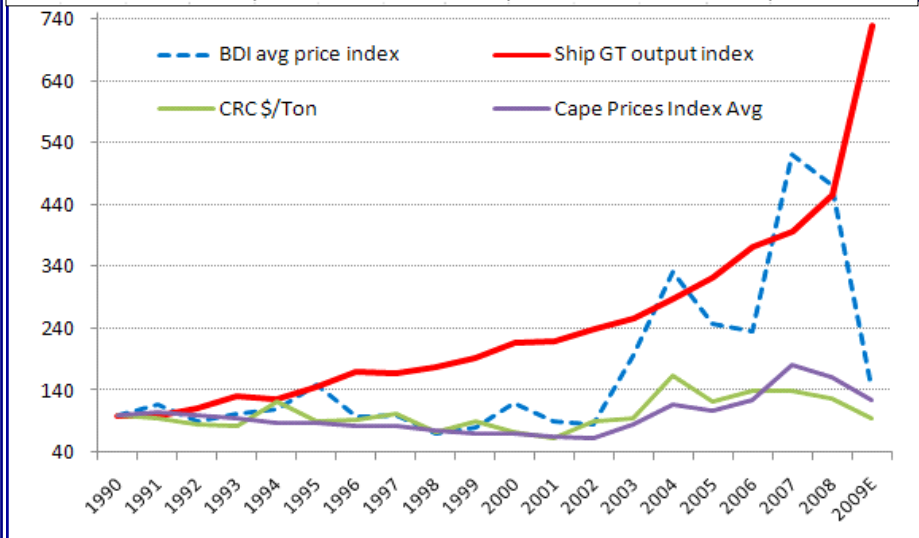
## WHO'S GOT THE GOODS?

As credit and markets collapsed during the past year, one of the more common measures cited as a gauge of the disaster was the Baltic Dry Index. The BDI fell off a cliff last fall, dropping an incredible 95% during Q3 and Q4 of last year in the worst performance by far it has ever put in.

Since bottoming in December the BDI has staged an impressive comeback, especially in the past two weeks. The chart to the right was updated immediately before this issue "went to press" and includes a whopping 11.5% increase for June 2nd.

The Baltic Dry Index (the name is based on an old coffee shop in London and has nothing to do with the Baltic states) is considered a leading indicator for trade, and with above average objectivity. It is generated by polling a number of shipping companies to get rate quotes for standardized cargo on major sea lanes. It focuses on "dry" bulk carriers that transport things like coal, iron ore, grains and metallic ores. It's a good leading indicator of future growth since it measures demand for ships that handle industrial inputs rather than finished goods.

Because the BDI is not directly "tradable" it's considered more objective and less subject to sentiment or manipulation than other measures. We think that is true,



though if we've learned anything in the past few years its that everything seems to be tradable somehow. BDI has certainly seemed to follow major stock indices on several occasions. Whether it is shipping agents keep an eye on markets to gauge pricing or some other mechanism is open to debate.

There are several "sub – indexes" that make up the BDI based on vessel size. The biggest recent shipping-price increase by far has been for "Capesize" vessels, the largest size category that handles most of the trans-

Pacific shipments of iron ore and coal. Cargo prices for smaller, less efficient ship sizes are however also starting to move up.

The BDI is taken as a proxy for shipping on average, but it's really a measure of shipping costs "at the margin". Most shipping is priced under longer term contracts or handled by captive shipping companies owed by large industrial conglomerates, especially in Asia. BDI is more like a spot bid on available cargo. If there is one ship too many for available cargo everyone drops their prices;

one ship too few and bids rapidly rise. This is why the index is so volatile and responsive to cargo volumes.

Staying with that “at the margin” theme, we see a second factor for the dive in BDI and part of the reason for its recovery: loose money.

When the world was awash with cash, large shippers were loading up on debt. Shipping rates had done well through the decade and price increases were accelerating. Shippers got brave and started ordering new ships — a lot of new ships.

The lower chart on the previous page (courtesy of Transport-Trackers.com, a Hong Kong based transport research group) shows annual changes in the BDI indices, plus annual changes in on-order shipping capacity expressed in gross tonnage. All

of these are standardized to a value of 100 in 1991. As you can see, the ships on order exploded in 2008, rising almost 60%. The combination of this potential overhang in shipping capacity and the debt crunch caused shipping rates to collapse.

A number of shippers heavily overleveraged and many of them are in the midst of debt workouts. This has already resulted in some cancellation of new vessels, and its likely more will be forthcoming. The easy money for new ships, like everything else, is gone. The swings in potential capacity exacerbated an already volatile market.

Fear of these new vessels coming to market was added to debt-crunchitis, so price cutting was vicious to keep customers. They now know many of build orders have

been cancelled, often because the debt to pay for construction has dried up.

Bears saw the BDI dive as “proof” the rest of the world had to be “beached” without the USA to sell to. They are having more trouble explaining away the rapid ascent of an index they were crowing last winter could not be “manipulated”.

We think part of the recent rise is shippers greater confident they don’t have to face massive oversupply of vessels anytime soon. There is clearly is also simply more trade moving about than was expected a few months back, at least in the dry bulk goods space. Based on the speed of the recent rise, shipping agents apparently expect it to continue and they are in a good position to know. **Ω**

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## ***The HRA (Hard Rock Analyst) Advisories***

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