

# Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

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February 16, 2009

## Bard Ventures Ltd. (TSXV: CBS) – Initial 43-101 Resource Estimate on Lone Pine Property; Fair Value Raised

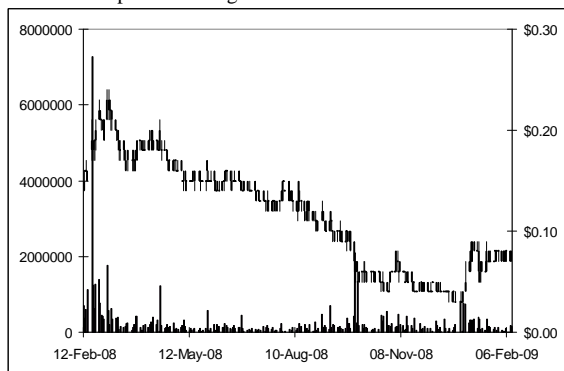
Sector/Industry: Junior Mining

[www.bardventures.com](http://www.bardventures.com)

### Market Data (as of February 16, 2009)

Current Price	C\$0.06
Fair Value	<b>C\$0.30 (↑)</b>
Rating*	<b>BUY</b>
Risk*	<b>5 (Highly Spec)</b>
52 Week Range	C\$0.025 – C\$0.240
Shares O/S	87.94 mm
Market Cap	C\$5.28 mm
Current Yield	N/A
P/E	N/A
P/B	0.79
YoY Return	-60.0%
YoY TSXV	-64.2%

\*see back of report for rating and risk definitions



### Investment Highlights

- The company is in receipt of an initial NI 43-101 compliant resource estimate for the Alaskite zone at its Lone Pine molybdenum project. At a cut-off grade of 0.04% Mo, measured and indicated resources total 201.72 million lbs of Mo grading 0.083% and inferred resources total 51.13 million lbs of Mo grading 0.088%
- Preliminary metallurgical results have also been received with molybdenum recoveries of 90% or greater in rougher circuit flotation tests.
- Our revised valuation of the company is \$0.30/share, compared to \$0.15/share in our previous report. We believe the company's current cash position will be able to fund its working capital and exploration for at least another 5 months.

### Key Financial Data (FYE September 30)

(C\$)	2008	2009 3mo
Cash, Cash Equivalents and Term Deposits	1,558,026	636,790
Working Capital	1,739,820	1,406,382
Mineral Assets	5,043,492	5,249,635
Total Assets	7,512,370	6,737,566
Net Income (Loss)	(1,100,580)	(271,380)
EPS	(0.01)	(0.00)

\*Members of FRC's mining team have visited Bard properties in the past 12 months

Bard Ventures Ltd. is a Vancouver based metals exploration company focusing on exploration and development in British Columbia. The company's flagship properties are the Lone Pine Molybdenum project and the Wasi Creek Zine Lead Silver project, both located in central B.C., Canada.

**Lone Pine  
Property**

**Since our previous update**, the company has concluded its phase II diamond drill program on the property totaling 18,793 meters in 32 holes. The program breaks down as follows: 25 holes totaling 15,739.6 meters were drilled in the Alaskite zone; five holes totaling 2,476.7 meters were drilled in the Quartz Breccia zone, and; two holes totaling 576.7 meters were drilled in the Granby zone.

In addition to phase II drilling, geological mapping and aerial photography programs were performed, and preliminary metallurgical results were received by the company. Geological mapping covered the Alaskite and Quartz Breccia zones to better delineate the constraints of the known alaskite intrusive; digital maps and orthophotography created from the aerial photograph program have been utilized in creation of the NI 43-101 resource estimate.

**Resource Estimate:**

The company originally released the resource calculation on January 13, 2009, and the technical report prepared by Ronald G. Simpson P. Geo. of GeoSim Services Inc. is now available on [www.sedar.com](http://www.sedar.com).

The resource estimate is based largely on the 25 hole, 15,739 meter Phase II (diamond) drilling definition program. Table 1 depicts Measured and Indicated resources separately while Table 2 depicts Measured plus Indicated. Table 3 summarizes resources in the Inferred category.

**Table 1**

Cut-off % Mo	Measured			Indicated		
	Tonnes ≥ Cutoff (000's)	Mo %	in-situ lbs Mo (000's)	Tonnes ≥ Cutoff (000's)	Mo %	in-situ lbs Mo (000's)
0.02	43,767	0.078	75,262	107,769	0.066	156,809
0.03	40,450	0.082	73,125	99,967	0.069	152,069
<b>0.04</b>	<b>33,356</b>	<b>0.092</b>	<b>67,654</b>	<b>76,984</b>	<b>0.079</b>	<b>134,079</b>
0.05	26,676	0.104	61,163	58,193	0.09	115,464
0.06	22,486	0.113	56,018	43,968	0.102	98,871
0.07	19,625	0.120	51,919	35,077	0.111	85,839
0.08	17,699	0.125	48,775	29,884	0.117	77,084
0.09	15,853	0.130	45,435	25,703	0.123	69,698
0.10	13,922	0.135	41,435	21,053	0.129	59,875

(Source: Bard Ventures Ltd.)

**Table 2**

Cut-off % Mo	Measured + Indicated		
	Tonnes $\geq$ Cutoff (000's)	Mo %	in-situ lbs Mo (000's)
0.02	151,536	0.069	232,071
0.03	140,417	0.073	225,193
<b>0.04</b>	<b>110,340</b>	<b>0.083</b>	<b>201,733</b>
0.05	84,869	0.094	176,628
0.06	66,454	0.106	154,890
0.07	54,702	0.114	137,758
0.08	47,583	0.120	125,858
0.09	41,556	0.126	115,132
0.10	34,975	0.131	101,310

(Source: Bard Ventures Ltd.)

**Table 3**

Cut-off % Mo	Inferred		
	Tonnes $\geq$ Cutoff (000's)	Mo %	in-situ lbs Mo (000's)
0.02	27,827	0.084	51,532
0.03	27,555	0.085	51,636
<b>0.04</b>	<b>25,840</b>	<b>0.088</b>	<b>50,131</b>
0.05	22,839	0.094	47,331
0.06	18,295	0.104	41,947
0.07	15,238	0.110	37,290
0.08	13,092	0.117	33,769
0.09	11,800	0.121	31,477
0.10	10,186	0.125	28,070

(Source: Bard Ventures Ltd.)

We believe this is a very encouraging initial resource estimate for the Lone Pine property. A grade of 0.083% for Measured plus Indicated resources at a cut off of 0.04% is positive and coincides well with typical assay results from Phase II which range from approximately 0.05% to 0.11% over the full length of drill intercepts.

The deposit remains open to depth. The deposit has a potential to be an economically mineable open pit thanks in large part to the proximal infrastructure; current resources are of sufficient quantity but require upgrading to reserves. The potential also remains to discover additional open pitable deposits within the property boundaries.

**Metallurgical Results:** Bard Ventures released preliminary metallurgical results from G & T Metallurgical Services Ltd. of Kamloops, B.C. on January 9, 2009.

Metallurgical test work was performed on approximately 50 kg of representative core from the Alaskite zone on the Lone Pine property. The most relevant results as reported by the

company in their January 9, 2009, news release are as follows:

- Rougher circuit flotation tests produced molybdenum recoveries of 90% or greater to the rougher concentrate, and;
- Open circuit batch cleaner tests produced concentrate grades as high as 43% molybdenum.

**Initial results of 90% Mo recovery for the rougher concentrate and a final concentrate of 43% are very positive. We believe these positive results further lend to the economics of the Lone Pine project.**

**Quartz Breccia Drill Results:** Results from the initial five holes drilled at the Quartz Breccia zone should encourage further exploration of the area by the company as four of the five holes returned notable molybdenum intercepts; additionally, two holes, BDQ-08-03 and BDQ-08-04, also assayed notable levels of gold. The results are summarized below in Table 4.

**Table 4**

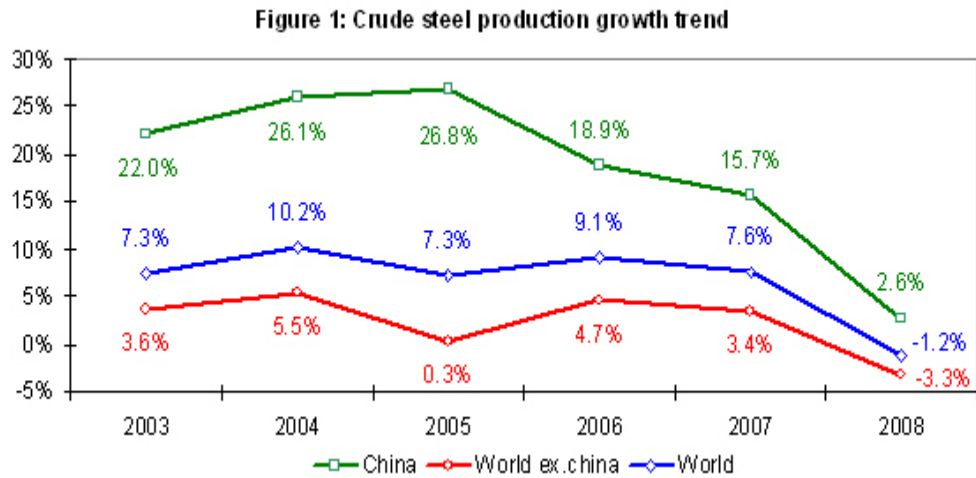
Drill Hole No.	From (m)	To (m)	Interval (m)	Mo %	MoS <sub>2</sub> %	Au (g/t)
BDQ-08-01	185	425	240	0.06	0.1	
Including	309	351	42	0.1	0.17	
BDQ-08-02	257	385	128	0.04	0.07	
Including	257	279	22	0.09	0.15	
Including	201	209	8			
BDQ-08-03	295	419	124	0.06	0.1	2.02
Including	327	359	32	0.1	0.17	
Including	227	229	2			5.4
Including	281	283	2			5.28
BDQ-08-04	455	495	40	0.04	0.07	
Including	377	379	2			5.7

(Source: Bard Ventures Ltd.)

**Current Status:** Exploration on the Lone Pine property is currently in the planning stage. The company anticipates completing further geophysical work to extend targets to the northwest and southeast. With future drilling, the company will look to expand the resource as well as test the deposit to depth. We would like to see the company commence a scoping study in 2010.

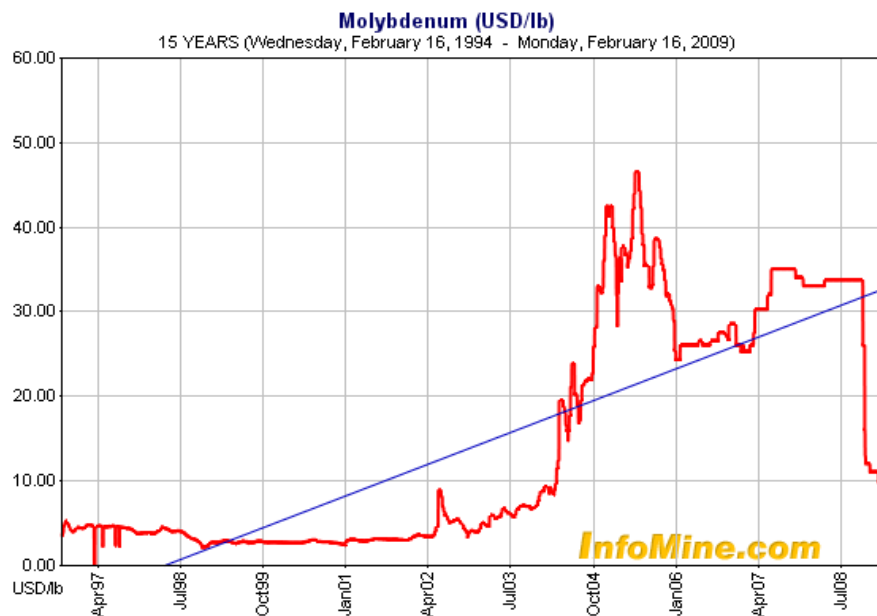
### **Outlook on Molybdenum**

Increasing demand for steel has been one of the major drivers of demand for molybdenum. Therefore, molybdenum prices experienced a significant decline in 2008, as global steel production dropped by 1.2% YOY (shown in the following chart) versus production growth of 7.6% in 2007, and 9.1% in 2006. Crude steel production growth in China dropped to 2.6% in 2008, versus 15.7% in 2007, and 18.9% in 2006.



Source: World Steel Association

We believe the slowdown in emerging countries, and recession in developed countries, will lead to lower demand for steel, resulting in soft molybdenum prices in the near-term, as the molybdenum market continues to remain in surplus in 2009 and 2010. The following chart shows molybdenum prices since 1997. Although prices have dropped significantly in the past few months, they are still well above the historic average (as shown in the chart below).



As none of CBS’s properties are expected to be in production in the near-term, we believe that the valuation depends more on our long-term outlook on molybdenum prices. We have a positive long-term outlook on molybdenum prices and expect prices to stay well above the historic average due to the following factors:

- Demand from BRIC countries

- Demand from the oil sector despite a recent decline in short term oil demand forecasts; we have a positive long term outlook on oil and our long term oil price forecast is US\$80/bbl
- Increasing capital expenditures and higher production costs.
- Delays in new molybdenum and molybdenum/copper mines going into production: Freeport-McMoRan Copper & Gold Inc. (NYSE: FCX) is currently cutting production and suspending the construction of the Climax mine (one of the largest sources of new molybdenum production). Also in light of weak prices, Thompson Creek Metals Company Inc. (TSX: TCM) is delaying its Davidson Moly project, and postponing expansion of its Endako mine.
- Expected decrease in Mo exports by China.
- Longer lead times to build new molybdenum mines.
- Not easily substitutable due to its unique characteristics, availability and versatility
- Infrastructure spending

### **Financials**

We have used a long term (2012+) molybdenum price of US\$10/lb in our valuation models.

At the end of December 2008, the company had \$0.64 million in cash and cash equivalents and \$1.41 million in working capital. The company posted a net loss of \$0.27 million (EPS: -\$0.00) for Q1 FY2009 (ended December 2008), compared to \$0.24 million (EPS: -\$0.00) in Q1 FY2008. We estimate the company had a burn rate (spending on its operations and exploration) of \$0.10 million per month in Q1 FY2009, down from \$0.50 million per month in FY2008. The table below shows a summary of the company's cash and liquidity position.

(C\$)	2008	2009 3mo
Working Capital	1,739,820	1,406,382
Current Ratio	3.54	35.74
LT Debts/ Assets	-	-
Burn Rate/Month (incl exploration costs)	(503,250)	(97,094)
Cash from financing activities	810,380	-

**Stock Options and Warrants:** At the end of December 2008, the company had 14.63 million stock options and 12.74 million warrants outstanding. None of the stock options and warrants are currently in the money.

**Conclusion:** At the end of December 2008, the company had \$0.64 million in cash. Assuming the company continues to burn at \$0.10 million per month, we believe cash will last for at least another 5 months.

### **Valuation**

In order to value the company, we have assumed a production scenario based on the company's new resource estimate on the Lone Pine property, and accordingly, have initiated a Discounted Cash Flow (DCF) valuation on the company. Investors should note that as the project is in the early stages, the inputs to our DCF model are based on similar projects, and are therefore, preliminary.

**DCF Valuation:** Our DCF model values the Lone Pine property at \$0.38 per share.

The following table summarizes our DCF model.

<b>DCF Valuation</b>	
Mineral Resources (in tonnes)	123,260,000
Grade (Mo)	0.083%
Recovery (Mo)	90%
Recovered Mo (lb)	204,118,809
Production	2012
Throughput (tpd)	25,000
Mine Life (years)	15
Operating costs (\$/lb)	\$6.00
Discount rate	11.63%
Capital Costs	\$270,000,000
<b>Net Asset Value</b>	<b>\$31,749,476</b>
Working Capital	\$1,260,741
Fair Value	\$33,010,217
No. of Shares (diluted)	87,940,000
<b>Fair value per share (diluted)</b>	<b>\$0.38</b>

\* We have discounted inferred resources by 50% for conservatism.

**Sensitivity:** Our DCF is highly sensitive to our long-term molybdenum price forecast (US\$10/lb), as shown in the table below.

Mo (US\$/lb) - 2012+	\$16.00	\$14.00	\$12.00	\$10.00	\$8.00	\$6.00	\$4.00
<b>DCF Valuation</b>	\$3.90	\$2.73	\$1.56	<b>\$0.38</b>	-\$0.78	-\$1.95	-\$3.12

**Comparable Analysis:** We have also valued the company based on the average ratio of enterprise value (EV) to resource estimates of the company's peers. Our comparables valuation model valued the company at \$0.10 per share as shown in the table below.

Company	Symbol	Price	Shares	Enterprise Value (EV)	Resource (Mo eq.)	EV / Resource
1 Creston Moly Corp	CMS	\$0.27	121,018,000	\$28,481,874	324,626,951	\$0.09
2 Inca Pacific Resources Inc.	IPR	\$1.00	56,473,000	\$34,999,957	752,568,207	\$0.05
3 Bard Ventures Ltd.	CBS	\$0.12	87,940,000	\$9,572,659	226,798,677	\$0.04
4 Western Troy Capital Resources Inc.	WRY	\$0.25	19,130,000	\$2,849,570	107,665,004	\$0.03
5 Torch River Resources Ltd.	TCR	\$0.13	49,336,000	\$4,860,425	192,208,760	\$0.03
6 International PBX Ventures Ltd.	PBX	\$0.18	77,110,000	\$11,239,534	514,941,366	\$0.02
7 Virgin Metals Inc.	VGM	\$0.12	87,881,000	\$10,279,595	691,472,086	\$0.01
<b>Average</b>						<b>0.04</b>
<b>Fair value per share</b>						<b>\$0.10</b>

\* Share prices are 12 mo averages

\* Resources = Measured and Indicated + 50% Inferred/Historic Resource Estimates

\* Molybdenum equivalent was determined based on copper price of US\$2.03/lb, and molybdenum price of US\$10/lb

Based on 12-month average share prices, the company's resources are fairly valued at \$0.04/lb, compared to the average ratio of its peers of \$0.04/lb.

**Our average valuation of the company is \$0.24/share.**

<b>Valuation Summary</b>	<b>Valuation</b>
DCF	0.38
Comparables	0.10
<b>Average</b>	<b>0.24</b>

***Conclusions & Rating***

**Based on our valuation models and review of the company's progress since our initiating report, we maintain our BUY rating on the company, and raise our fair value estimate from \$0.15 per share to \$0.30 per share. We place more weight on our DCF value as we believe the prices of comparables do not reflect fundamentals at the moment.**

***Risks***

The following risks, though not exhaustive, will cause our estimates to differ from actual results:

- The success of drilling, expansion and determination of favorable resource estimates are important long-term success factors for the company.
- The company is subject to delays impacting the entire mining industry.
- The value of the company depends heavily on commodity prices (primarily molybdenum).
- Access to capital

**We rate the company a RISK of 5 (Highly Speculative).**

**Fundamental Research Corp. Equity Rating Scale:**

**Buy** – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

**Hold** – Annual expected rate of return is between 5% and 12%

**Sell** – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

**Suspended or Rating N/A**— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

**Fundamental Research Corp. Risk Rating Scale:**

**1 (Low Risk)** - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

**2 (Below Average Risk)** - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

**3 (Average Risk)** - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

**4 (Speculative)** - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

**5 (Highly Speculative)** - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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