

# The IKN Weekly

Week 59, June 20<sup>th</sup> 2010

## Bellhaven (BHV.v): Update

Mentioned on the blog on Friday (22), Bellhaven (BHV.v) then had news out after the bell on the same day (23) when it announced its new VP Exploration wasn't going to be VP Exploration any longer but rather concentrate on all things mineral at La Mina without being in charge of the whole geologists' team at BHV. Let's be tactful, note that highly-experienced and respected geologists are sometimes far better at handling rocks than they are at handling people, trust that BHV has now moved Eugenio Espada to a position in the company that will make full use of his undoubted abilities..... and move on.

Back to the blog post. At the time intraday, BHV was trading at 21.5c and I kinda suggested that it might be a place to pick up some shares. It finished at 23c on the day (on low volumes) but that's neither here nor there, really. We hear that there is good progress at the company's new La Mina project in Colombia and that BHV is likely the start of a drilling program at the site that should kick off in July and have results hitting the news releases at some point just before or after Labor Day. Meanwhile on the Panama front, BHV is bringing in Jeff Hedenquist to tour the Pitaloza property, pick his brains and get his thoughts on what's out there. Now I don't mind admitting that I'd never heard of the guy before this week but I'm quite sure that the pro geologist subscribers would have recognized his name immediately. Here's a quick bio (24) to give you a taste of the man's credentials:

### *Research Associate Professor of Geology*

Jeff Hedenquist is a world renowned economic geologist specializing in epithermal hydrothermal systems. He is author of over 40 peer-reviewed papers on epithermal ore deposits, geothermal systems, and the relationship of volcanism to ore deposition. Jeff emphasizes field-based studies of ore deposits. He is also involved in large-scale, regional studies of mineral prospectivity.

And believe me, after Googling around for a while you get to know that Hedenquist is second to none in the epithermal gold field, which is precisely the elephant that BHV is hunting in Panama. It's crystal clear that new interim CEO Zweng is taking the rocks very seriously at BHV, which is the biggest and most welcome fundamental change that has come to the company since he took over. There's still no guarantee of success here, but as the mail conversation has continued over the weeks between this author and Zweng, his enthusiasm for the potential he sees in the assets held by BHV is more than a little infectious. I am swayable, after all.

The bottom line is that I'm not biting on BHV yet for four reasons. Firstly potential is potential but I want to see some real results before making a commitment. Secondly the company is not that flush with cash and a financing at any given moment (perhaps on the back of good news, perhaps not) would be of no surprise at all. Thirdly, there are still a lot of old-time bagholders in this stock who have been well underwater for longer than they'd likely care to remember, so any fast upmove is still likely to find selling pressure from those who feel lucky to have gotten out alive. Lastly, missing the first 20% or 30% of a big upmove has never bothered me much. As long as I make my difference and I'm living inside my own personal risk tolerance levels (or perhaps "not too far outside them for too long" would be better) I wish those who come before me and after me the very best of fortune.

## **Panama, the “Sausage Law” and environmental permitting**

On June 12th (i.e. last weekend) Panama's congress passed by 42 to 17 votes a law that was ostensibly about the development of the country's aviation industry but, because it packed several other issues into the charter and was pushed through parliament in a rather authoritarian manner, has been nicknamed “The Sausage Law” or the “Nine In One” law. Amongst the side legislations that were packaged into the deal was one section that says Environmental Impact Studies (EIS) and their resulting permitting procedures are unnecessary for mining projects that are deemed by the government to be “of social interest”, whatever that might mean. Here's an excerpt from Reuters (12):

The laws enacted this week sparked protests from labor and environmental groups who fear the fast-tracked legislation greatly reduces worker rights and could eliminate key environmental checks for major copper mines Martinelli wants developed.

The practical upshot to this new law is that the big mining projects that Panama has on its books can be moved forward quickly with no need for environmental studies, permits or attention. It's a very strange new law for many reasons, not least of which is that the recent Free Trade Agreement (FTA) signed between Panama and the USA still needs to be ratified by the US and is very unlikely to pass without proper environmental legislation being in place. It also leaves the Martinelli administration wide open to charges of corruption, as a multi-billion dollar mining project such as Inmet's Petaquilla Copper or the much coveted Cerro Colorado copper asset being chased by South Korean money (amongst other suitors) can be given the thumbs up or thumbs down almost literally on the whim of the President. And this is Panama folks, a place where money doesn't talk, it shouts.

At this moment, my best guess is that President Martinelli is going to use this as some sort of short-term window to get the big copper mines that he'd like moved forward into construction phase. It's then possible that when the wider world kicks up a fuss (e.g the US Congress when debating the ratification of its FTA with Panama) the window is closed and a more normal permitting procedure is adopted (not retroactively, of course).

Finally, this also meshes with the current EIS being prepared by Petaquilla Minerals (PTQ.to). As PTQ head Richard Fifer has reportedly found a friend in his new President, it wouldn't be a wild surprise to find approval for the Petaquilla gold mine at Coclé suddenly fast-tracked and approved. This wouldn't sort out the welter debt burden the company suffers under (and as a result makes it a total avoid of a stock), but it would be one less thing to worry about for the company. In LatAm, it's less what you know and more who you know that's important.