# The IKN Weekly

**Week 55, May 23rd 2010**

**(BHV.v): It's the Otto & Zweng Show!**

The risk here is that The IKN Weekly begins to look like a co-authored letter, but I think we're good about running this segment today because it does more than one thing. Over the last couple of weeks I've been having a very edifying and educational mail exchange with Paul Zweng, who is now the new (interim) CEO of Bellhaven Copper & Gold (BHV.v) and, as he's been featured on these pages on more than one occasion, needs little further introduction except to point out once again that Zweng is one of the good guys.

The general theme of the exchange between your author and Zweng has been me saying "C'mon, convince me about this play...what's in it for me and for IKN Weekly readers?" and Zweng giving me good arguments on why to like the stock, solid background on the recent market announcements and suchlike. So yesterday I asked him if he'd like to put together an on the record digest of our exchange about the new La Mina project according to his viewpoint, with a possible view to getting them in this week's edition. Indeed, here's that on-the-record from Zweng. I think it's well worth this extra section on BHV for a couple of reasons:

1) It shows where the company is trying to go, what it's looking for in its newly acquired Colombia project and the goals that are being set.

2) It gives great insight into the mindset of the exploration miner. We recall that Zweng isn't just a successful businessperson and someone who has a track record for adding shareholder value but he's also a geologist with many moons in the field. So by reading his vision for the company we can get an idea of why these people do what they do and why, in this case, Zweng decided to take on what looked like a moribund company not so long ago.

So here we go with Zweng's words, in which he talks extensively about the new 'La Mina' project that BHV took on last week (16) as well a specific part of the project called 'La Cantera'. But before diving in, **I want to make it 100% clear that I have not (as yet anyway) been swung by Zweng's evangelism, I'm still neutral on this stock, I have no position in BHV and I'm not planning on taking one in the near future, either** (e.g. in another of Zweng's very recent mails to me he wrote "I like your "Show Me—I'm from Missouri" attitude. It will be an honor to do so."). So this isn't a recommendation from this author, rather it's another slice of the, "This is what I've found out, this is what I know, now go make up your own mind dear reader" way we like doing things around here. Enjoy.

The La Mina porphyry Au-(Cu) project was formerly held by AngloGold-Ashanti, then in a joint venture between AngloGold-Ashanti and Bema Corp, and later a joint venture between AngloGold-Ashanti and B2Gold (Bema's interest was assigned to B2Gold after the acquisition of Bema by Kinross). So if AngloGold and the others didn't think La Mina was up to snuff, why should Bellhaven? Several reasons. First, AngloGold held an enormous land package in Colombia and was provided at one point with a ~$3 million budget to explore this vast land package. Given these fiscal constraints, together with the success AngloGold was having at La Colosa (a 12.9 Moz Au deposit), it made sense for them to focus on La Colosa and farm out the others (not only was La Mina farmed out to Bema/B2Gold, but a number of other good gold projects as well). Secondly, I suspect that after the six-hole drilling campaign, Anglo and B2Gold decided that La Mina was too small.

But there are five interesting aspects about the drilling campaign with respect to size potential. First, and perhaps most significantly, the drilling was completed *before* they undertook a regional airborne magnetic/radiometric survey over La Mina and adjacent areas. Mag surveys are highly effective at finding these porphyry Au-(Cu) deposits because the gold typically occurs in altered rock which has been enriched in magnetite. As a result, the gold-bearing rock is highly magnetic and thus "sticks out" in a "mag" survey. In any event, had they completed the survey before they drilled, they would have seen that the first hole was drilled in a direction *away* from the "mag" high that we now know highlights the gold zone(s). That is, they never would have drilled this hole had they had the benefit of the "mag" survey. Secondly, the bottom portion of Hole 5 cut what appears to be a late (post-ore) porphyry stock that was emplaced into the gold-(copper) zone. This is good news/bad news. The bad news is that the late stock "ate away" or "cookie-cuttered out" a portion of the gold-(copper) zone. The good news is that this is to be expected. The large porphyry Au deposits throughout the world are centered on what geologists call "intrusive centers"—places where multiple porphyry stocks are emplaced one after the other (think of intrusive centers as a 3-, 4- or 5-car pile-up on the side of the highway where each porphyry stock is a car ramming into the earlier stocks). Typically the early stocks are low-grade, the early-to-late stocks are the most mineralized, and the late stocks are barren. Where these late stocks cut the mineralized stocks, the gold zones have been destroyed—as expected. Thirdly, Hole 3 was drilled on the west side and did not contain a significant gold-(copper) intercept. But it looks to me that this hole was drilled between what I believe are two gold zones. Had Hole 3 been collared more to the north or south, it might have cut the western extension of the gold zones. This means that the gold zones may still be open to the west. Fourthly, the drilling did cut two highly significant intercepts, each 90 m (or more) of slightly over 1 g/t Au, in Holes 2 and 5. These are very nice intercepts, and if we can follow up these with others, we may well add significant ounces. (Of course the flip side is that we could drill and find nothing, in which case this area would likely be rendered insignificant). And finally, this one area of drilling by the Anglo JV—what we call La Cantera ("the Quarry")—is one of several highly prospective areas occurring within the concession. The magnetic survey highlights three additional targets (defined by both high magnetic susceptibility and rock/soil geochem anomalies) occurring in a straight line immediately to the north. Other targets occur off this north-south trend with associated rock/soil geochemical anomalies.

So how big (and how many ounces) might La Mina hold? As of today, there is no NI 43-101 resource for La Mina. Nor is there a historical resource. So what follows is fraught with uncertainty and risk. It is highly speculative!!!

Let's forge ahead and start with the La Cantera prospect. This is where the AngloGold JV drilled their six holes. It looks like there may be two gold zones based on the information contained in Holes 2 and 5. They may be as long as 250m and as deep as 300m. Each looks to be 75 and 100m wide, respectively. If one adds the two widths, then the sum-of-the-two-zones *estimated* width may be 175m. To calculate a tonnage, take the three figures and multiple them together. This yields an *estimated* or *potential* volume. Then multiple by an *estimated* density, say 2.65 g/cc. This provides a *potential* tonnage. Finally, one has to make an *assumption* of average grade. Based on Holes 2 and 5, an average grade of 1 g/t Au seems reasonable. But it could be much less, of course. So if you multiple the *estimated* tonnage by the *assumed* grade, one can determine the *potential* number of contained gold ounces. I'll let you do the math so that I can avoid crossing the line with respect to NI 43-101. (*But please know that these calculations are fraught with risk and uncertainty.*) Recall that these figures apply only to La Cantera. There are a number of other "mag" highs on the property, but until drilled, it remains very difficult to quantify their potential tonnages and grades. That said, we believe the potential is worth the investment in a future drilling program.

IKN back. Just to let you know that assumed, estimated, potential, risky, uncertain math turns out at 1.1m. Read what you want into that. Also, Im'm not going to let Zweng off the hook totally as I think that the constant pumping of ths stock by Thom Calandra, a man with a very dubious past history, will 1) do more harm than good in the long run and 2) mean than anyone who does find this stock interesting shouldn't be buying in when it suddenly balloons as it's done recently, but wait out the move and find cheaper prices once the herds have finished charging in. But that's just me. What I will say about BHV is that it wouldn't be getting coverage in The IKN Weekly if it weren't an interesting stock.