

# USC Resource Consult

## -Company Report-

### Bellhaven Copper & Gold Inc. (BHV)

(BHV – TSX-V / Canada)

www.bellhavencg.com/

Vancouver / Canada

Sector: Precious metals exploration



**PROFILE:** Canadian junior **Bellhaven Copper & Gold (BHV)** has a well-diversified portfolio of prospective gold and copper projects in Panama. Four of these projects already have a resource estimation. Bellhaven is currently focused on the Cerro Chorchá project, which has very strong exploration potential. In addition, the company has recently acquired the Cerro Quema project, which it aims to bring into production within the next two years.

#### HIGHLIGHTS:

- Four advanced stage projects with a NI 43-101 compliant resource estimate
- Bellhaven aims to bring the Cerro Quema project into production by 2009
- Cerro Chorchá project has a NI 43-101 compliant inferred mineral resource of 1.4 billion pounds of copper and 255,000 ounces of gold
- JVs with a total value of US\$30 million
- Very strong exploration potential
- Panama's leading exploration company
- High-calibre management team with excellent links to the financial markets
- Strong potential for further attractive acquisitions in Panama where country risk is low



#### Current Status

Over the last few months, Bellhaven Copper & Gold has quietly acquired a very well-diversified prospective portfolio of projects in Panama. Four of these projects are already at an advanced stage: the most advanced being the Cerro Quema project, recently acquired at the very attractive price of US\$21 per ounce of gold resource. Cerro Quema already has a reserve of 372,500 ounces Au: and a resource of 495,500 ounces of gold and BHV could bring this project into production as early as 2009. In addition, through its joint venture with Empire Minerals, BHV has a potential world-class deposit – the Cerro Chorchá project (Cu, Au and Ag). This project already has a resource of 1.4 billion lbs Cu and 255,000 ounces Au. The latest drill results from the 3,300 metre drill programme confirm the project's potential. The best drill hole returned 2.01% copper, 0.43 g/t gold and 11.3 g/t silver over 114 metres (near-surface). Other projects in the portfolio also have very strong exploration potential.

#### Opportunities/ Threats

BHV's upside potential hinges on successfully bringing the in Cerro Quema project into production medium term, in addition to the very strong exploration potential of individual projects in this well-diversified portfolio. A NI 43-101 resource estimate is expected for the Cerro Chorchá project by early next year. In addition, further acquisitions, particularly in Columbia look very likely.

Bellhaven is exposed to the industry-specific risks associated with exploration; however these are offset against their projects' extremely promising geology and advanced stage, bolstered by the company's very strong management team. Consequently, the company's risk profile is much lower than other juniors and shows very strong risk/reward potential.

#### Market data (in Canadian dollars)

Share price (as @ 05.10.07):	C\$0.95
No. of shares:	23.58 mil
No. of shares (fully diluted):	24.93 mil
Insider ownership:	35%
Market capitalization (fully diluted):	C\$23.68 mil
Net cash:	C\$2.3 mil
Enterprise value:	C\$20.34 mil
ISIN:	CA0794761076
Listed:	TSX-V
52 week high/low:	C\$1.31 / C\$0.39
Average daily turnover (3 month):	33,750

#### Corporate information

CEO:	Julio Benedetti
Investor relations:	Miguel Villahermosa
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Year end:	30th April

#### Evaluation / Recommendation

We would overweight BHV in a resource sector portfolio; on the back of the Cerro Quema project being brought into production medium term, the well-diversified project portfolio with strong exploration potential coupled with the excellent management team. We believe that BHV's share price is currently undervalued. Our conservative valuation sees 50% upside (short-term target price: C\$1.58).

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## 1 Projects

Bellhaven Copper & Gold (BHV) is one of Panama's leading exploration companies. Thanks to the company's extremely capable management team, Bellhaven has rapidly acquired a project portfolio with a total area of over 500 km<sup>2</sup>. Our site visit in July 2007 left us in no doubt that Bellhaven not only possesses a superb technical team but in addition the company is also very well connected in the financial markets. This explains how Bellhaven has already been able to put together joint venture deals with a total value of just under US\$30 million (outstripping the company's current market cap).

Four of the current projects already have a resource (most are NI 43-101 compliant), these are being rapidly expanded by current drill programmes. Cerro Chorcha has an NI 43-101 compliant inferred mineral resource of over 1.4 billion pounds of copper and 255,000 ounces of gold. The projects are outlined in greater detail below.

In addition, the company is currently pursuing an aggressive acquisition strategy. BHV has just signed an agreement to purchase a 60% stake in the Cerro Quema project from Glencairn. This project has a gold reserve of 372,500 ounces and a resource of 495,500 ounces. The company is also acquiring the remaining 40% of the project. Cerro Quema could be brought into production by 2009. Bellhaven is interested in further acquisitions, particularly in neighbouring Columbia. The economic and political climate in Columbia has now improved considerably and numerous high-quality projects can still be acquired at attractive prices.





due to commence once the drill programme at Cerro Chorchá is completed. The ore body discovered is still open on three sides and a new resource estimation could be published by 2H 2008.

## 1.3 Azuero Projects



Source: Bellhaven

A mineral belt runs along the Azuero peninsula containing numerous gold and copper occurrences. Bellhaven has been active in the region for some time and has amassed a portfolio of projects (see map below). A drill programme at the Pitaloza project (9 drill holes) has already returned 0.7 g/t Au over 26.52 metres and 1.8 g/t Au over 15.25 metres. Bellhaven's project portfolio on this peninsula has a total area of 57,118 hectares. Bellhaven's latest acquisition, the Cerro Quema project, is located only 8 km away:



Source: Bellhaven





Panama Canal and on the international freight business. Some 5% of world trade passes through the Panama Canal which has just been slated for major expansion (estimated cost: US\$4.5 billion).

Political stability is underpinned by a broad-based middle class (by Latin American standards) and a stable income stream from the Panama Canal. Panama boasts Latin America's lowest crime rate. The population stands at 3.2 million, of which some 1 million live in Panama City. As this is a US dollar economy, the country does not issue its own currency; nor does it have a Central Bank. The inflation rate is correlated to US dollar trends and has run at around 1% per annum since 1999.

Infrastructure is well developed and foreign investment is encouraged through numerous tax incentives. Gold was mined here by the Spaniards as early as the 16<sup>th</sup> Century. However, Panama does not currently have any producing mines. The first mine slated to come into production will be Petaquilla Minerals' gold and copper projects.

The government is very mining friendly as we were able to establish when we spoke to the Minister for Mines early this year. The mining industry is seen as an industry of the future for Panama and the government hopes that new mining sector jobs will help cut the local unemployment rate (just under 10%).

During the War of Independence, Panama allied itself with neighbouring Columbia and declared itself an independent Republic in 1903.

**Columbia** is South America's fifth biggest economy and has the third largest population. The principal economic activities are oil, coal, mining and agriculture. Columbia also has one of the best health and education systems in South America. The economy has posted rapid growth over the last few years (ca. 5-6% p.a.) and foreign investment is also growing. Columbia has also traditionally had strong ties to the USA and to Western Europe.

Contrary to popular overseas opinion, the security situation has improved considerably in Columbia since the highly popular President Uribe, took office in 2002. Bernhard Schmidt of USC Resource Consult established this for himself when he visited projects in Columbia in March 2007. A host of conversations with locals served to illustrate just how dramatically the situation has improved over the last few years. Furthermore, our own impressions of Columbia were considerably more favourable than of other South American countries which traditionally enjoy a superior reputation for safety.

In addition, the annually published 'Global Competitiveness Report' further illustrates that Columbia is on its way up. In 2005, Columbia already ranked ahead of Brazil and Peru. Even in terms of personal safety, security of private property and political risk, Columbia ranked way ahead of countries such as Argentina, Mexico and Brazil. Columbia was also rated higher than Chile in terms of the availability of an educated work force.

There are still a few rebel groups active and drug barons, but these conflicts have tapered off considerably and have been largely relegated to border regions. Little exploration work has been carried out in Columbia and the country offers significant opportunities for mining companies. The

company AngloGold Ashanti has already recognized this and has set up its South American exploration office in Columbia's capital Bogotá.

The Majors are still largely shying away from investing in Columbia thus leaving the ground open for smaller companies such as BHV. Projects are still to be had in Columbia that are simply not to be found elsewhere or certainly only at a much higher price. Investors need to factor in that the perceived country risk profile is still so high (as reflected in the valuations), that there is little scope for downside. The greatest upside potential hinges on market perception changing to reflect the new dramatically improved reality. The greatest beneficiaries of this will be those companies who have entered the market early on.

### **3 Valuation**

A valuation for Bellhaven Copper & Gold can currently be established on the basis of both existing resources and expected cash flow. Published data on potential in the ground resources and the potential cash flow from resources/reserves from the Cerro Quema gold project is available.

We are valuing Bellhaven Copper & Gold on both the value of its in-the-ground assets as well as the expected cash flow from its newly acquired Cerro Quema gold project and other potential projects.

Using the current share price of C\$0.95 and based on

- 23.58 million shares
- 1.35 million warrants (with an exercise price of between C\$0.56 and C\$0.84)

This gives a total 24.93 million shares on a fully diluted basis (we have only included those warrants and options which are currently in-the-money). Based on the current share price of C\$0.95, this gives a market cap of C\$23.68 million. The potential cash inflow from the exercise of the warrants and options included in this valuation is C\$1.04 million.

In addition, Bellhaven Copper & Gold holds cash, stemming primarily from the recent private placement @ C\$0.90 per unit (around C\$2.3 million). If the fully diluted market cap is adjusted to factor in both the C\$1.04 million from exercising the warrants and the C\$2.3 million held in cash, **the adjusted market cap is thereby reduced.**

**Therefore Bellhaven Copper & Gold's Adjusted Market Cap/AMC or Enterprise Value currently stands at C\$20.34 million** (C\$21.89 million minus the C\$1.04 million from the potential exercise of warrants/options in-the-money and current cash in hand of C\$2.3 million).

#### **Asset valuation based on proven resources**

We have included the following resources in our asset calculation:

##### **Cerro Quema:**

495,500 ounces Au – measured, indicated & inferred

### **Cerro Chorchá:**

1,424 million lb Cu; Bellhaven's 35% stake = 498.4 million lb Cu

225,000 ounces Au; Bellhaven's 35% stake = 78,750 ounces Au

### **Rio Liri:**

72,000 ounces Au

We've incorporated in our asset valuation for Bellhaven a total of 646,250 ounces of gold and 498.4 million lb copper based on proven resources in the ground.

For gold explorers, the current average valuation per ounce of gold in the ground based on the Enterprise Value is around US\$56 per ounce. Using this valuation for Bellhaven's gold resource of 646,250 ounces Au, this translates into US\$36.19 million or C\$36.19 million (given the current US and Canadian dollar parity).

The valuation for copper projects is somewhat less standardized. The market values projects differently according to their location, stage of development and grade. Here are two points of comparison:

**Candente Resource Corp's** Canariaco copper project in Peru has a NI 43-101 compliant resource of 820 million tonnes grading 0.45% Cu. Candente Resource has 70.194 million shares in issue. Based on a share price of C\$1.8, the company currently has a market cap of around C\$126.35 million (or US\$126.35 million). Factoring in its total resource of 8,118 million lb Cu gives a value of C\$0.0156 (or US\$0.0156) per lb Cu for Candente's in-the-ground resources.

**Petaquilla Copper** is also based in Panama. The company currently has a 52% stake in the Petaquilla Copper project and is advancing this project towards production. The company does not yet have a market cap as it is not yet listed. However a private placement has just been completed for around C\$60 million (US\$60 million), which, with a total of 149.58 million shares in issue would equate to a market cap of C\$299.15 million. The total copper resource of Petaquilla's copper project amounts to 13,740 million lb Cu (1,461 million tonnes grading 0.493% copper). Petaquilla Copper's stake totals 7,145 million lb Cu. Each pound of Petaquilla Copper's Cu in the ground has therefore been valued at C\$0.042 (US\$0.042).

On the back of the Cerro Chorchá project's high grade and the low country risk associated with Panama vis-à-vis Peru we would value each lb of Cu at Cerro Chorchá in the ground at (at least) C\$0.02 (US\$0.02). This figure does not factor in the significant exploration potential, indicated by Cerro Chorchá's recent extremely strong drill results. We therefore believe US\$0.03 per lb Cu to be justified (significantly below the resource valuation for Petaquilla Copper though this company also earns a higher valuation as the project is more advanced). On this basis, Bellhaven's stake in the Cerro Chorchá project (498.4 million lb Cu valued at US\$0.03 per lb Cu in the ground) equates to C\$14.95 million (US\$14.95 million).

The total combined value of both the gold resource and the copper resource gives a fair value for Bellhaven Copper & Gold's total resources in the ground of **C\$51.14 million (US\$51.14 million)**. Together with the potential proceeds of C\$1.04 million from the exercise of in-the-money warrants

and the company's cash holdings of C\$2.3 million this equates to a potential current market value of **C\$54.48 million or C\$2.19 per share**.

### Earnings valuation based on potential cash flow

Given that Bellhaven Copper & Gold could bring its recently acquired Cerro Quema project into production as early as mid 2009, we have built a Net Present Value/ NPV model based on potential cash flows.

We are assuming that production will commence mid 2009. We have also assumed a mine life of 7.5 years. For the first 3.5 years we have assumed an annualized annual production of 54,000 ounces. We expect annual production to reach 38,000 ounces for the subsequent four years. Given that the gold grade is very low at around 1 g/t, we have factored in earnings assuming throughput of 4,000 tpd. We have estimated capex at US\$54 million, with a 30% tax rate. In addition, royalties totalling 4% will be levied on turnover (NSR – 2 x royalty fees of 2%) as well as a 9% levy on the net profit. We have estimated processing costs at around US\$6.5 per tonne, and have assumed that the US\$10 million required to purchase 100% of the Cerro Quema Mine will come from external funds and that these funds will be rapidly supplemented by positive cash flow from 2009 onwards. The company has cash in hand of C\$2.3 million. We have conservatively valued BHV's 35% stake in the Cerro Chorchá project at US\$15 million. Given that Bellhaven's other projects are still early stage, we are conservatively valuing these at around US\$2 million.

### Bellhaven Copper & Gold - NPV

Discount Rate	400	500	600	700	800	900	Gold price US\$ / Oz
0%	-0.84	0.01	0.86	1.72	2.57	3.42	NPV / Share C\$
5%	-0.87	-0.24	0.38	1.01	1.64	2.27	NPV / Share C\$
8%	-0.86	-0.33	0.19	<b>0.72</b>	1.25	1.78	NPV / Share C\$
10%	-0.85	-0.38	0.1	0.57	1.04	1.52	NPV / Share C\$
15%	-0.81	-0.44	-0.08	0.29	0.65	1.02	NPV / Share C\$

Source: USC Resource Consult

Our conservative valuation (factoring in a gold price of US\$700 per ounce with an 8% discount rate) gives a fair value of C\$0.72 per share. Factoring in the current gold price of US\$730 per ounce and using an 8% discount rate, the fair value rises to C\$0.88 per share.

A different valuation method is used in the gold mining industry itself. The current gold price is used for the NAV; with a 0% discount rate for the NPV. Aspiring producers such as Bellhaven are valued on average at around 80% of their NAV (using the current gold price). Bellhaven's NAV (with a current gold price of US\$730 per ounce) would therefore be C\$1.97 a share: 80% of this equates to C\$1.58 and we have used this figure as the basis for our target price based on this valuation method.

It should be noted that Bellhaven's share price following the 100% acquisition of the Cerro Quema project is heavily geared to the gold price. A gold price of US\$700 gives Bellhaven a gearing of 3.5x!

## **Valuation summary:**

Based on our conservative valuation using our NPV model, Bellhaven's current fair value is C\$0.88. A fair value of C\$1.58 can be attributed using the industry standard valuation model. Based on the value of proven resources in the ground Bellhaven's fair value would be C\$2.19. A valuation of C\$1.58 per share lies midway between these two valuation models. **We are therefore setting our short-term target price for Bellhaven Copper & Gold at C\$1.58.**

## **4 Management**

As a key yardstick of success, management plays a decisive role in the exploration industry. Only a management team with extensive and proven field experience is in a position through its strong contacts to identify and acquire promising projects. A good relationship with the financial markets also needs to be in place to facilitate potential capital raisings so as to acquire promising properties and to ensure the continued development of existing projects, and also to ensure that the company can continue operating. The management team also needs to be adept at representing the company in the public arena.

### **Julio Benedetti, CEO, Director**

Julio Benedetti has been a central figure in Panama's mining industry since the early 1980s. He is a graduate of the University of Colorado and the Colorado School of Mines. He was the owner and president of Transworld Exploration, SA, which controlled Panama's Remance Gold Mine. He also served as Managing Director and CEO of Cabo Mining Enterprises Corp (now Cabo Drilling Corp) which is 60% owned by Glencairn Gold Corp. Since 2000, he has headed up Minera Petaquilla, SA, a joint venture between TeckCominco, Imet Mining and Petaquilla Minerals Ltd. Minera Petaquilla operates the Petaquilla Copper project which has 1.4 billion tonnes grading 0.47% copper. Exploration programs directed by Mr. Benedetti have resulted in the discovery of the Santa Rosa, Remance and Cerro Quema gold deposits.

### **Alfredo Burgos, Vice President, Managing Director and Founder**

Alfredo Burgos has built up considerable experience in the mining industry; he served as Director General of the Panamanian Government's Mineral Resources Department and as President of the Mining Policy Commission of Panama. In this role he was involved in the approval of amendments to Panama's Mining Code. He was also Executive Director of Panama's 'Cleaner Production Center'. In addition, he served in several other capacities for numerous internationally renowned mining companies and organizations, including the Central America Commission for Environment and Development and the First Geology and Mining Conference of Panama. Alfredo Burgos is a graduate of Texas Tech University and the Colorado School of Mines.

### **Larry Abraham, Chairman of the Board of Directors**

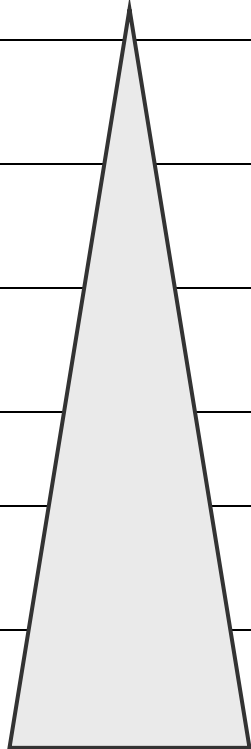
Larry Abraham has been the publisher and chief editor of the Insider Report, an international geopolitical investment newsletter with subscribers in 50 countries. He is also the founder and Chairman of PanAmerica Capital Group Inc. He serves on the boards of companies that operate in North, Central, and South America, as well as China. Mr. Abraham has been an investor in, and investment banker for, natural resource companies for more than thirty years.

**Patrick Abraham, Advisor, Founder**

Over the last decade, Mr. Abraham has held various management positions within the international investments and advisory services industry. With his father, Larry Abraham, Patrick founded PanAmerica Capital Group in 1998 and has managed this company since inception. He has overseen all aspects of PanAmerica’s operations, developing it into one of the largest and most respected independent financial services firms in the region. Mr. Abraham has negotiated private equity and debt financing for over 50 publicly listed companies with an aggregate investment of over US\$100 million – specializing in mining sector related investments.

**5 Exploration Industry**

In the context of the precious and base metals industry, the exploration sector is relatively small in terms of market capitalization and has been much neglected in the recent past. This sector is now seeing a forced revival in interest particularly for gold, as the deposits of the major large-scale gold producers are being slowly but surely depleted on the back of high annual production output. Base metal producers have also been unable to raise output fast enough to keep pace with recent demand growth. In addition to failing to increase output at existing mines, producers have insufficient incentive given the low prices of many base metals to replace old and depleted mines with sufficient new projects to keep pace with growing demand.

Gold mining sector	Stage	Activities	Risks
Seniors Intermediate Junior	Production	Expansion of reserves Ore extraction and processing Start up	Low
Juniors	Infrastructure development	Site construction Financing Engineering Licensing	
Juniors	Feasibility study	Process optimization Investment expenditure Budgeting Reserve definition	
Juniors	Pre-feasibility study	Engineering Metallurgy Resource definition Cost estimation	
Juniors	Resource definition	Scoping study Infill drilling Step out drilling	
Explorer	Resource identification	Trenching Drilling Geophysics Discovery	
Explorer	Grassroots exploration	Trenching Geophysics Geochemistry Geology Regional analysis	

Source: Adapted from BMO Nesbitt Burns, BW-Bank

Pressure is growing on the entire gold, precious metals and indeed base metals sectors to stem the supply shortfall with high-quality new deposits. Therefore exploration activity of both the mining majors and the exploration juniors will take on an increasingly important role. Market interest in explorers has grown significantly, as demonstrated by the large number of successful financings recently undertaken. The fact that many exploration companies are now well capitalized should mean that those firms operating in promising regions with high-quality management, geological expertise and a strong contact base should be able to identify new precious and base metal deposits. Successful discoveries will be reflected in strong share price gains, even if the underlying metal prices remain flat or even dip.

The above figure illustrates the various stages of maturity of a junior explorer and gives an indication of the risk profile attached to a project at each phase in its development. Bellhaven Copper & Gold is an exploration company **which already has a number of NI 43-101 compliant resources.**

As can be seen from the above figure, **Bellhaven Copper & Gold has already reached the Junior Mining Company** stage; therefore Bellhaven no longer shares the same risk profile as an early stage explorer, although considerable risks still exist. As the start of production is now in sight – we expect this to be mid 2009 – the level of risk should diminish the closer the company comes to commencing production.

## 6 SWOT analysis

*Strengths and weaknesses refer to company's current position – opportunities and threats apply to the company's future prospects*

### 6.1 Weaknesses and threats

- BHV is exposed to the widely-recognized risks associated with exploration and bringing a mine into production. However given management's depth of experience, the history of this mining district, coupled with existing infrastructure and the promising geological setting we rate Bellhaven's risk profile as lower than other similar stage companies.
- Exploration and junior mining companies have a much higher risk profile than other types of businesses. This stems from the fact that no cash flow is being generated, instead these companies are investing in and working towards the goal of a 'big find', which could bring the company a great deal of money in one go (either through selling on the project or through bringing it into production themselves). There is always the danger however that a project will fall short of early high expectations should drill results prove disappointing. However BHV's recent drill results have been very encouraging and several of the company's projects already have a NI 43-101 compliant resource.
- Technical risks and permitting delays can never be entirely discounted; these could negatively impact the production start date.

- As described earlier in this report, the country risk for Panama is relatively moderate. Major currency fluctuations can be discounted as Panama has a US dollar economy. Therefore in Bellhaven's case, a steadily weakening US dollar will not translate into spiralling costs coupled with depressed prices for production. This contrasts sharply to mining companies in other countries, who are scarcely benefiting from higher metal prices given the relative strength of their currency.
- We rate Columbia as having an average country risk profile vis-à-vis other South American countries. These perceived risks are clearly visible in both the project prices and valuations. We see little scope for downside and considerable upside as soon as market sentiment and the international business community realign their perception with the current situation.
- Gold and copper price trends will have a significant impact on Bellhaven's share price and will have a longer-term impact on the company's operational performance. This could result in volatility. Longer term, we are assuming stable base and precious metal prices.
- There are no known legal disputes, nor disputes with any indigenous groups. There are also no known environmental liabilities. BHV has undertaken numerous social projects for the region's inhabitants and has forged the strongest community links (particularly with indigenous groups) of any exploration company or future producer in Panama. This is reflected in the company's agreements with the semi-autonomous Comarcas.
- Additional experienced and highly-qualified personnel are needed to progress BHV's projects. Although we expect management to be able to secure the right people through their strong contacts this does involve a certain level of risk. There are currently no producing mines in Panama so personnel must either be trained up or brought in from overseas.
- High costs are associated with exploration work. Therefore financing risks cannot be ruled out. Management's successful fundraising to date; their strong contacts to the financial markets and the booming commodities market greatly lessen these concerns.
- Julio Benedetti was brought in as the company's new CEO and President in November 2006. In contrast to his predecessor, he has set out clear goals and is in the process of achieving these. His predecessor left the market disappointed. This disappointment has negatively impacted Bellhaven's share price and will continue to do so until the market acquires full confidence in the new CEO.
- The company has no hedged positions.

### **6.2 Strengths and opportunities**

- The quality of management is of prime importance for the success of mining juniors. This highly-experienced management team has a very strong reputation in Panama. At Bellhaven, the team has proven its capabilities within a very short space of time through the numerous projects successfully secured, its exploration successes, agreements secured with the Comarcas and several Joint Venture deals. The company is also extremely well connected in the financial markets, so often of critical importance for an exploration company.
- BHV has secured numerous JV partners who are providing the financing for exploration work at several of Bellhaven's projects, without their funding BHV would have to finance these itself (resulting in dilution). These JV agreements total in aggregate just under US\$30 million, a very impressive figure for a junior mining company.

- Bellhaven's project portfolio is very well diversified; resources have already been defined at several of its properties. On this basis, the company has a much lower risk profile than other exploration companies.
- Currently, BHV's greatest chances of success lie in being able to define a new resource, enhance an existing one or being able to bring a project such as Cerro Quema into production. These developments would provide significant upside potential for the share price.
- New acquisitions are likely, particularly in Columbia, and will be reflected in the share price performance. Entry into the Columbian market, where high quality projects can still be acquired at very attractive prices forms a core part of the company's new strategy.
- Unlike many other explorers, there aren't a huge number of shares in issue, therefore dilution is not currently of the same magnitude as seen in other exploration companies.
- Management and insiders control 35% of the shares, therefore their interests are very closely allied to the company's success.

## **7 Summary**

Bellhaven Copper & Gold Inc. has rapidly put together an extremely well-diversified portfolio of high-quality prospective projects in Panama. The company's latest coup has been to acquire the Cerro Quema project at the very attractive price of US\$21 per ounce of gold resource. BHV aims to bring this project into production within the next two years. BHV will thus progress from junior to producer which should result in a market revaluation for the company.

BHV is one of Panama's leading exploration companies. Its well-diversified project portfolio encompasses more than 500 km<sup>2</sup>. Of particular note, is the company's JV with Empire Minerals on the Cerro Chorchá project. A new resource estimation is expected for this project by early 2008, which should define the promising potential of this project.

We have set our short-term price target based on a very conservative production-based valuation model at C\$1.58 – (current share price: C\$0.95). There is considerable upside for the share price hinging on further encouraging drill results, future acquisitions, and in addition, the Cerro Quema project becoming a producing mine. These factors are not reflected in the current share price.

Bellhaven Copper & Gold has very attractive risk/reward potential. The company has a highly experienced and hard-working management team who are very well connected in the financial markets and extremely well-suited to run this well-diversified project portfolio.

## 8 Research team

**USC Resource Consult** is a Research House and Consultancy specializing primarily in North American precious metal exploration and junior mining enterprises. The company has a highly experienced team of resource sector analysts and also expertise in geophysics. USC Resource Consult draws on a world-wide network of industry specialists in exploration and mining. Our company also has access to and relies upon the first-class technical expertise of renowned geophysicists.

T. Tretter, (Dipl.-Kfm. Univ.) has a Degree in Business Studies and has many years' experience as a Resource Sector Analyst.

B. Schmidt, (Dipl.-Kfm. Univ.) has a Degree in Business Studies and previously worked as a Resource Sector Analyst for Dr. Jens Ehrhardt Kapital AG, one of the German-speaking world's foremost fund management houses.



Tobias Tretter



Bernhard Schmidt

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