



## **BOLIVIAN MINING MINISTER TRIES TO ALLAY FEARS**

By Anthony Vaccaro

March 10, 2006

Still riding a rush of populist enthusiasm, Bolivia's recently elected Movement Towards Socialism party is taking a turn at revising the country's mining code.

While only introduced in 1995, the current code will be reworked with an emphasis on its tax structure, as the government looks to gain more funds from a surging mineral sector. The revision is expected to take roughly one year to complete.

Speaking to a small gathering at the Prospectors and Developers Association of Canada convention (PDAC) via satellite from La Paz, the minister of mines and metallurgy, Walter Villaroel, emphasized that reworking the code will not come at the expense of scaring away foreign investment or overburdening current operations in the region.

"I was a miner. I've been in the industry for 20 years," Villaroel said through an interpreter. "I understand that mining needs investment."

Villaroel, known within in Bolivia as one of President Evo Morales' closest confidants, was head of the largest mining labour union. Morales was head of the coca-leaf growers union.

While Villaroel said part of his mandate is to ensure local communities benefit sufficiently from mineral deposits, he also said he is eager to incorporate suggestions from the mining industry.

The remarks had significant implications for two companies doing business in Bolivia -- Toronto-based Apogee Minerals (APE-V), who hosted the conference, and Apex Silver (SIL-X).

Denver-based Apex's massive San Cristobal silver, zinc and lead project is set to bring its US\$600 million project into production in the second half of 2007. It is slated to become the world's second largest silver mine.

While Igor Levental, vice president of investor relations at Apex, would prefer the government give the current code more of a chance -- he applauded it for a high level of efficiency -- he says dialogue with the ministry on the new code has been productive.

Most importantly for foreign nationals with mining interest in the country, nationalization does not appear to be a threat. Levental says it was "not even on the table" in talks with the government.

**The president of the Bolivian-American Chamber of Commerce, Ivan Rebolledo, explains that even the government's more marginal nationalizing plan -- to reclaim former state-owned companies -- will not affect the mining industry.**

A handful of state-run companies were "capitalized" in the 1990s but none of them were in the mining sector. The current government has talked of either buying back or re-appropriating the companies in question -- most of which are now controlled by foreign nationals.

Rebolledo says while the hydrocarbon industry waits anxiously for the government to announce its new economic platforms — announcements are scheduled for April -- the mining sector doesn't have the same level of concern. What's more, he says, while new taxes will probably extract more from company profits, they likely won't be "outrageous."

Villaroel emphasized that new taxes would be fair and profit based.

"We'll be linking taxes to whether companies make more or less money," Villaroel said.

While nationalization in the minerals industry is unlikely, the re-fortification of the country's state-owned Comibol is a priority of the government.

In the shadow of Venezuela's efforts to create a strong state-run mineral company, Bolivia is looking at how it can translate Comibol's prospective and widely held licences into profit.

Comibol -- currently reduced to little more than a permit-issuing office -- lacks the capital necessary to develop its properties.

Apogee's legal advisor, Gustavo Miranda, a native of Bolivia, says the government is looking to "re-ignite" the company through joint ventures (JV) with foreign nationals.

One card Comibol has to attract potential JV partners is its exclusive rights to properties within a 50-km zone around the perimeter of the country.

Born out of a need to protect its borders — Bolivia's history has seen its borders shrink at the hands of neighbouring countries' aggressions -- the law requires that Comibol be a part of any mining activity that would occur in the regulated zone.

Currently, Comibol has one tin mine in production - the Huanuni project. It is Bolivia's largest tin operation and produces 300 tonnes of tin a month.

Comibol also counts two smelters – both in need of extensive renovation and updating – as part of its assets.