

New tax scheme coming to Bolivia

By Anthony Vaccaro

January 8, 2007

Speculations over Bolivian president Evo Morales' plans for the mining sector were rekindled by strong words from his mining minister over the weakness of the country's mineral export tax.

Commenting on last year's US\$45 million that went into government coffers via the current export tax structure – which came from the export of US\$1 billion worth of minerals -- Mining Minister Guillermo Dalence told a Bolivian news agency:

"That's a ludicrous amount taking into account that these are not renewable resources. If in 2007 we were to export US\$1 billion worth of minerals again, the state should receive at least US\$300 million."

The comments came as a new mining policy is in the midst of being hammered out between the government, members of state-run miner **Comibol**, cooperative miners and foreign investors. Revisions are expected by the end of January.

Despite the tough rhetoric, Toronto-based **Apogee Minerals'** (APE-V) president and chief executive, John Carlesso, says communication between foreign business and the government has remained strong.

"You need to filter through the rhetoric," Carlesso says. "The message we've tried to convey – and they've grasped the importance of it – is that raise taxes, fine, but ensure that it remains competitive with other countries."

In May of last year, Morales nationalized the country's energy industry fuelling speculation that the mining industry could be next. And while Morales alluded to such a move in some speeches, a lack of funding forced the government to drop the plan.

Then in October, violence broke out between smaller cooperative miners and Comibol, prompting the government to promise US\$100 million to protect cooperatives.

Ivan Rebolledo, president of the Bolivian-American Chamber of Commerce, says the mining minister's comments are, in part, a reaction to that violence as the government is now under pressure to generate the funds necessary to meet its promises.

But, Rebolledo says, the Morales government has already displayed a pattern of using harsh populist rhetoric, only to retract when push comes to shove, and move towards a more measured, middle ground.

"Considering that a lot of foreign direct investors have been told repeatedly by authorities that the future for them will be pretty status quo, the changes shouldn't be that significant," Rebolledo says.

Expansion of Comibol's smelting capacity and the implementation of a new royalty system of taxation that will cover more metals -- namely iron -- are seen as likely.

Bolivia is home to significant tin, zinc, wolfram, lead, silver and gold deposits.

Denver-based **Apex Silver Mines** (SIL-X) and Coeur d'Alene, Idaho –based **Coeur d'Alene Mines** (CDM-T, CDE-N) are slated to go into production at two separate and large-scale silver and zinc projects later this year.

Apogee Minerals has all of its assets in Bolivia and is currently producing of silver, zinc and lead.

Coeur d'Alene shares were off 1¢ on Monday in Toronto, to \$5.22 on roughly 33,000 shares. Apogee was off roughly 9% or 7¢ to 69¢ on 63,365 shares. Apex shares were off almost 5% or 70¢ in New York, falling to \$14.37 on 591,000 shares.