

My Trip to Bolivia with Apogee Minerals (APE.V)

By John Lee, CFA

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For more information on Apogee Minerals and an interactive bulletin board please visit: <http://www.goldmau.com/ape.htm>

NOTE: John Lee owns shares of Apogee Minerals. The trip was organized by the management of the company. All travel expenses were paid for by Apogee Minerals. Video footage from the trip is available at: <http://www.goldmau.com/bolivia.wmv>.



In late August I was invited on a week long trip to Bolivia by John Carlesso CEO and President of Apogee Minerals. We visited Apogee's La Solucion and Pulacayo-Paca properties. Below is a journal from my trip.

Sunday August 27th

Vancouver to Chicago on United Airlines

At the Vancouver airport the check in lines for travelers going to the U.S. were insane.

Chicago to Miami on LAB (Lloyd Aero Boliviano)

We took off from Miami at around 9pm. Great, the airline didn't tell me we had to lay over at Panama City, which we stopped at for over 3 hours. What's more, there were two more stops within Bolivia (Santa Cruz and Cochabamba) before the plane eventually landed in La Paz, some 12 hours later.

La Paz hosts a very modest airport. There was a band playing when we landed on a sunny Sunday afternoon.

Photo: La Paz Airport – Band playing at 10am



Photo: Grand view of La Paz, airport sits on top of the city



The airport is at an altitude of about 4200m. The hung over feeling, caused by altitude sickness, hit me suddenly.

The solution to the problem for me is to drink lots of coca tea and fresh juice. Every day I drank at least 5 cups of coca tea and 3 big glasses of juice. This helped me feel much better.

I checked into the very comfortable Casa Grande hotel suite in La Paz by 11am, had a big lunch, and slept in.

Monday August 28th

I had lunch with the Apogee team. Enrique Arteaga, who chairs Apogee's advisory committee in Bolivia, John Carlesso (CEO), Rick Irvine (COO), Doug Currie (VP Exploration), and Gustavo Miranda (Bolivia Legal Counsel).

In the afternoon, Apogee went over a 2 hour presentation where we went through the current state of Bolivia as well as project overviews. Later in the evening we dined at a Swiss restaurant. We took it easy for the rest of the night.

Tuesday August 29th

Today's agenda was Pulacayo.

We got an early wake up call at 7am to avoid the traffic to the airport. Apogee chartered a DC-3 flight to Uyuni, which is about 500 km south east of La Paz.

Photo: DC-3 charter plane to Uyuni (Pulacayo)



Uyuni is a popular tourist destination because it hosts a salt lake, which spans tens of kilometers. We landed in the airstrip at Uyuni and headed to Pulacayo.

Photo: A picture of the salt lake.. all salt. Huge.



Pulacayo is a historic mining town about 1 hour from Uyuni.

Photo: Uyuni to Pulacayo (1hour)



The Pulacayo dome is right behind the town. Beneath the dome is the famous Pulacayo silver mine which produced over 600 million oz of silver from the 1800's to 1950.

Photo: The town of Pulacayo. Silver is buried in the hill behind the town.



We parked at Apogee's office in Pulacayo, had some crackers and coca tea, put on our gear and were ready to check out the Pulacayo mine.

Photo: Crackers and coca tea at the co-op office before the hard work.



Photo: San Leon adit to the main Tajo vein.. See the black spot stains around the entrance, that's llama blood for luck.



Pulacayo Underground

We entered into the San Leon adit for about 1km. The width and the height of the adit reminded me of a bus. The adit runs flat and perpendicular into the east-west Tajo vein of Pulacayo. The vein is 2.5km east to west, about 0.5km north to south, and has been explored to the depth of 1,000 meters. Along the adit you can see many workings and veins. About 1km into the adit we got to the main shaft area (150 x 150 feet). The shaft stopped operating in 1958 and goes down 1,000 meters with over 30 levels of workings beneath; most of them are now flooded.

Photo: Reached the main shaft area, it's about 2 floors high and 2,000sq feet in space. The shaft which reaches 1,000m in depth (now flooded) closed in 1958.



Photo: We are in the mineralized zone. This is where hole 25 is drilled.



Just imagine 30 levels of a department store stretched over 2.5km. Pulacayo underground is a huge system. As I walked in the adit, I couldn't tell easily if a rock was mineralized unless the veins ran thousands of grams per tonne. For decades local miners have gone to the adit, gone down the shaft with a flashlight looking for narrow (0.5m to 1.5m), high grade veins (3,000g/t Ag) that are easy to spot. They used basic tools to trench the ore, and lift it up through another shaft and on they went. The shaft closed over 50 years ago, I guess they couldn't find enough juicy veins to continue.

With today's robust silver price and mechanized mining techniques, 300g/t at relatively shallow depths is commonly seen as an economic grade and Apogee has come up with several drill holes boasting such numbers. Drill results from the main shaft area indicate additional mineralization up to 1443.33 g/t over 3m.

Photo: Interesting Mineralization?



Photo: Working Inside the Mine



The goal is to define blocks of ore grading 300g/t+ Ag that are close to the surface to add to the open-pit Paca deposit.

Photo: After an hour of exploring.. had enough.



Photo: Last photo op



Pacamayo

Pacamayo is an underground high grade zone 1km north of Tajo Vein. The zone is currently being mined by cooperatives and grades are said to be as high as 3,000g/t Ag. The area is also accessed through the San Leon adit, and is located towards its north end. APE drilled Pacamayo from the surface in the summer and results are due out soon. This is an exciting extension since high grade ore is still being mined in the region today and there has been no previous drilling and exploration.

Photo: A few locals are still working on Pacamayo, which is accessible through the adit. This white stuff is reportedly grading over 3000g/t Ag.



Photo: My souvenir



Paca

About 5km north of Pulacayo lies the Paca dome. The Paca deposit was discovered by Comibol in 1800's and was drilled by Apex in 2003 but was never mined. The deposit sits on the north side at the bottom of the hill at the Paca Dome. Highlights from recent Paca drilling include:

308g/t silver (10 oz/t), 0.76% lead and 0.42% zinc over 32.0m

406g/t silver (13 oz/t), 1.56% lead, 1.19% zinc over 16m

287g/t silver (9.22oz/t), 1.05% lead and 1.11% zinc over 55m

Apex estimated that Paca contained around 15 million tonnes of ore grading 5 oz Ag/t (not 43-101 compliant).

Recently, under their joint venture deal Apex and APE performed some shallow drilling around the Dome on the south end but exploration has not been extensive and the potential for a multi-Paca sized deposit is possible. Apogee currently has four drill rigs turning at Paca, and is aiming to define a 43-101 compliant resource by the end of the year.

Photo: We are now on top of the Paca dome looking north, down, 150g/t+ Ag from surface. Obviously not easy to spot the silver.



Photo: Drilling at Paca



Photo: Trenching



We concluded the Pulacayo tour by checking out the core from both Pulacayo and Buena Vista, Apogee's other gold-silver property south of Uyuni.

Photos: Core



Photo: Juicy stuff? We report, you decide



We boarded the DC-3 at Uyuni at around 4pm and headed back to La Paz.

Pulacayo sits at 4400 meters and on the way back to La Paz, the altitude sickness really set in. More coca tea and fresh juice was in order when I arrived back at the hotel.

An hour later I was good as new. We dined at a Spanish restaurant in La Paz. I was quite impressed with the variety of restaurants in La Paz.

Wednesday August 30th

We got up at 8am to tour Apogee's La Solucion mine.

Photo: On the way to La Solucion (50min from La Paz). View of the La Paz suburbs.



La Solucion is about 50 minutes from La Paz. The mill's capacity is 120 tonnes per day. Historic grades over the last decade have been 150 g/t silver, 7% Zn, and 3% Lead.

Photo: About 50mins from La Paz, here we have arrived at La Solucion

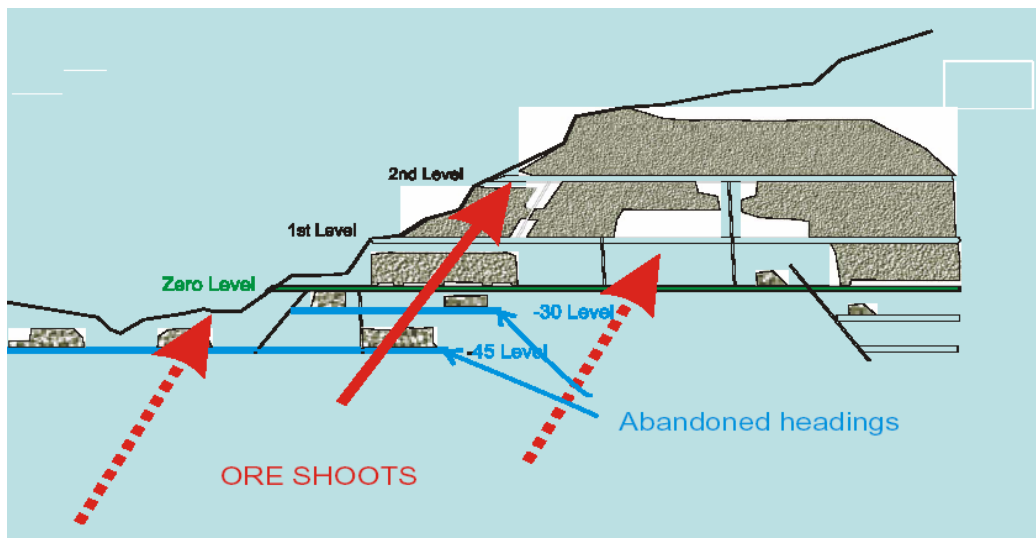


Photo: Closer shot of Hampaturi South Entrance



La Solucion is a vein system with three major veins. APE took over the project in May and has been aggressively drilling and exploring the region surrounding the producing mine.

Figure: La Solucion Mine



They are currently mining the Hampaturi vein through the main portal running about

1.5km into the hill parallel to the vein. To test the system, in the last few months Apogee branched three adits perpendicular from within the main portal, setting up sites to drill 45-60 degrees back towards the main vein to test parallel vein structures. There are many holes drilled with results pending.

Photo: Piles of cores from La Solucion drilling



La Solucion is run by dual shifts, with around 50 people working each shift. There was a shift change when we got to the mine and the crew was being given safety instructions at the mine entrance. Solucion is run by David Fuertes, who was managing the San Vicente mine for Pan American Silver. You see him with a structured smile and you know he is all business. This is serious business with money and lives at stake.

Photo: Shoveling ore into the truck beneath



Photo: That brown stuff is all zinc. I'm guessing that this looks like 10%+ zinc.



We toured the mill that was built in 1992 and operates at 120t/day and shows its age. The throughput equates to 40,000 tonnes a year which produces 900,000 silver equivalent oz.

Photo: Picture of the 120t/day mill at 5200m. This is close by the Principal Machuca vein.



The ore is trucked to the mill, crushed, mixed with chemicals, and goes through 2 flotation cells (zinc followed by lead).

It is clear that the operation has the potential to be far more efficient:

1. There is no grade control, everything mined from the vein is trucked to the mill, everything trucked to the mill is fed through the circuit.
2. The ball mill is reckoned to be the only bottleneck that stops the mill from operating at 200t/day
3. La Solucion concentrate was not receiving market-prevailing price due to poorly written contracts by the previous owners.

Photo: The center wall is the 15 years of tailing from the mill. Apogee is retesting the tailing (0.5 million tonnes) to see if the grade is high enough for reprocessing.



Apogee took over Solucion in May and is very optimistic of turning this operation from a cash-even position to cash-flow generating by 2008.

On the exploration front, the Machuca and Hampaturi veins have visible surface alterations that extend for kilometers. There has been very little exploration done on those veins and no drilling from surface. You can see the alternations pinch and swell between 1m to 10m. The depth of the veins is unknown.



The Hampaturi veins are mined up to 2 levels deep at around 100m from the portal. Alternation is continuous however note it's not proven that the metal mineralization runs continuously. There are currently rigs on site, with over a dozen drill results to be reported. A 43-101 report on La Solucion and work done by previous operators indicated the *potential* for 2 million to 10 million tonnes of ore. 2 million tonnes of ore would enable Apogee to upgrade the mill to 1,000 t/day operation, which is nearly 10 times today's output.

We had a sandwich lunch while enjoying the view atop the Porfia mining area, which is 5,200m above sea level. We headed back to the Portal entrance of the Hampaturi shortly after to check out the drill core and then headed back to La Paz.

We got back to the hotel in La Paz by 3pm and surprisingly, I had no altitude sickness. The training from Pulacayo from the previous day must have paid off. I drank some coca tea and juice, rested for an hour and was good as new.

Rick Irvine volunteered to take a few of us around town to do some shopping. I bought an Alpaca rug for \$80 and a sweater for \$20. A similar Alpaca rug on the flight magazine I saw ran for \$400. David O'Connor was kind enough to lend me a bag for the rug to get it home.

Overall I felt La Paz was very safe. Traffic, however, is bad; in fact traffic pretty much comes to a halt during rush hours. There are visible construction activities. People mind their own business and are not overtly friendly to try to pry cash from you.

We finished the day at a French restaurant. Again the food was very decent. If you hadn't read the headlines, you wouldn't have noticed any of the negative things the press has been saying about Bolivia.

Most people headed back Thursday, but my beloved LAB airline called and canceled my flight on Thursday. Gustavo, Apogee's legal council in Bolivia, took me for more shopping and site seeing on Thursday afternoon. Again, nothing abnormal or unusual about the city. I joined a BBQ with the local Apogee team on Friday, had a few beers with them, and called it a night for the next flight the next day at 7am.

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