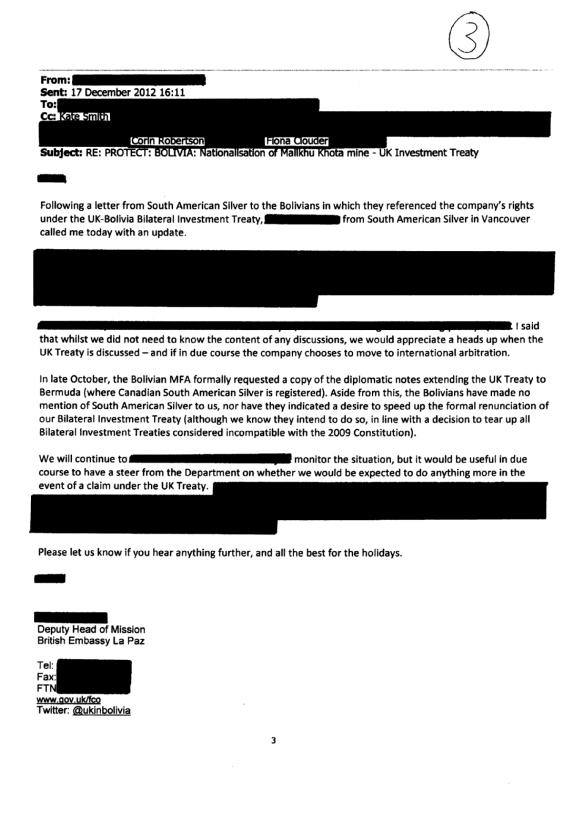
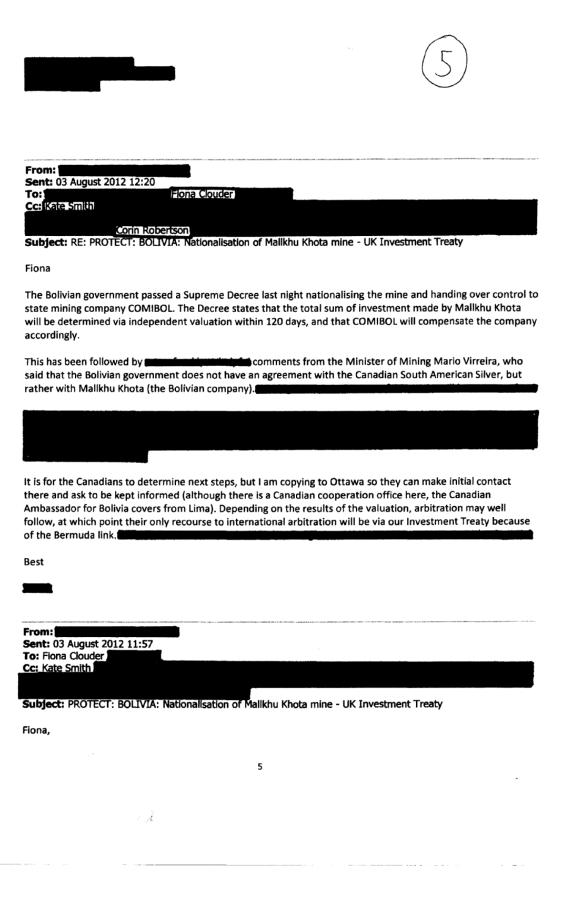
From: Sent: To:	21 December 2012	16:09		
Cc:	Kate Smith	//		
	Clouder		Corin Robertson	Fiona
Subject: Attachments:	RE: PROTECT: BOI uk-bolivia_bit.pdf	LIVIA: Nationalisation of	Mallkhu Khota mine - UK Inves	stment Treaty
I lead on BITs in BIS ar	nd will try to answer some	of the questions raised l	below.	
	ticle 13 of the attached, thill continue to be covered		20 year 'sunset clause'. This m livians revoke the BIT.	eans that any
			h I know there was a case broaded to provide information on pr	
international arbitration		e to rely on domestic cou	new investors would not have a urts) and would not be protecte	
continue to be covered in force but if the Bolivia to	by the terms of the BIT fo ans wish to terminate it, th	r 20 years. It is clearly in	Existing investors would, as exp UK businesses' interests for the about it aside from trying to co	ne BIT to remain
Hope that helps. Happy	to discuss further, though	n I'm on leave from now t	until 7th January.	
EU Inve	estment Policy Depart	tment for Business, Inr t, London SW1H 0ET		
From:				
Sent: 21 Decer	nber 2012 14:54			
Cc: Smith Kate			-	
			Robertson Corin	: clouder
Flona				
		1		

Subject: RE: PROTECT: BOLIVIA: Nationalisation of Mallkhu Khota mine - UK Investment Treaty
/all,
I've spoken to Kate about this, we wondered if there was a little more information on the BIT
Do we know if it has been used successfully for similar purposes since it was signed in '92? What would the revocation of the treaty by the Bolivians (managed in '92? What would the impact be on UK businesses now and in the future?
Do you have a copy of the treaty?
Thanks,
Venezuela and Bolivia Desk Officer South America Department Foreign and Commonwealth Office King Charles Street London Email: Telephone: Telephone: Fax:
From: # December 2012 21:55
To: Cc: Kate Smith Corin Robertson Flona Clouder Subject: RE: PROTECT: BOLIVIA: Nationalisation of Malikhu Khota mine - UK Investment Treaty
Thanks for the update and other email you forwarded yesterday. I spoke with the Canadian Foreign Affairs Department's
Thanks.
Trade and Economic Advisor, British High Commission 80 Elgin Street, Ottawa, Ontarlo, K1P 5K7 (Phone)





From:		Minister - minest spiriteriores de Laborator d'Albacciano. P
Sent: 13 August 2012 17:36 To:	Fiona Clouder	
Cc: Kate Smith		
(Corin Robertson)		
Subject: RE: PROTECT: BOLIVIA: Nationalisation	on of Malikhu Khota mine - UK Investment Treaty	
Subject RE. FROTECT: BOLLYJA: Nadoriolisado	or rainage raises and a second rainage	
As promised, I spoke today with	-,,	the
Canadian Department of Foreign Affairs (DFAIT)		
16	an Impau	
If you need anything else, don't hesitate to let m	пе кпож.	
Best,		
Trade and Economic Advisor, British High Commission 80 Elgin Street, Ottawa, Ontario, K1P 5K7	n	
ou eigin street, Ottawa, Ontario, KIP 3K/		



You will want to be aware. BE La Paz was visited earlier in the week by the CEO of Canadian mining company South American Silver Corp — Phillip Brodie-Hall. The company had seen its operating licence revoked in Bolivia following a conflict with local social groups in relation to its large silver mine — Mallkhu Khota. The Bolivian government then announced yesterday that it was fully nationalising Mallkhu Khota.

It transpires that a subsidiary (South American Silver Ltd) had the concession to operate Mallkhu Khota, and that the subsidiary is registered in Bermuda. The CEO told Post that as Canada does not have a bilateral investment treaty with Bolivia, their interests are covered by the UK-Bolivia Investment Treaty currently in force. Therefore their only recourse to international arbitration, should they choose to go down that route, would be via the UK-Bolivia BIT. FCO legal advisors have looked at the BIT, and confirm that it does indeed extend to Bermuda.

When the Bolivian government came into power, it stated its intention to tear up all bilateral investment treaties and re-negotiate them, though has been slow to actually do so.
You should also be aware that there was a significant amount of violence at Mallkhu Khota.
Post are in touch with our High Commission in Ottawa, and will continue to engage with Phillip Brodie-Hall on the Canadians' plans. Any decision by Canada to file a claim is likely to take time.
Happy to discuss further as needed. We will keep you updated.
Many thanks
Desk Officer for Venezuela and Bolivia South America Department WH2.323 Foreign & Commonwealth Office London SW1A 2AH email: telephone: fax:

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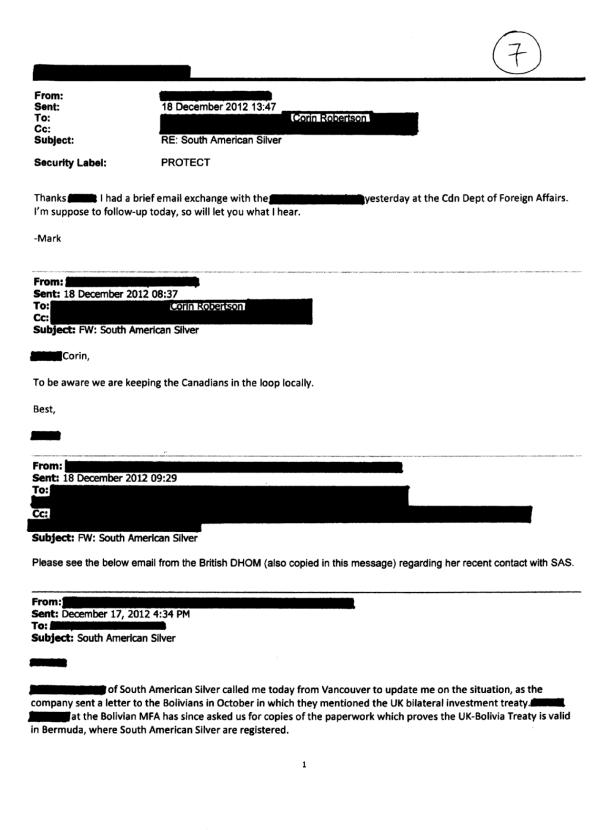
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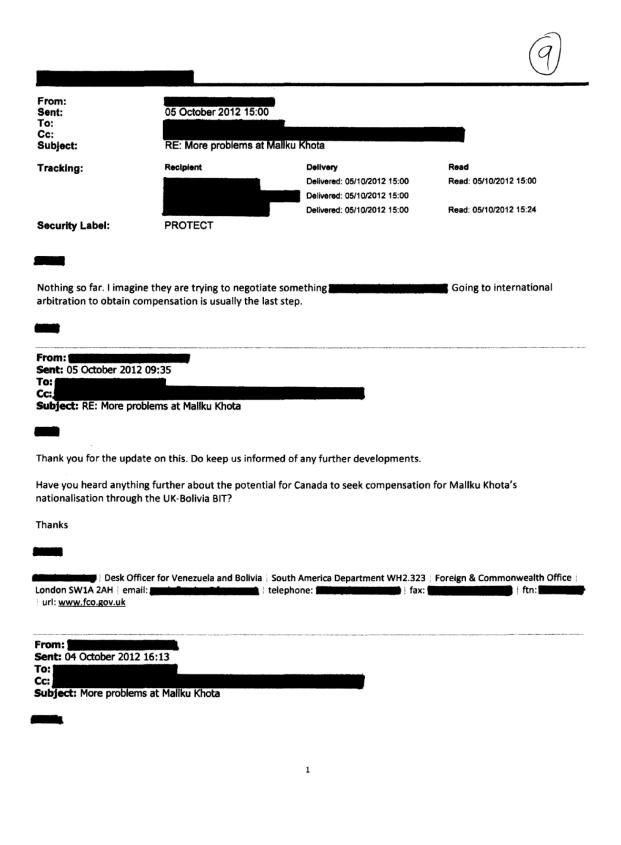
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I told control that whilst we do not of course need to be involved in any commercially sensitive discussions, we would appreciate a heads-up if and when our Treaty is discussed or likely to be invoked. Control offered to send me their open source news round-up. Otherwise we await the company's decision on next steps.
I would be grateful if you could copy this email to your Embassy in Peru.
Thanks
Deputy Head of Mission British Embassy La Paz
Tel: Fax: FTN www.gov.uk/fco Twitter: @ukinbolivia

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Business Practice) (Interception of Communications) Regulations 2000.



Just when things seemed to getting quieter in the mining sector, trouble has flared up again at the Mallku Khota mine in north Potosi. At least three people were injured in a gunfight yesterday between members of communities who support development of the mine (which they would like to see run by Comibol but with the participation of South American Silver) and those who reject it (a minority, but a violent and so far successful minority). The former group have occupied around half the mine, while the opposing group are camped just a hundred metres from them. More trouble is likely.

Those in favour of the mine's development are also demanding that 1,000 people are taken on as salarled miners.





TSX Symbol: SAC US OTC: SOHAF NEWS RELEASE: 12-22

South American Silver Provides Update on Bolivian Investment Dispute

December 12, 2012, Vancouver, British Columbia — South American Silver Corp. (TSX: SAC, US OTC: SOHAF) is pleased to provide this update on some of the steps taken recently in the investment dispute between the Company's wholly-owned subsidiary South American Silver Limited and the Plurinational State of Bolivia. The dispute arose as a result of acts and omissions of the Government of Bolivia including the issuance of Supreme Decree No.1308 on August 1, 2012, revoking all of the mining concessions held by Compafia Minera Maiku Khota S.A. (CMMR). CMMK is a wholly owned subsidiary of South American Silver Limited, which is a protected investor under the Bilateral Investment Treaty between the United Kingdom and Bolivia (the "UK-Bolivia Treaty"). The acts and omissions of the Bolivian Government are in violation of the UK-Bolivia Treaty and of international law.

On July 16, 2012 the Company engaged the international law firm, King & Spalding LLP, to act as lead legal counsel in any international arbitration proceedings against Bolivia. King & Spalding is a leading law firm with extensive experience in investor-state arbitrations, particularly in South America.

On August 2, 2012, on the recommendation of King & Spalding, the Company engaged one of Bolivia's leading law firms to act as co-counsel to King & Spalding. The firm also has extensive experience in investor-state arbitration as well as special expertise in Bolivian and international law.

On September 13, 2012 the Company retained a leading global financial advisory firm to provide expert services to assess the damages suffered by the revocation of CMME's mining concessions. The firm has vast experience as a damages expert in international arbitration and has special expertise in mining-related cases.

On October 23, 2012 South American Silver Limited delivered a formal letter to the Bolivian Government notifying it of the investment dispute under the UK-Bolivia Treaty. Notification of the investment dispute triggered a six-month cooling-off period during which the disputing parties may negotiate a settlement. The cooling-off period expires on April 23, 2013.

On December 12, 2012, South American Silver Limited delivered a formal letter to the Bolivian Government referating its willingness to meet with Bolivian Government representatives in order to settle the dispute.

Phillip Brodie-Hall, President and CEO of South American Silver said, "We are hopeful that the Government of Bolivia will agree to meet in order to negotiate an early settlement to the dispute. However, if a settlement cannot be reached by April 23, 2013, we will be filing a Notice of Arbitration under the Arbitration Bules of the United Nations Commission on International Trade Law (UNCITRAL) claiming full compensation based on fair market value of the Malku Khota project. Given the size of the project, the claim will be substantial. Indeed, as recently as December 11, 2012, Edgar Alan Pinto, the President of the Bolivian state-owned mining corporation (COMIBOL), was quoted in the Bolivian Press describing the project as one of the most attractive on the South American continent because of its high concentration of silver, indium, gallium and gold."

This News Release and other information related to the investment dispute can be found on the Company's website www.soamsilver.com. The website will be updated to keep investors informed of progress and developments in the dispute.