

SAYING? "I know I'm moving: we've moved into Canada; we're still in Mexico, but we've moved into the United States... I'm not saying it's a death knell. But at this time, the investors are not willing to carry that risk."

-Keith Neumeyer

President and CEO of First Majestic

"If the law is passed as the government is

investment in Mexico."

not be in Mexico."

presently proposing, it will majorly impact

"If it goes through as is, our fourth mine will

MEXICO GOVERNMENT SOURCES OF REVENUE

MINING IS THE 4TH LARGEST INDUSTRY; behind

5% of the Country's total GDP. (2010)

automotive, electronics, and oil. Mining accounts for

are under water.

profit levels as before. Here's a basic producer example:

MEXICO MINING

COMPANIES

-Bradford Cooke CEO of Endeavour Silver The 7.5% tax will affect the projects' economics, Jeannes said. He added: "If we don't get the returns we're looking for in Mexico we will put [the investment] somewhere else." -Chuck Jeannes President and CEO of Goldcorp

John-Mark Staude, Chief Executive Officer of Canadian

mining firm Riverside Resources Inc, said he has taken 45%

royalty scheme began about two years ago, and threatened

to take half of what he has left if the higher levy is approved.

-John-Mark Staude

-Armando Ortega

CEO of Riverside Resources Inc.

"We're going to try and lobby lawmakers to tell

them that the timing, the scale, the mechanism

scheme, will only endanger, not boost, the public

Vice President for Latin America of New Gold Inc.

and the methodology behind this (Mexican)

purse."

HOW DOES THE TAX AFFECT CURRENT MEXICO PRODUCERS AND DEVELOPERS?

Producers that are hovering around the breakeven level now

\$200,000,000 in royalty revenue for the Mexican government!

All projects in the development stage will have to be revalued

using the 7.5%-8% royalty. Once again projects "on the cusp"

ROYALTY MAKE UP

PRECIOUS METALS TAX 0.5%: -\$54,970.23

REVENUE: \$10,994,046

EBITDA: \$3,243,243.57

ROYALTY TAX 7.5%: -\$243,243.27

30% FLAT TAX: -\$900,000.09

NET INCOME: \$2,100,000.21

PRODUCTION: 478,002 Oz

PRODUCTION INCREASE: 43,219 Oz

UNEMPLOYMENT

RATE

TOTAL TAX GAIN: \$1,198,213.59

SILVER PRICE: \$23

COST / oz: \$16.10

oz INCREASE: 9.9%

COGS: \$7,695,832

Goldcorp, Fresnillo and Couer d' Alene account for over

will now be deemed uneconomical.

Producers will have to increase production or cut costs **JUST** to get back to the same

ROYALTY IMPACT

PRECIOUS METALS TAX 0.5%: -\$50,000

REVENUE: \$10,000,000

COGS: \$7,000,000

EBITDA: \$2,950,000

SILVER PRICE: \$23

COST / oz: \$16.10

PRODUCTION: 434,783 Oz

IMPACT ON INCOME: -\$189,875

of his local operations out of Mexico since discussions about a

ROYALTY TAX 7.5%: -\$221,250 **30% FLAT TAX:** -\$900,000 **30% FLAT TAX:** -\$818,625 **NET INCOME:** \$2,100,000 **NET INCOME:** \$1,910,125

PRE-ROYALTY

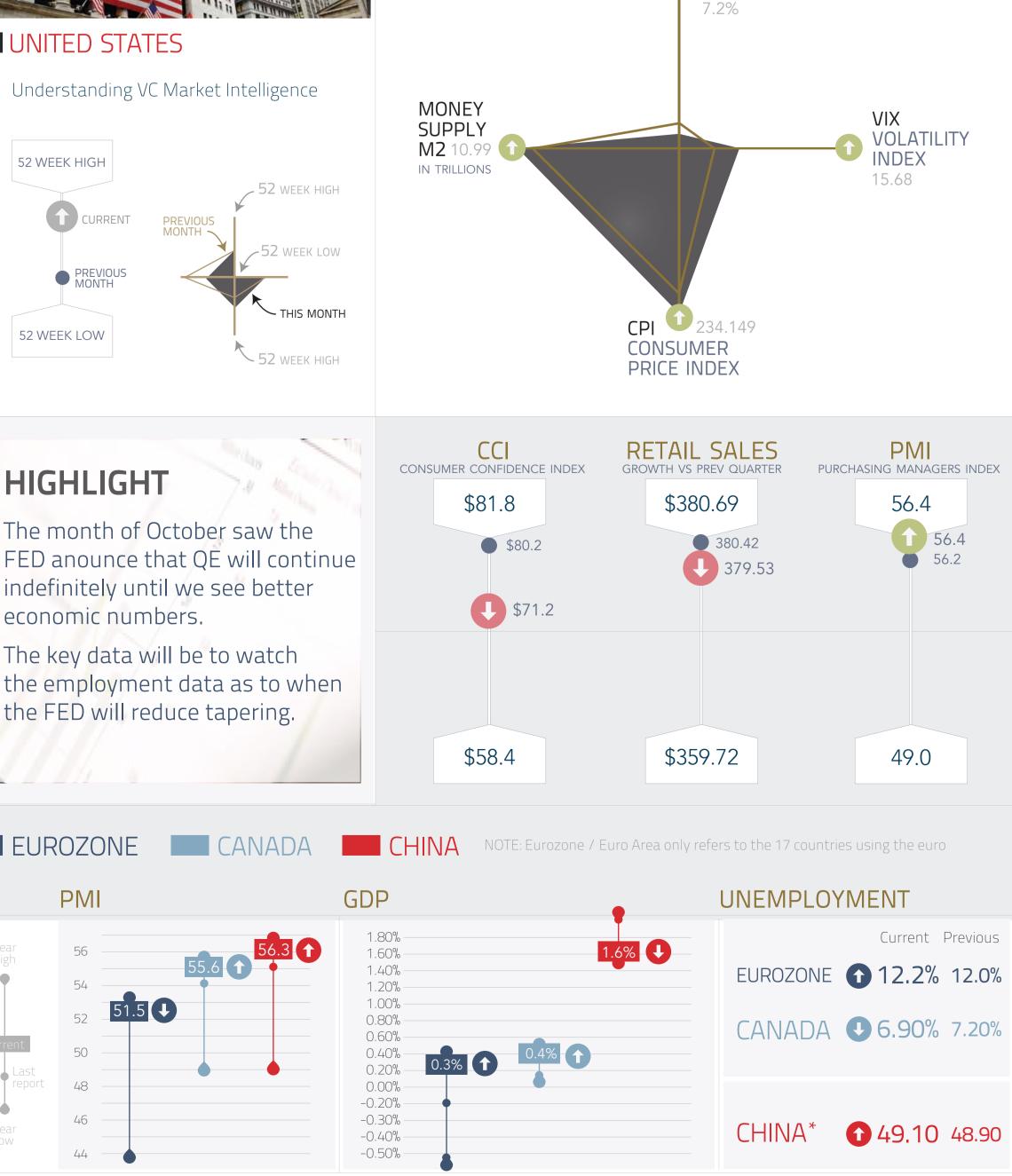
REVENUE: \$10,000,000

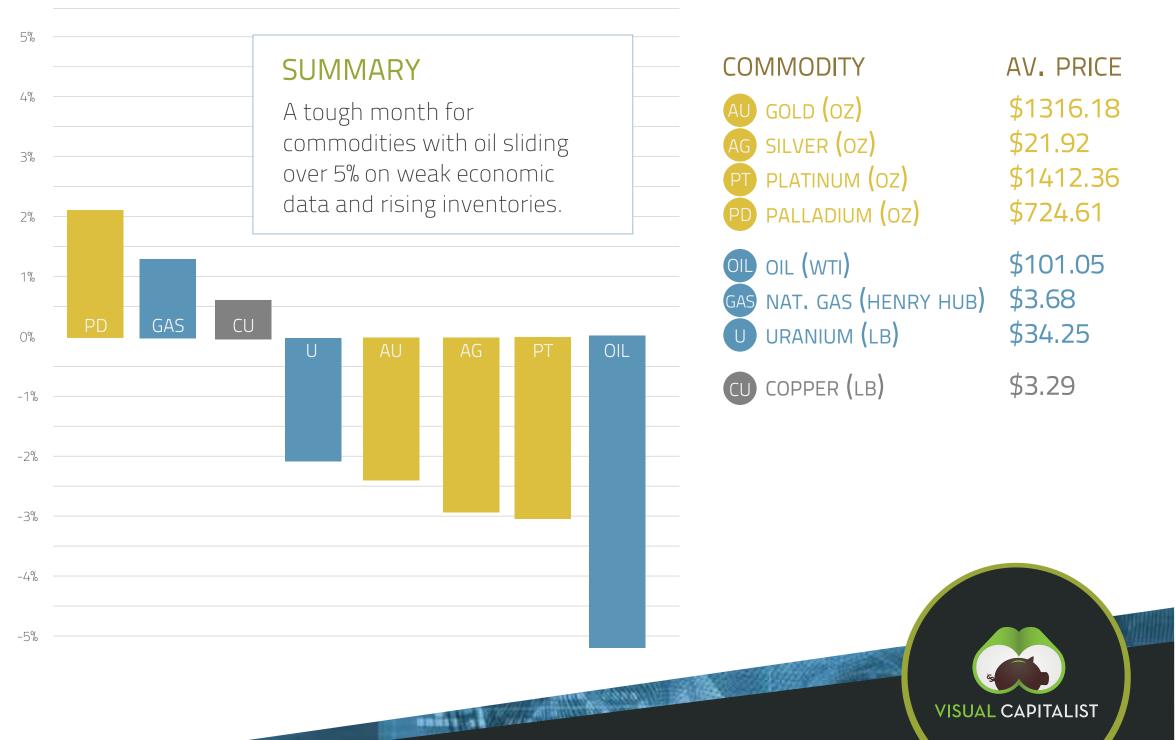
COGS: \$7,000,000

EBITDA: \$3,000,000

Rosalind Wilson, head of the Canadian Chamber of Commerce's mining WHAT'S THE task-force in Mexico, says that Mexico took 53% of the \$1.9 billion raised BOTTOM on the TSX and its junior twin in 2012 to finance mining in Latin America. The figure had dropped to 17% in this year's first eight months. She says, "Mexico is completely pricing itself out of the market". LINE? MARKET DASHBOARD

ECONOMIC INDICATORS





Q2 2013

COMMODITY TRENDS

Q2 2013

Q1 2013

*Employed Person Index

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Percentage change from last month