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THE TIMELESS PRECIOUS METAL FUND

ECU SILVER MINING INC. (TSXV: ECU) FOLLOW-UP NO 2 / July 4, 2006

[Home page of ECU](#)

[Chart 3 years](#)

<u>ECU SILVER MINING INC: RETURN ON CAD 10,000 INVESTMENT</u>					
Purchase Date	No. of Shares	Purchase Price	Cost (CAD)	Price Today	Value Today
February 10, 2006	13'000	0.77	10'010.00		
Total	13'000	0.77	10'010.00	2.95	38'350.00
Profit					28'340.00
Profit (in %)					283%



<u>SHARES OUTSTANDING / FULLY DILUTED</u>	<u>MARKET CAP</u>
162,314,525 / 197,315,047	CAD 477.6 Million
<u>52 WEEK LOW / HIGH</u>	<u>AVERAGE VOLUME TSXV</u>
CAD 0.225 to 3.40	951,600 (200-day)
<u>RECOMMENDATION</u>	<u>RISK RATING</u>
BUY	HIGH

SILVER MINING IN THE STATE OF DURANGO, MEXICO

Business Summary

ECU Silver's operations are located in the **Velardeña mining district** in the state of **Durango, Mexico**.

7 former producing mines are located on the Velardeña property but 100% of the current production comes from a sector of the **Santa Juana mine**, supplying ore for the milling facility. (May, 2005).

The milling facility is also located in the Velardeña mining district and is a short distance from the mines. The milling facility is currently operating at 250tpd, and has recently undergone a major expansion that has allowed it **to more than double its output of concentrate**. Prior to the expansion, the milling facility was processing 180tpd of ore.

The mill is constantly being fine tuned and the company is currently in the process of:

- Reaching the medium **goal of 400tpd production** by purchasing and installing the necessary equipment;

- Adjusting the reagents to improve recoveries;
- Completing the installation of the pyrite circuit to recover 75% of our future Gold production;
- Process 20,000 tonnes of tailings grading 5 g/t Au with the same pyrite circuit;
- Finalizing negotiations to get better conditions from the smelter.



In addition to the current operations, ECU Silver continues to remain active looking at new milling facilities and properties in the Velardeña mining district.

The company also controls the **San Diego property**, located approximately 10 kilometers to the northeast. This property has an estimated historic resource of 1.4 million tonnes of near-surface silver-lead-zinc mineralization, with low grade gold values, but it has seen almost no exploration activity from ECU to date.

Velardeña Projects

The Velardeña Property contains three blocks consisting of 24 concessions totaling 563.3 hectares located in **the Velardeña Mining District in Durango State, central Mexico.**

The Property is situated approximately 95 kms south-southwest of the city of Torreón, Coahuila State, and 140 kms northeast of the state capital Durango. A four lane toll highway connecting Torreón and Durango passes 3 kms east of the village of Velardeña. A 7 km gravel road leads from the village to the mine site.

The Property includes five mines; **Santa Juana, Terneras, and San Juanes**, which are interconnected, plus **the San Mateo and San Diego** mines. The Property is currently in production with development muck and mineralized stope material coming from the Santa Juana Mine for treatment at the Velardeña mill.

The local geology is characterized by a thick sequence of limestones and subordinate calcareous clastic rocks of Cretaceous age, intruded by Tertiary stocks of felsic to intermediate composition. Tertiary volcanic rocks unconformably overlie these units. The Aurora Formation limestones host the Santa Juana, Terneras, San Juanes and San Mateo deposits on the Velardeña Property. The limestones are intruded by a series of multi-phase diorite or monzodiorite stocks and dikes of Tertiary age that outcrop over a strike length of approximately 2.5 kms.

The deposits on the Velardeña Property consist of low-temperature epithermal calcite-quartz veins with associated Pb, Zn, Ag, Au and Cu mineralization, typical of the polymetallic vein deposits of northern Mexico. The veins are usually thin, normally in the range of 0.2 m to 0.5 m, but remarkably consistent along strike and down dip. Within limestone host rocks, some of the veins are oxidized down to level 17 or 18, up to 450 m below surface. Oxide material is also found in the veins hosted by intrusive rocks near the La Tres Aguilas fault. Sulphide vein mineralization consisting of pyrite, arsenopyrite, sphalerite, galena and chalcopyrite and tetrahedrite, generally occurs within intrusive and skarn host rocks.

Santa Juana

The Santa Juana Vein accounts for all the current production. During 2005, opened stopes were doubled to 6.

In 2004, 16,232 tonnes of ore were processed from the Santa Juana Mine. The oxide zone was drifted 17.3 m on level 18 and the shaft was sunk 32 m to reach level 17. The sulfide zone saw 315.7 m of drifts and raises.

In 2005, a decline was completed to reach the 18th level. Access drifts on the CC and Santa Juana Veins were extended on the 15th and 16th level.

San Mateo

Accesses to levels 1 to 3 of the San Mateo Mine are by an adit located about 500 m east of the entrance of the access drift for the Terneras Mine. Additionally, a new access is being driven from the main access drift to Santa Juana, in order to reach the veins of this mine on level 6.

In 2004, production was obtained from levels 1 and 2 including 98.55 m of development for 568 tonnes of ore grading 1.13g/t gold, 294g/t silver, 1% lead, and 0.07% arsenic. Stope production consisted of 1,932 tonnes containing 1.91g/t gold, 616g/t silver, 2.14% lead, 0.87% zinc, and 0.06% arsenic. The new access drift to reach level 6 of the San Mateo Mine is scheduled to reach the vein in Q4 of 2005. Then a vein will be developed on that level with the objective of producing from this silver-rich zone.

San Juanes

Until 2004, the San Juanes Mine was accessed by the same underground access as the Santa Juana and Terneras mines by way of an adit on level 6 of the Terneras Mine and a small drift close to the surface. A new adit was opened in 2004, located more than 1 km north of the opening of the access drift to Terneras. In 2004, the Company drifted 388.22 m on level 1, producing 5,577 tonnes of ore with a content of 2.42g/t of gold and 163g/t of silver. ECU also extracted 1,718 tonnes grading 2.70 g/t gold and 246 g/t silver from stopes and drifted 88.78 m of crosscuts that yielded 1,492 tonnes of waste material. In 2005 the Company anticipates developing this zone on level 6 for a minimal length of 150 m, and will be preparing for production from that new area.

Recent News: ECU Silver's Valardena indicates 1.4 million tonnes

ECU Silver Mining Inc. has received its **updated technical report on the Valardena property** prepared by Broad Oak Associates (BOA). The report updates the resources inventory of the Valardena project, taking into account new information obtained in 2005 and early 2006.

2006 drilling summary to date and areas not included in this technical report

The company has experienced a significant amount of drilling success thus far in 2006 with the commencement of the company's planned 15,000-metre, 50-hole exploration program. Given the great deal of information that is contained in this **new NI 43-101 compliant technical report**, the company would like to highlight the following points before proceeding with discussing the findings of this report in greater detail.

Despite the large increase in the company's resources inventory from last year, the company's current drilling program is **less than 30 per cent completed**.

Most of the significant 2006 discoveries that will have a positive material impact on the company's next NI 43-101 compliant technical report were not included in this update. **The specific veins and zones not included in this report are:**

1. the stockwork zone encountered first in a crosscut on level 17.5 with a true width of 28 metres grading 2.19 grams per tonne gold and 55 grams per tonne silver and then proven to be continuous over significant height and widths by drilling (as reported in Stockwatch on May 8 and May 18, 2006);
2. the mineralized green skarn (skarn No. 1), the first intercept averaged 1.08 grams per tonne gold and 1.01 per cent zinc over 68.6 metres, including a 14.4-metre section grading 4.02 grams per tonne gold and 1.73 per cent zinc. Since then, the zone has been shown to continue at depth and laterally for at least 100 metres (as reported in Stockwatch on April 3, May 1 and June 21, 2006);
3. skarn No. 2 graded 1.68 grams per tonne gold over 37.1 metres in hole TA 17.5-05A, again confirming a very significant increase in grades as the company goes deeper (as reported in Stockwatch on May 1, 2006); and
4. a large number of known veins that will become a part of future resources inventory reports with minimal further work were not included in this report for different reasons. The Terneras, Hiletas and Roca Negra veins were excluded because of insufficient recent information confirming historical data. The C0, C1 and Veta Oriente veins in the Santa Juana mine were not included because the information needed was obtained after the company's cut-off date. The Pajaro Pinto, Pajaro Azul, Buenaventura 1, 2 and 3, Ordenanza 1 and 2, Vfboras, Chicago and several unnamed veins, which are known veins identified on surface and/or by underground workings on the properties of the company, were excluded since they have not been sampled or explored recently.

The company strongly believes in the potential of the veins and zones outlined above, and firmly thinks that they will serve as the main catalyst for the expected future growth profile of the company's resources inventory. For example, the company could already add the mineralized green skarn and the stockwork to the next resources inventory due to the latest intercepts but could not do so in time for this report as the latest data gathered was obtained after the cut-off date.

Fundamental Considerations

Technical Report on the Velardeña Property

- Indicated Resources reaches 1.4M tonnes or **17.4 Million ounces of silver equivalent** a 42% increase from last NI 43-101 compliant technical report;
- Inferred Resources reaches 6.3M tonnes or **81 Million ounces of silver equivalent** a 608% increase from last NI 43-101 compliant technical report;
- Additional potential for 2.8 to 4.0M tonnes or **35 to 47 Million ounces of silver equivalent** with further testing;
- **The new Resources report demonstrates and justifies the need to significantly increase production;**
- Current drilling program less than 30% completed;

- Numerous veins and recent discoveries, such as skarns (#1, #2) and stockwork zones are NOT included in this report despite the 42% increase in Indicated Resources and 608% in the Inferred Resources.

The market capitalization of ECU is at present close to \$ 5 per ounce of silver equivalent, up 20% from the day before the latest news release came out and includes the “potential” of adding 35 to 47 million ounces of silver equivalent. “Potential”, as we know, means “capable of being but not yet in existence”.

But considering the indicated and inferred resource base already established, it is unlikely that it will not be significantly expanded as less than 30% of the property has been drilled and considerable drilling successes have continuously been reported.

Technical Considerations





“While a consolidation seems likely at this stage, continued good drill results and a strong silver price could easily propel the share price higher over the medium term.”, we wrote last February.

Good drill results will likely continue to be reported and lead the share price higher.

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