



Interview with Steve Altmann of ECU Silver Mining

ECU Silver Mining (ECU:TSX) is a junior silver exploration company with sizable silver project located in Durango, Mexico. ECU recently published an NI 43-101 resource calculation which shows it has 40 million ounces of silver in the measured and indicated category and 391 million ounces of silver in the inferred category. ECU is now putting a part of this large project into production with a new mill that has been purchased from Hecla Mining and is in place at the company's Velardeña project, which has now commenced production at an initial rate of 400 tons per day, with plans to ramp up production steadily over the next few quarters.

Last year *Silver Strategies Review* interviewed ECU's President Steve Altmann regarding the company and its future potential and last week Mr. Altmann kept us up to speed on the latest developments for ECU. What follows is the transcript of last week's interview.

Q: Can you provide us with an update on the company's main Velardeña Property in Durango?

Altmann: The main activity that is going on at Velardeña is that we're mining oxide material and treating it in the recently acquired oxide mill that we bought from Hecla last year. We've been progressively enhancing the operation of this oxide mill to the point where we will probably have our best month ever in March in terms of generating gold and silver product out of that mill. So our focus has been on transforming the company from its exploration and development status to producer status in three phases. The first phase was the acquisition of this mill and treating our oxide material. The next phase will be to complete a scoping study for a larger operation which would be a 1,500 ton per day operation. And then the third phase would be eventually to build a 5,000 ton a day operation which would put us into the senior producer status. Our resource is at the stage where it can support that growth. However, in tangent to that growth will be the growth of our mineral resource. Only 50% of our property has been explored and we have a lot of continuity of our veins. So there's still a lot more exploration upside in our story.

Q: Do you have any time table for reaching the second and the third phases you mentioned?

Altmann: The scoping study is a few short weeks away, at which time we'll be releasing the results of that. Once we release that we'll look to proceed with the development of a 1,500 ton per day operation. We think the timing for that will be about 18 months from start to finish. Once that's complete we'll look to complete an economic study for the 5,000 ton per day operation, which will probably be 12 to 24 months and the construction of that project would be another 24 months.

Q: What's happening at the company's Chicago Property?

Altmann: The Chicago Property is adjacent to the Velardeña property and we have some mining activity going on at the Chicago Property. We're not doing any exploration as of yet because our focus is to be generating cash from our current operations.

Q: The company recently released figures for gold and silver operations for February. What were some of the highlights?

Altmann: We've been able to generate some strong revenues from our operations. What's key about our financials is that we are technically an exploration development company. So as such we need to report according to the accounting rules that apply to our industry, which means that we cannot report revenues in our income statement. The revenues that we actually earn from our operations are used to reduce the costs that we have in terms of exploration, development and operations. That all shows up on the cash flow statement, so when people look at our income statement and say, "Why is there no revenue?" it's because our revenues don't show up there because we need to report as an exploration and development company. Effectively our income statement just shows our administrative costs and everything else is in the balance sheet. But it's definitely showing us turning around. It's showing the company is moving toward producer status and our focus is to make this a producer and exploration company with large upside on both fronts.

Q: Does ECU currently have any joint venture partners?

Altmann: Yes, we have a joint venture partner on the San Diego property with Golden Tag. It's a 50-50 joint venture and we're currently in arbitration proceedings with Golden Tag in some, in our opinion, non-material items.

Q: What about M&A activity? Are there any plans in the foreseeable future for M&A?

Altmann: In terms of us acquiring operations, we're always looking at opportunities and we have a lot of them presented to us. We think the best opportunities, frankly, are in Mexico that are synergistic with our operations, areas where we can actually employ our expertise or areas where we think there is a lot of high grade material that we could actually transport over to our milling operations. We are approached on a consistent basis by a lot of people in Mexico for these type of opportunities and we evaluate them all the time. In terms of a larger M&A opportunity, if the opportunity arises that somebody is looking to help us grow to the next level or take over, absolutely, because our focus is to build shareholder value and if we think we can do that by selling the company we'll do that. If we think we can do that by building our own production facilities and running it ourselves, we'll do that.

Q: Where do you see the price of silver in the coming months? Do you have a specific target range?

Altmann: I think in the spring we're going to see a very strong market for both gold and silver followed by a flattening out in summer, but then we'll see some strengthening in the commodity markets again after the summer time. My prediction for this year is that we'll see a \$20 silver price by the end of the year.

Q: What do you see as the future prospects for ECU Silver?

Altmann: I think that when we compare ourselves to other opportunities in Mexico, it's clear that that

our resource stands above the rest. I think ECU has a mineral inventory now that's effectively 431 million silver equivalent ounces or six and a half million ounces of gold equivalent. The number of this size of projects in Mexico and the world are a handful, they're few and far between. I think as the market realizes that these large deposits aren't coming as frequently as expected, I think the focus and attention will be on the few that can have something done with them. There are other large assets that have fatal flaws, either they have a political environment that is not amenable to the mining industry. Or you have mining properties that have no infrastructure. So when you take those into account, all of a sudden the number of viable projects becomes that much more limited.

Given our project is in Mexico, which is a mining friendly jurisdiction, we have excellent infrastructure in place with water, power and highways and we have a platform of operating mills and a considerable amount of development underground. I think our asset will start to shine when we start showing the market the opportunities for growth on the production side and on the exploration side.

[Note: Visit the company's web site at www.ecu.ca for more information.]

[Disclosure: This interview is not to be construed as a buy recommendation for ECU Silver Mining. It is intended solely for educational and research purposes and is part of an ongoing dialogue between the *Silver Strategies Review* newsletter and various junior mining and exploration firms that utilize unique and innovative approaches to metals mining and exploration. Investors should do their own due diligence before investing in any natural resource company. Neither *Silver Strategies Review* nor its affiliates received payment or compensation in any form for this interview, nor does the editor currently own shares in ECU Silver Mining.]

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