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2006 RESOURCE UPDATE - SILVER EQUIVALENT (AgEq) GRADE CALCULATION

Due to the polymetallic, though predominantly zinc and silver endowed, nature of the Hackett River mineralization, silver-equivalent (AgEq) grade was introduced in order to express content of all metals in terms of silver grade using following formula.

$$\begin{aligned} & \text{AgEq(opt)} \\ & = [(Zn \text{ Grade} (\%)/100 \times Zn \text{ Price(US\$/lb)} \times Zn \text{ Recovery} \times 2,000 \\ & + Pb \text{ Grade} (\%)/100 \times Pb \text{ Price(US\$/lb)} \times Pb \text{ Recovery} \times 2,000 \\ & + Cu \text{ Grade} (\%)/100 \times Cu \text{ Price(US\$/lb)} \times Cu \text{ Recovery} \times 2,000 \\ & + Au \text{ Grade(opt)} \times Au \text{ Price(US\$/oz)} \times Au \text{ Recovery} \\ & + Ag \text{ Grade(opt)} \times Ag \text{ Price(US\$/oz)} \times Ag \text{ Recovery}] / [Ag \text{ Price(US\$/oz)}] \end{aligned}$$

Where,

opt = troy ounces per short ton

1 short ton = 2,000 pounds

The following table represents the metal prices and recoveries used for the calculation of AgEq grade. The metal prices are primarily based on the three-year average LME and LBMA cash price from October 2003 to September 2006 with some conservative discount incorporated. The metal recoveries are based on the metallurgical test results on the composite drill core samples conducted by SGS Lakefield Research Ltd. in 2006.

Table : Metal Prices and Recoveries

Metals	Price (US\$/lb or US\$/oz)	Recovery (%)
Zinc (Zn)	0.65	89.6
Copper (Cu)	1.23	80.0
Silver (Ag)	7.90	72.0
Lead (Pb)	0.35	70.0
Gold (Au)	475	50.0

For further information, please visit our web site at www.sabinasilver.com