INFORMATION MEMORANDUM

Western Silver Corporation

(AMEX : WTZ AND TSX : WTC)
(BERLIN AND FRANKFURT : WCR)

MAY 2003

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Western Silver Stock Price: Canadian Dollars

WESTERN SILVER CORPORATION – OVERVIEW

Western Silver Corporation is an emerging leader in the silver market. The Chile Colorado zone at the Company's 100%-owned Peñasquito property is already established as one of the world's largest silver deposits, yet it remains open to expansion. Recent drilling confirms that Chile Colorado is part of a silver district with multiple deposits – similar mineralization has been found nearby; on May 15, 2003 the Company announced the discovery of La Palma gold-silver zone; the Outcrop Breccia is known to be mineralized; and there are numerous other advanced exploration targets on the property.

As Peñasquito develops and Western Silver's story becomes better known, the gap between the Company's valuation and that of its peers may narrow or be eliminated. We believe that Western has better prospects to more than double its reserves/resources than any of its peers. Furthermore, the whole silver group may benefit from rising silver prices.

- Western Silver Corporation is a silver-focused exploration and development company traded on the American and Toronto Stock Exchanges. Peñasquito, the core asset, is a large, 147-square mile, 100%-owned property located in northern Zacatecas State in central Mexico. Zacatecas has a long history as a major silver mining district and consequently has excellent infrastructure.
- Exploration at Peñasquito has centered on the area around the Azul Breccia where extensive drilling in the Chile Colorado zone, immediately to the south of Azul, has identified a large, disseminated silver deposit with associated zinc, gold and lead.
- Independent engineer SNC-Lavalin has estimated indicated and inferred resources at Chile Colorado totaling 206 million ounces of silver and 1.85 million ounces of gold, establishing Peñasquito as one of the world's largest known deposits of silver. SNC confirmed that mineralization extends to the top of the bedrock – the upper portion is oxidized – beneath soft valley fill up to approximately 120 feet thick.
- We believe this initial resource calculation is highly conservative. The Company is commissioning an independent economic scoping study, likely to be completed during the summer, before it commences a full engineering feasibility study. As work continues, we expect the total resources to increase and some of the resources to move into measured reserves.
- Chile Colorado is open to the east, west, and at depth. Elsewhere, similar-style mineralization has been found northeast of the Azul Breccia; the newly discovered La Palma zone includes high grade gold-silver mineralization; the Outcrop Breccia is mineralized; and there are numerous other identified targets throughout the property.
- Consumption of silver has exceeded supply in each year since 1990 – the cumulative decline in inventories totals 1.9 billion ounces. We believe that, within the next two or three years, inventories will become critically tight unless the price rises sufficiently to restore market balance.
- Preliminary economics at Chile Colorado indicate that the project is economically viable even at current, depressed metal prices. However, the project could well be moving towards production during a period of rising silver prices, which would clearly enhance the economics.
- The market is valuing other silver companies at between $0.52 and $1.10 per ounce of silver equivalent precious metals (silver and gold) in the ground. Western is currently valued at $0.22 per ounce of resource, reflecting in part the early stage of feasibility studies and the fact that the size of Peñasquito has not yet been recognized by the market. If Western's resources were valued in line with its peer group's reserves/resource, it would be trading between $5.60 and $11.80 per share. We expect the valuation gap to narrow, or be eliminated, as the project progresses. Further, we believe that Western has better prospects for significantly expanding its silver resources than any of its peer group.

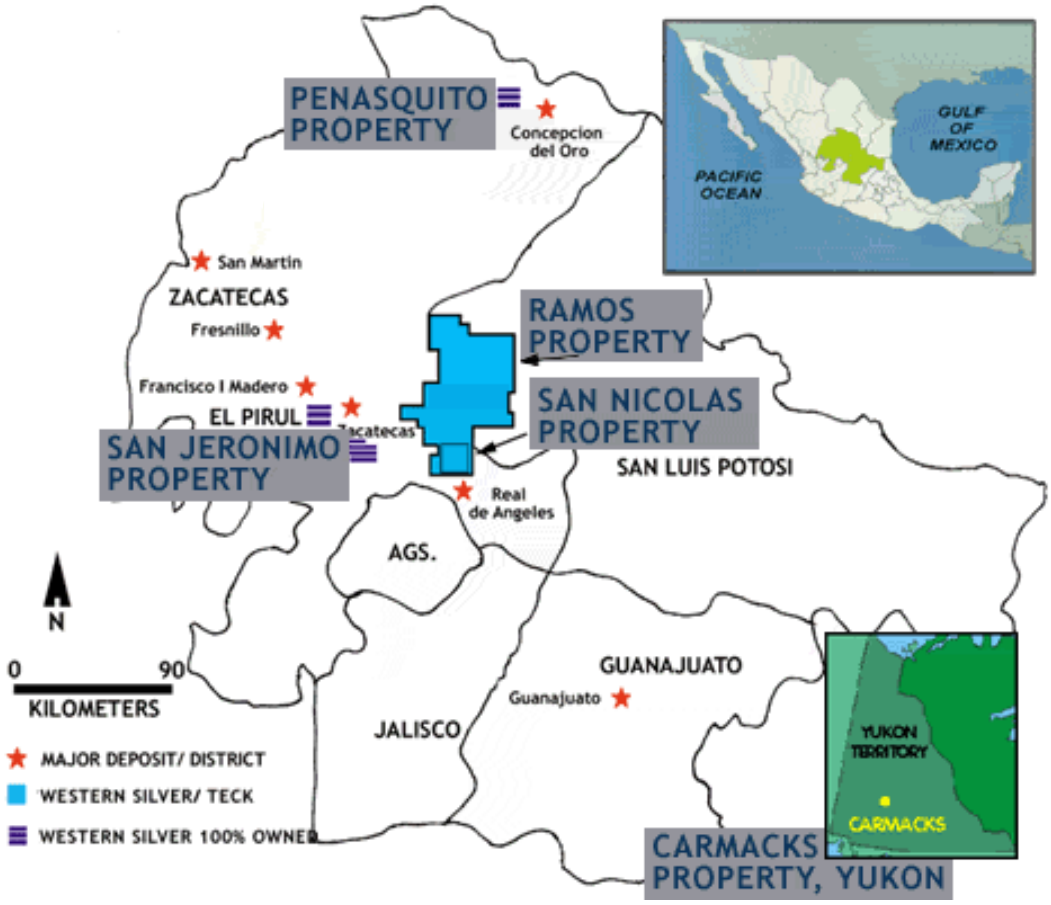
SUMMARY

Western Silver Corporation is focused on historic mining districts in Zacatecas State in central Mexico. The Company's initial success in Mexico was the discovery of a major, massive sulfide copper-zinc ore body at San Nicolas in joint venture with Teck Cominco Ltd. Western capitalized on that success and, in 1998 acquired Peñasquito from Kennecott, the American mining arm of Rio Tinto plc, which had started exploring the property in the early 1990s.

After completing a feasibility study, Teck placed San Nicolas on hold as a result of its own priorities and pending higher zinc and copper prices.

Meanwhile, during the past five years, Western focused on its 100%-owned Peñasquito project. Exploration has established Chile Colorado – just one deposit within the district-scale project – as one of the largest deposits of silver in the world.

Property Location



Source: Western Silver Corporation

Key Statistics

Exchange		Amex		Toronto	Shares out. (3.31.03)	(millions)	33.6
Ticker		WTZ		WTC	Float	(%)	76%
Price (05.16.03)	(US$)	2.45		(C$) 3.33	Options & warrants	(millions)	6.2
52 week: high (01.10.03)	(US$)	3.13	*	(C$) 4.74	Average exercise price	(C$)	1.90
low (05.15.02)	(US$)	0.92	*	(C$) 1.40	Cash (3.31.03)	(US$ mm)	3.52
Average daily trading volume		81,600		76,000	Cash on option/warrant exercise	(US$ mm)	8.14
Fiscal year: September 30					Market capitalization	(US$ mm)	82.320

* US Dollar equivalent of Canadian Dollar price

Large land position in a major silver district

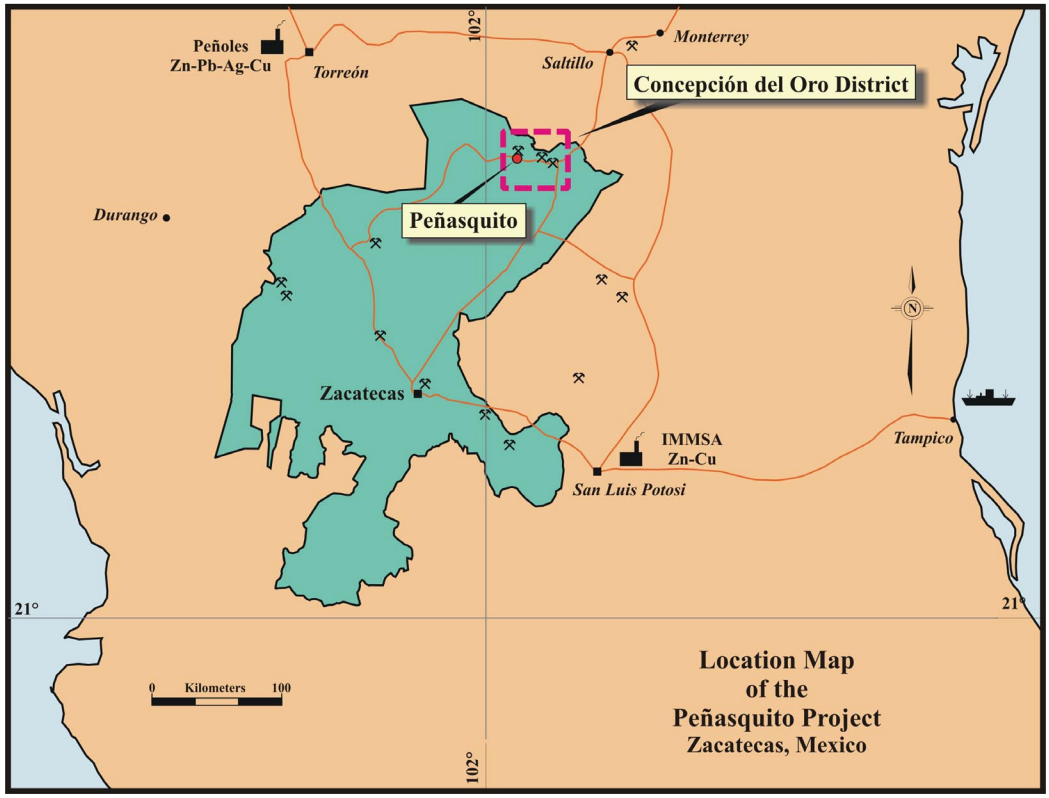
PEÑASQUITO

Peñasquito is a large, 147-square mile property in the established Concepción del Oro mining district in northern Zacatecas State, central Mexico. Zacatecas is a major silver producing state, hosting mines such as Fresnillo, Francisco I Madero, and Real de Angeles, as well as the mines at Concepción del Oro.

Most mines have been developed from the discovery of a mineralized outcrop. Only recently have exploration techniques progressed to the point where "blind" deposits with little or no surface expression can be identified.

Peñasquito derives its name from a small breccia outcrop – the Outcrop Breccia – that resembles a hat. However, it was not until the mid-1990s when Kennecott started exploring the property using state-of-the-art techniques that the potential hidden beneath a layer of valley fill began to be revealed.

Peñasquito Location Map



Source: Western Silver Corporation

Discovered by Kennecott in mid-1990s

Kennecott discovered two large mineralized breccias – the Outcrop and Azul Breccias – located at the intersection of major structural trends, which it interpreted as being the top of a large, deep-seated porphyry copper system. However, Kennecott was not interested in silver intercepts in the upper levels of the bedrock and it decided that the copper was probably too deep to be economic on a standalone basis.

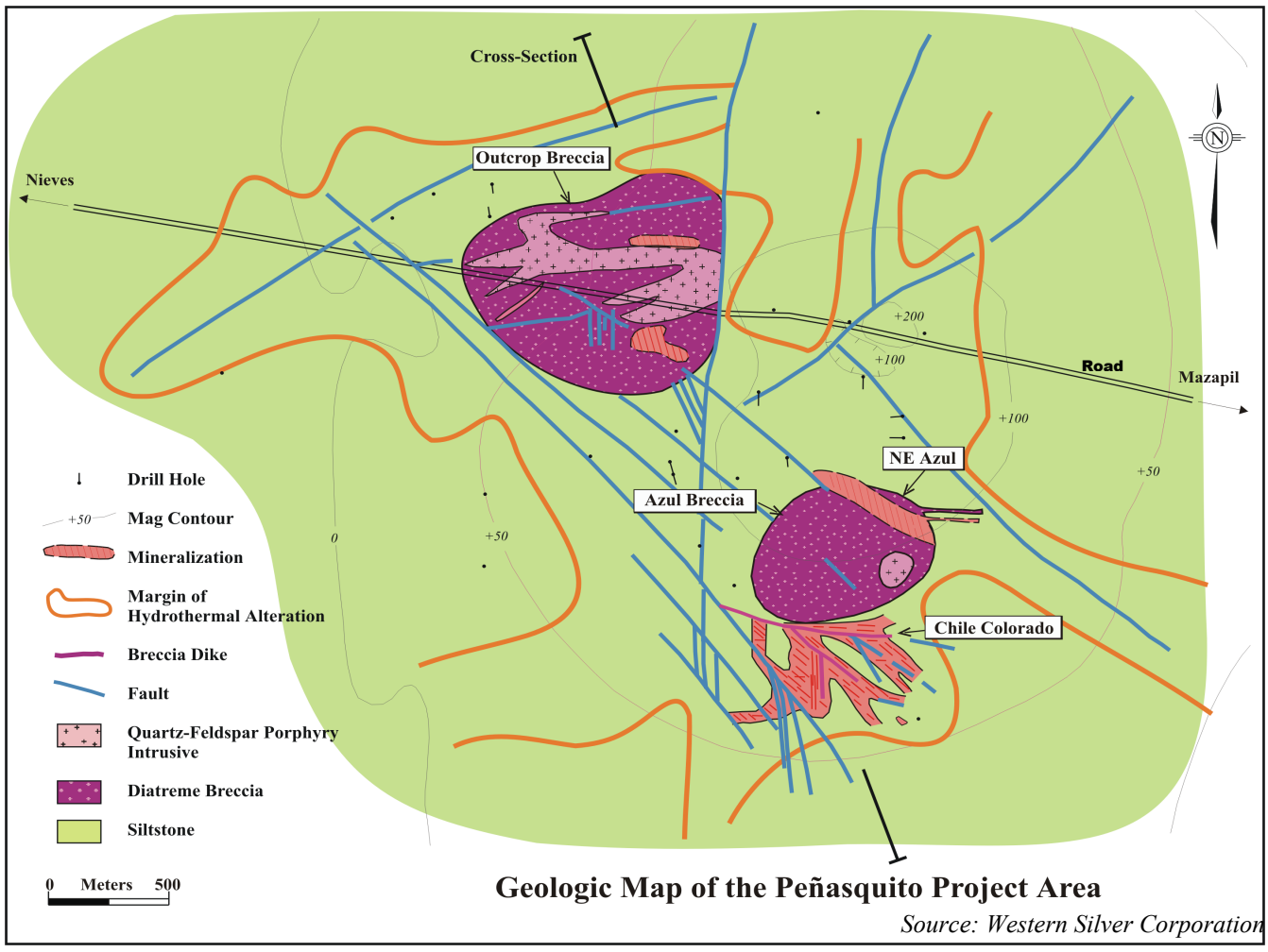
That strategic decision opened the door for Western to focus on the silver-zinc-gold-lead "cap", initially concentrating on the Chile Colorado zone immediately south of the Azul Breccia.

Distinguishing features as a major silver district

There are several key factors that, in our opinion, distinguish Peñasquito as a major silver property:

- Chile Colorado is already one of the world's largest known silver deposits and there is strong potential for substantial expansion of the current resources at that zone.
- Chile Colorado-style mineralization has been found elsewhere on the property; the Outcrop Breccia is mineralized; recent exploration has discovered what may prove to be a high grade gold deposit; and there are numerous advanced exploration targets on the property, including high grade potential more typical of the district.
- Resources at Chile Colorado are highly consistent, the deposit reaches to the top of the bedrock, and there is a higher grade core that starts near surface.
- Initial mine planning indicates strong economics even at current, historically depressed metal prices.
- Good infrastructure in an established mining district will facilitate development:
  - A road passes less than one mile from Chile Colorado (see below), the railroad is within ten miles, and the power grid is within eight miles
  - the deposit is within 150 miles of both Peñoles' Torreón smelter and the IMMSA San Luis Potosi zinc smelter
- 100% ownership of a large land position provides flexibility and helps Western to determine its own fate.

Peñasquito showing Outcrop and Azul Breccia and Chile Colorado



Geologic Map of the Peñasquito Project Area

Source: Western Silver Corporation

Two large mineralized zones already discovered

There are known to be at least two distinct mineralized zones at Peñasquito – the Outcrop Zone to the northwest, and a large zone centered on the Azul Breccia about a mile to the southeast – until recently, the Company has focused on the Chile Colorado zone to the south of Azul.

Independent resource calculation confirms major silver deposit

Chile Colorado

In March 2003, SNC-Lavalin completed an independent resource study that focuses exclusively on Chile Colorado. The study establishes indicated and inferred resources of 206 million ounces of silver with an additional 1.85 million ounces of gold at an NSR cutoff of $4 per metric tonne. Chile Colorado is open to the east, west, and at depth. The resource study confirms that mineralization extends to the top of the bedrock – the upper portion is oxidized – beneath soft alluvial valley fill up to approximately 120 feet thick.

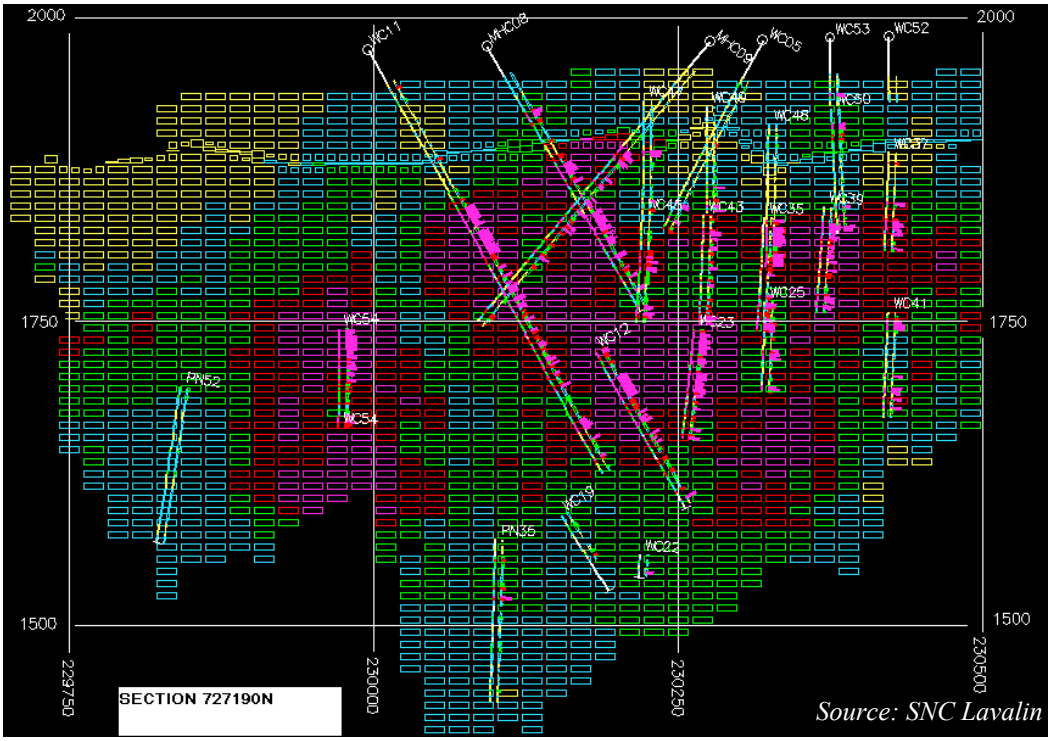
Summary of SNC Resource Estimate

(Sulfide Mineralization Only)

	Metric Units					Imperial Units		
	Tonnage	Grade				Tonnage	Grade	
Cut-off NSR ($/t)	(million t)	Silver (g/t)	Gold (g/t)	Zinc (%)	Lead (%)	(million st)	Silver (oz/st)	Gold (oz/st)
Indicated								
4.00	110.07	42.92	0.36	0.92%	0.37%	121.33	1.25	0.011
7.00	64.88	58.24	0.46	1.20%	0.48%	71.51	1.70	0.013
10.00	39.81	73.04	0.54	1.45%	0.59%	43.88	2.13	0.016
Inferred								
4.00	57.32	29.11	0.31	0.70%	0.23%	63.19	0.85	0.009
7.00	24.21	39.95	0.44	0.94%	0.28%	26.69	1.17	0.013
10.00	9.07	51.52	0.55	1.13%	0.34%	10.00	1.50	0.016
Total								
4.00	167.40	38.19	0.34	0.84%	0.37%	184.52	1.11	0.010
7.00	89.09	53.27	0.45	1.13%	0.45%	98.20	1.55	0.013
10.00	48.88	69.04	0.54	1.39%	0.55%	53.88	2.01	0.016

Cross Section Through Chile Colorado

(looking northwest)



Source: SNC Lavalin

Mineralization comes to the top of the bedrock

The cross section on Page 5 demonstrates that mineralization continues to the top of the bedrock – marked as the stepped horizontal line at the top of the resource blocks. Drill holes are shown collared at surface above this level. Each block is 66 feet long and 33 feet deep, indicating the large scale of the project.

Mineralization is consistent

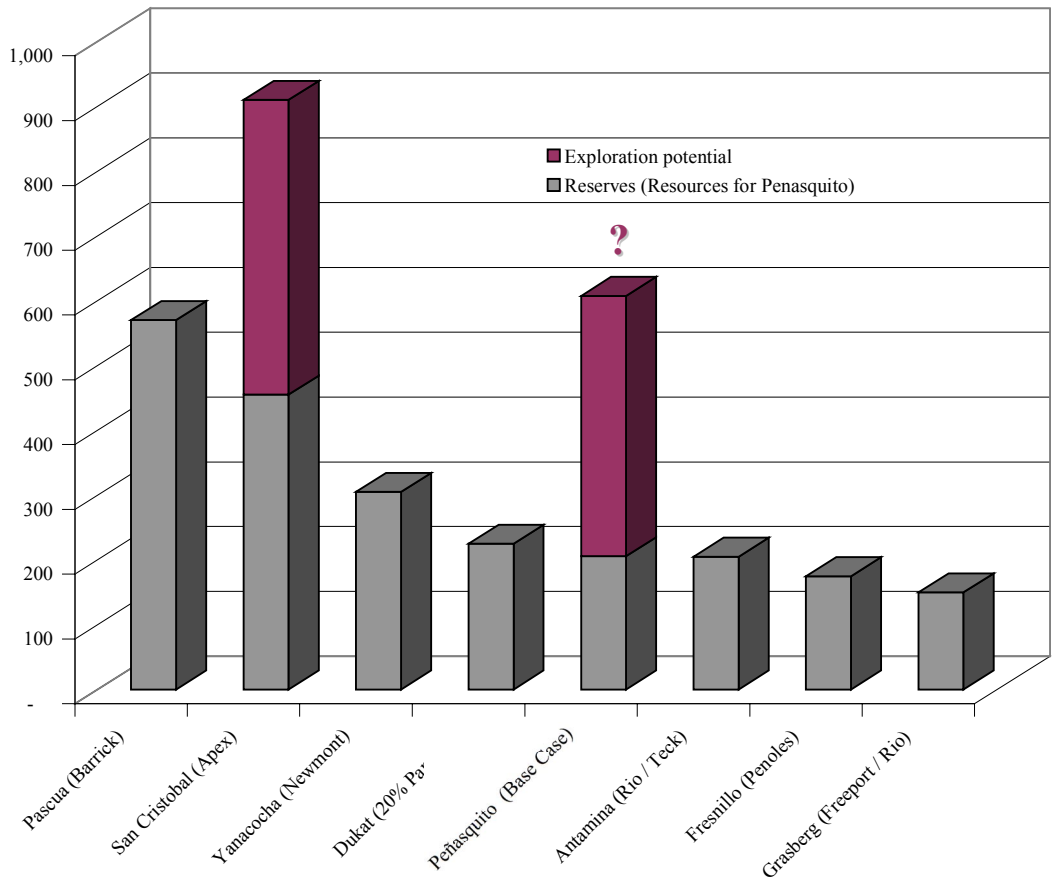
This typical cross section also demonstrates the consistent mineralization throughout the zone and the fact that resources are open to the east, west and at depth. Furthermore, the lower grade blocks (yellow and blue) are, at least in part, a reflection of drill density – the resource model assumes grade declines with distance from drill intercepts.

Chile Colorado is already one of the world's largest silver deposits

The chart below sets out reserves at the world's major silver deposits (in silver). Because Western has not completed engineering at Peñasquito, we have used sulfide resources for that project. However, we have not included resources in the oxide cap.

The chart also shows our estimate of the exploration potential at the two major undeveloped projects – San Cristobal and Peñasquito. In the case of San Cristobal, the potential is based on targets setout by management of Apex Silver.

The World's Major Silver Deposits



Source: CPM Group and Proteus Capital Corp estimates

Substantial exploration potential at Chile Colorado

Notwithstanding its status as one of the world's largest silver deposits, there is considerable potential for expansion of resources at Chile Colorado as well as elsewhere on the property. At Chile Colorado:

- Resources are open to the north, east, southwest, northwest, and at depth.
- The grade of the inferred mineralization is less than that of the indicated resources, in part reflecting the wide-spaced drilling and the resource modeling assumption that areas far from drill intercepts are not mineralized.
- The resource calculation assumes a specific gravity of 2.6, which may well be at least ten percent lower than the actual density of the mineralization.

The SNC resource calculation was based on drilling through the end of February 2003, comprising more than 90,000 feet of core and nearly 76,500 feet of reverse circulation drilling in 139 holes. This does not include 250 shallow rapid air blast holes drilled by Kennecott to sample the top of the bedrock.

Continued drilling since February

Since the end of February, Western has drilled an additional 6,300 feet in six holes in the Chile Colorado zone, including re-entering and deepening two holes drilled previously. Of these, three were collared to the northwest of Chile Colorado – WC-55, drilled south intersected 915 feet of mineralization, including two high grade sections 111 feet and 26 feet thick averaging 2.5 oz/st silver and 5.5 oz/st silver, respectively. Hole WC-60 located approximately 1,000 feet west-northwest of the Chile Colorado zone, intersected over 700 feet of mineralization, including 33 feet averaging 1.6 oz/st silver.

WC-58, a 165-foot step out fromWC-52 located on the eastern side of Chile Colorado, hit some narrow high grade zones but did not repeat the high grade massive sulfide intersections in WC-52 – additional drilling between WC-58 and WC-52 is needed. WC-53, west of WC-52, was deepened and intersected continuing strong mineralization that may represent peripheral leakage from the massive sulfide zone.

Peñasquito District Potential

District-scale potential at Peñasquito

Peñasquito is developing into a silver district of significantly greater scope than Chile Colorado. Western has identified fourteen targets based on a combination of geologic, geochemical, and geophysical data. In addition, there are three more advanced areas in the vicinity of Chile Colorado, each of which has the potential to double the existing resource base.

Since the end of February, Western has drilled an additional 11,600 feet of core in seven holes outside Chile Colorado. Of these, five encountered significant mineralization. The Company has started a 25-hole, 8,200-foot reverse circulation drill program to test shallow oxide gold-silver mineralization.

Northeast Azul is believed to be the northeastern extension of Chile Colorado – the Azul Breccia intruded through the large zone of mineralization. Western has discovered Chile Colorado-style mineralization in the area and the dimensions indicate the potential to be comparable in size to Chile Colorado. Recent drilling was consistent with previous results.

Kennecott drilled the Outcrop Breccia on a wide-spaced pattern that indicated the potential for a deposit comparable to Chile Colorado in terms of size and grade. In its latest round of drilling, Western included two holes drilled on the southern flank of Outcrop, both of which intersected strong alteration and narrow zones of high grade mineralization.

Several of Kennecott's holes have thick intervals of continuous mineralization with narrow zones of high grade precious metals. The upper oxide zone at Outcrop Breccia either outcrops or is covered by shallow valley fill.

Summary of Recent Drilling

	Interval (ft)			Width (ft)	Gold (oz/t)	Silver (oz/t)	Lead (%)	Copper (%)	Zinc (%)
NW Chile Colorado									
WC-55	301.8	-	334.6	32.8	0.006	0.729	0.01		0.33
	426.4	-	1,341.7	915.3	0.013	0.904	0.19		1.32
Includes	498.6	-	610.1	111.5	0.018	2.508	0.83		2.01
Includes	531.4	-	557.6	26.2	0.035	5.454	2.29		4.59
Includes	1,089.0	-	1,279.2	190.2	0.026	0.933	0.07		2.35
Includes	1,239.8	-	1,279.2	39.4	0.052	1.575	0.10		2.06
WC-56	636.3	-	1,296.7	660.4	0.005	0.438	0.03		0.45
Includes	846.2	-	1,095.5	249.3	0.006	0.583	0.02		0.82
WC-60	820.0	-	1,521.9	701.9	0.006	0.379	0.07		0.47
Includes	833.1	-	865.9	32.8	0.013	1.604	0.14		0.31
SE Chile Colorado									
WC-58	682.2	-	688.8	6.6	0.025	15.663	5.14		4.16
	1,023.4	-	1,029.9	6.6	0.021	5.075	2.80		2.97
	1,174.2	-	1,180.8	6.6	0.012	2.100	1.39	0.16	5.28
WC-53 (existing)	531.4	-	583.8	52.5	0.003	1.021	0.46		0.40
	603.5	-	649.4	45.9	0.003	2.217	1.00		0.98
	774.1	-	813.4	39.4	0.009	2.042	1.01		1.05
WC-53 (extension)	1,082.4	-	1,095.5	13.1	0.004	1.663	0.62		0.56
	1,259.5	-	1,344.8	85.3	0.005	0.992	0.42		0.60
Includes	1,272.6	-	1,285.8	13.1	0.021	2.858	1.26		0.99
Deep Chile Colorado									
PN-26 (existing)	465.8	-	656.0	190.2	0.008	2.567	0.90		1.20
	656.0	-	1,325.6	669.6	0.008	2.333	0.99		1.48
PN-26 (extension)	1,325.6	-	1,856.5	530.8	0.014	0.642	0.41		1.28
Includes	1,325.6	-	1,581.0	255.3	0.025	0.992	0.45		1.92
Includes	1,515.4	-	1,528.5	13.1	0.213	2.100	0.33		6.07
NE Azul									
WC-57	419.8	-	459.2	39.4	0.040	2.800	1.16		2.86
Includes	419.8	-	442.8	23.0	0.050	4.638	1.96		4.81
WC-65	590.4	-	2,235.4	1,645.0	0.008	1.313	0.72		1.68
Includes	1,049.6	-	2,086.1	1,036.5	0.009	1.721	1.04		2.29
Outcrop									
WC-61	537.9	-	557.6	19.7	0.004	1.721	0.32	0.65	1.01
	708.5	-	721.6	13.1	0.003	1.021	0.14	0.16	0.40
WC-62	708.5	-	715.0	6.6	0.098	25.404	2.31		2.65
	885.6	-	892.2	6.6	0.021	4.696	1.49		1.08
	1,281.2	-	1,286.7	5.6	0.009	9.304	6.20		6.36
La Palma									
WC-63 (oxide)	105.0	-	111.5	6.6	0.050	0.146	0.11		0.25
WC-63 (sulfide)	761.0	-	793.8	32.8	0.022	3.092	1.23		2.13
	833.1	-	957.8	124.6	0.108	2.888	1.16		2.15
Includes	905.3	-	925.0	19.7	0.583	14.146	4.53	0.34	7.13
Includes	918.4	-	925.0	6.6	1.219	32.433	9.11	0.86	11.91

Source: Western Silver Corporation

230,000E

N

2,728,000N

2,728,000N

230,000E

to Cedros

to Mazapil

La Palma Target

Northeast Target Area

Chile Colorado Deposit

Outcrop Breccia

Bx

Azul Breccia

Bx

Qal

PN25 MHC13 PN23 PN56 PN40 PN58 PN59 PN65 PN64 PN62 WC04 PN18 PN60 WC62 PN63 PN61 PN55 PN57 PN47 PN45 PN44 PN70 PN69 PN67 PN42 PN14 PN37 PN10 PN15 PN22 PN29 PN31 PN30 PN04 PN24 WC63 PN05 PN16 WC09 WC07 PN17 WC40 WC61 PN01 PN07 PN50 PN49 PN21 PN09 PN20 PN11 WC65 PN34 WC38 WC57 WC59 WC33 PN36 WC36 WC24 MHC12 WC32 PN02 PN71 PN68 WC34 PN43 PN46 WC27 WC30 WC22 WC06 WC60 PN03 MHC14 PN38 PN35 PN39 WC64 WC56 WC21 WC23 WC25 WC41 PN06 WC54 WC45 WC43 WC35 WC39 PN48 WC55 MHC10 PN33 WC20 WC13 WC49 WC48 WC50 WC37 PN52 WC12 WC47 WC19 WC11 MHC09 WC53 WC52 WC58 MHC08 WC01 PN19 WC05 WC28 WC10 PN28 WC51 PN27 PN32 MHC05 MHC01 MHC04 WC03 MHC02 WC16 WC14 PN26 MHC03 WC26 MHC11 WC15 MHC07 WC17 WC46 WC08 WC18 WC42 WC44 MHC06 WC02 PN41 229

LEGEND

Qal Alluvium

Bx Diatreme Breccia

Faults

Scale

0m 250m 500m

Western Silver Corporation

PENASQUITO PROJECT

DRILL HOLE PLAN

Western has recently drilled two additional holes to the south of Outcrop – both intersected strong alteration with disseminated and vein pyrite and narrow zones of high grade mineralization.

High grade gold-silver mineralization discovered

Most significantly, Western Silver drilled a geophysical anomaly north of Azul and east of Outcrop. Hole WC-63, collared north of the road to Mazapil, drilled south, intersected two zones of high grade precious metals, including 20 feet of 0.58 oz/st gold. Kennecott had previously drilled PN-05 that intersected 40 feet of 0.015 oz/st gold nearby. The area, named La Palma, could prove to be a significant, high grade, gold-silver deposit potentially amenable to underground mining.

Economic scoping study underway

Western is commissioning an independent scoping study, based on the resource estimates, that will cover preliminary pit design, processing flow sheets, operating costs, and capital costs. Key factors will include further analysis of the specific gravity of the mineralization – tests indicate the density of the mineralization may be significantly higher than 2.6, which would lead to a pro-rata increase in the tonnage and thus, contained metal.

OTHER PROPERTIES

Peñasquito is Western's core property. Nonetheless, its 21%-owned San Nicolas project and other assets have significant value.

Teck completed a feasibility study at San Nicolas in 2001, at which time it decided to put the project on hold as a result of its own priorities and pending higher metal prices. San Nicolas is a large massive sulfide deposit with reserves and resources totaling 1.9 billion pounds of copper, 2.9 billion pounds of zinc, 67 million ounces of silver, and 1.1 million ounces of gold.

In Canada, the Company owns 100% of the Carmacks oxide leach copper project. The project is capable of producing in excess of 30 million pounds of copper a year once copper prices rise to appropriate levels. However, this is not a core asset and may well be partnered or sold.

The company has a portfolio of silver exploration projects that it has farmed out to Anglo American and Apex Silver.

These other assets tend to be overlooked in reviews of Western Silver. However, many a junior mining company would be well satisfied with a portfolio of assets equivalent to these "non-core" assets of Western.

Western Silver Compared With Other Leading Silver Stocks

		Western Silver (Low Case)	Western Silver (Base Case)	Apex Silver	Pan American	Silver Standard	Coeur d'Alene
Major Property		Penasquito		San Cristobal	Various	Various	Various
Property size	sq. miles	147		750			
Ownership	%	100%		100%			
Location		Zacetecas, Mexico		Potosi, Bolivia	Various	Various	Various
Reserves and resources	category	Indicated Resource	Plus Inferred Resource	Measured / Ind. Reserve	Measured / Ind. Reserve / Resource	Measured / Ind. Resource	Measured / Ind. Reserve
Tonnage	million st	121	185	241	125	106	n/a
Silver grade	oz.st	1.252	1.114	1.885	3.603	2.713	n/a
Gold grade	oz.st	0.011	0.010	-	0.008	0.008	n/a
Silver equivalent grade	oz.st	1.987	1.814	1.885	4.142	3.246	n/a
Zinc grade	%	0.92%	0.84%	1.66%	n/a	n/a	n/a
Lead grade	%	0.37%	0.32%	0.58%	n/a	n/a	n/a
Contained metal							
Silver	million oz	152	206	455	452	289	279
Gold	million oz	1.274	1.845	-	0.966	0.810	4.131
Silver equivalent	million oz	241	335	455	519	346	568
Zinc	million lbs	2,233	3,105	8,014	1,129	515	-
Lead	million lbs	898	1,189	2,807	519	401	-
Contibution of precious metals	%	50%	51%	35%	81%	84%	100%
Drilling							
Number of coreholes	number	139		717	n/a	n/a	n/a
Length of core	thousand ft	90.0		65.9	n/a	n/a	n/a
Length of RC	thousand ft	76.5		555.8	n/a	n/a	n/a
Estimated strip ratio		2.00		1.80	n/a	n/a	n/a
Average mining rate	tons / day	66,100		123,500	n/a	n/a	n/a
Milling rate	tons / day	22,000		44,100	n/a	n/a	n/a
Contained silver per year	million oz	10.100		30.300	n/a	n/a	n/a
Mine life	years	15.7	23.9	15.6	n/a	n/a	n/a
Capital expenditure	$ million	200		495	n/a	n/a	n/a
Altitude	ft	6,600		13,500	n/a	n/a	n/a
Expansion potential	multiple	> 4 times		~ 2 times	n/a	n/a	n/a
Total company							
Reserves and resources							
Contained silver	million oz	168	221	455	452	289	279
Contained silver equivalent	million oz	257	351	455	519	346	568
Risk profile							
Infrastructure		Good		Average	Average	Good	Good
Political risk		Average		High	High	Low	Low
2002 Operations							
Silver production	million oz	n/a		n/a	7.765	n/a	14.833
Operating revenues	$ million	n/a		n/a	45.1	n/a	85.9
Administrative costs	$ million	0.661		5.533	1.698	2.147	8.806
Financial metrics							
Major project							
Silver per share	oz	4.68	6.34	12.30	n/a	n/a	n/a
Silver eq. PM per share	oz	7.43	10.32	12.30	n/a	n/a	n/a
EV per oz of silver equivalent PM	$/oz	0.32	0.23	1.10	n/a	n/a	n/a
Total company							
Silver per share	oz	5.17	6.83	12.30	8.77	7.33	1.99
Silver eq. PM per share	oz	7.92	10.81	12.30	10.08	8.77	4.05
EV per ounce of silver equivalent	oz	0.30	0.22	1.10	0.66	0.52	0.53
Stock Statistics							
US Exchange		AMEX		AMEX	NMS	NMS	NYSE
Ticker		WTZ		SIL	PAAS	SSRI	CDE
Price (05.02.03)	$	2.45		14.72	6.73	4.89	1.51
12 month high	$	3.13		18.12	9.85	7.80	2.50
12 month low	$	0.89		11.55	4.50	2.83	0.90
Volume	000	82,000		151,000	438,200	322,900	1,430,800
Issued Shares	million	32.436		36.996	51.515	39.390	140.122
Market capitalization	$ million	79.468		544.581	346.696	192.617	211.584
Net Cash (12.31.02)	$ million	2.941		43.428	2.335	11.593	(89.297)
Enterprise Value (EV)	$ million	76.527		501.153	344.361	181.024	300.881
Fiscal year		September 30		December 31	December 31	December 31	December 31

Notes: Low Case = SNC Indicated Resource estimate
Base Case = SNC Indicated and Inferred Resource estimate
EV = Enterprise Value (Market Cap less net cash)
Silver equivalent PM is silver plus gold converted to silver at 70:1

Source: Company Reports and Proteus Capital Corp. estimates

VALUATION

The potential at Peñasquito is only beginning to be recognized

The value proposition is straightforward – the financial markets are only just beginning to recognize the size and economic potential of Peñasquito. We believe that the size and quality of the property will be recognized as the Company expands Chile Colorado resources, translates those resources into reserves, and completes the next phase of engineering and feasibility work.

Western Silver is undervalued compared with its peers

The table on Page 11 compares Western Silver with its peer group. We believe the key valuation metric for comparison of producers and non-producers is the enterprise value (market capitalization adjusted for net cash or debt) per ounce of silver in the ground – we have converted gold to silver at the ratio of 70:1 to reflect the gold content. However, we have not included the value of associated zinc, lead, or copper in this analysis.

With the exception of Apex Silver, each of Western's peer group is valued at between $0.52 and $0.66 per ounce of silver equivalent in the ground. Apex is valued much higher at $1.10 per ounce of silver equivalent. We believe this reflects the fact that its reserves are in one, very large project – San Cristobal; that it expects operating costs to be low; and that there are substantial byproducts.

Preliminary economics at Peñasquito indicate it too is economic, even at current, depressed metal prices. Peñasquito is also one of the largest known deposits of silver and it has significant byproducts.

In comparison, development of San Cristobal is more advanced than Peñasquito. However, while management of Apex believes that reserves at San Cristobal may double through further exploration, we believe that the latest drill results demonstrate that Peñasquito has the potential to significantly more than double. Further, infrastructure at Peñasquito is better and the project is at a much lower altitude.

Finally, initial indications are that construction of Peñasquito will cost less than $200 million, compared with nearly $500 million at San Cristobal. We anticipate that it will be easier to fund a $200 million development project in Mexico than a $500 million project in Bolivia.

CONCLUSION

An emerging leader in the silver market with established resources and significant exploration potential

Western Silver is an emerging leader in the silver market. Work to-date has established Chile Colorado as one of the world's largest silver deposits. That zone is open to expansion, similar mineralization has been found nearby, the Outcrop Breccia is mineralized, and there are numerous other targets on the large, 100%-owned Peñasquito property.

We believe that Western has better prospects to more than double its reserves/resources than any of its peer group and all of them may benefit from rising silver prices over the next several years.

As the company continues working at Peñasquito and its story becomes better known, the gap between Western Silver's valuation and its peers may narrow. Indeed, the stock could achieve a premium valuation along with Apex Silver.

FINANCIAL ANALYSIS

Western Silver is commissioning an independent scoping study that will include preliminary pit design and mine plan, capital and operating cost estimates, and detailed cash flow projections. Our analysis is based on publicly available information and therefore does not include the fine-tuning that takes place in a scoping or prefeasibility study.

ASSUMPTIONS

The table below sets out key assumptions in our base model. The development, operating, and mining/milling assumptions are Proteus'. The ore, concentrate treatment charges, and metal price assumptions are the same as the assumptions adopted by SNC in its resource calculation.

Initial Assumptions for Chile Colorado Financial Model

			Comment
Ore data			
Resources	million st	121.3	Indicated sulfide resources only, excludes inferred mineralization and oxide cap
Grade			
Silver	oz/st	1.252	
Gold	oz/st	0.011	
Zinc	%	0.92%	
Lead	%	0.37%	
Specific gravity		2.60	SNC comments that this is extremely conservative -- we believe the actual number is likely to be 3.0 or higher
Development assumptions			
Capital cost	$ million	200.0	
Pre-strip	million st	55	Prestrip of Chile Colorado, viewing oxides as waste
Strip ratio (life of mine)		2.0	Life of mine ratio of waste to ore, including prestrip
Dense media separation		no	We have not included use of DMS
Operating assumptions			
Mining rate	st/d	55.1	
Milling rate	st/d	22.0	Assumed 20,000 metric tonnes per day without DMS
Costs			
Mining: cost per short ton mined	$/st	0.63	Typical mining costs for a large scale mining project
DMS: cost per short ton processed	$/st	-	
Milling: cost per short ton milled	$/st	3.40	
Lead concentrate			
Smelting charge	$/st	163.30	SNC assumptions -- this is higher than current market rates
Transport charge	$/st	13.61	
Zinc concentrate			
Smelting charge	$/st	171.91	SNC assumptions -- this is higher than current market rates
Transport charge	$/st	54.43	
Price assumptions			
Silver	$/oz	5.00	We believe these to be conservative life-of-mine assumptions. The zinc price assumption is significantly higher than the current price of $0.34 per pound. However, using the current zinc price and current zinc concentrate charges of $120 per short ton is about the same as the higher price and smeting charge assumptions.
Gold	$/oz	325	
Zinc	$/lb	0.45	
Lead	$/lb	0.23	

Source: SNC-Lavalin and Proteus Capital estimates

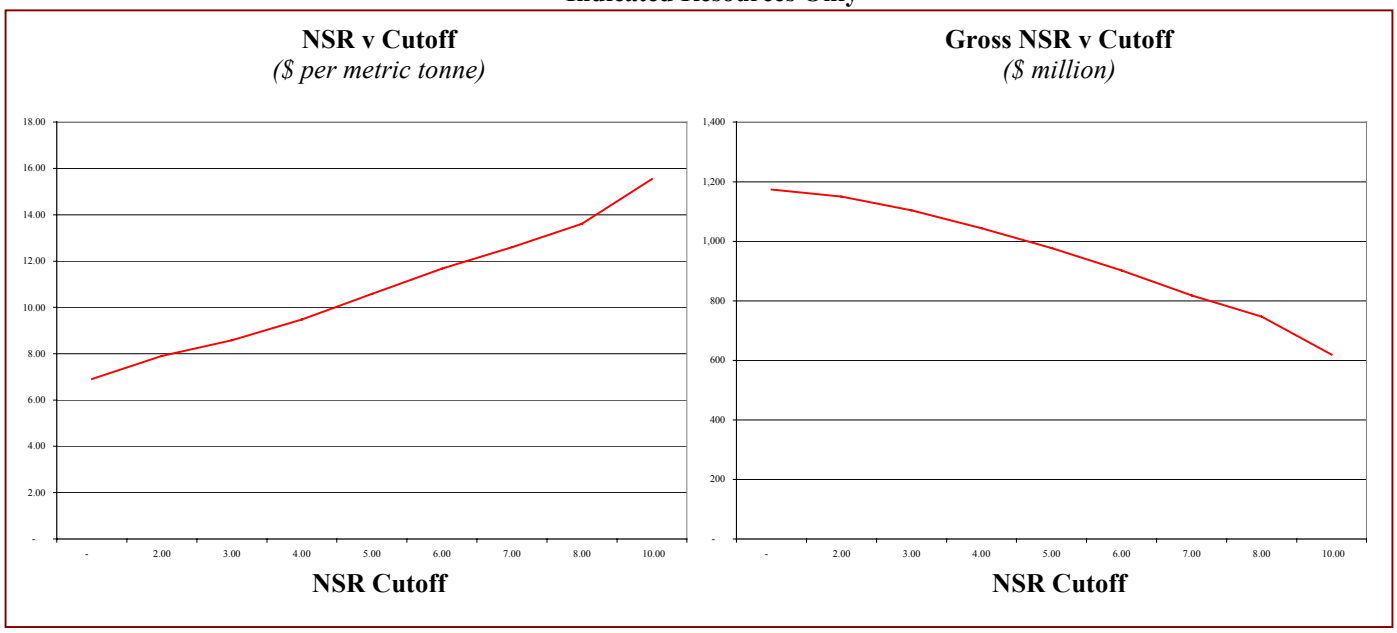
Our model assumes that the resources are mined out at the average resource grade over fifteen years, without any high grading in the early years that would enhance the economics. The first column of the table on Page 15 sets out the life-of-mine operating results based on these assumptions.

In our view, the key number is Internal Rate of Return (IRR) of approximately 11%. In our experience, the first iteration of a financial model is often only marginal. Therefore, the fact that our initial model shows a rate of return in excess of 10%, meeting the hurdle rate sought by many major mining companies, is extremely positive. We anticipate that the scoping study will demonstrate enhanced project rates of return.

In addition to the projected return on investment, the economic viability of a project is largely determined by the sensitivity to changes in assumptions. Chile Colorado demonstrates good consistency in terms of the effect of altering the cutoff grade – that is, what material can be processed profitably, and what is waste.

For a deposit with multiple metals, the cutoff is best viewed in terms of the net smelter revenue (NSR) per tonne of ore – that is, reserves or resources include only material that is worth more than $X per tonne where X covers the cost of mining and milling the ore, producing a concentrate, and recovery of capital. SNC used a cutoff NSR of $4 per metric tonne in its resource calculation – note that Apex Silver used an NSR cutoff of $4.40 per metric tonne in calculating reserves at San Cristobal.

Net Smelter Revenue Analysis
Indicated Resources Only



The chart on the left shows the NSR per metric tonne for various cutoffs – the important feature is that, while the value per tonne increases with the cutoff, there is no abrupt change.

The chart on the right shows the total NSR (in $ millions) at different cutoffs – the total value declines as the cutoff in increased, but again the relationship is smooth and there is no dramatic change.

Most notably, even using a high cutoff of $10 per metric tonne – which is closer to bulk underground mining than to open pit mining – the indicated resources show an average NSR of $15.55 per metric tonne and a gross NSR of more than $600 million.

At the assumed cutoff of $4 per metric tonne, the average NSR declines by 40% to $9.48 per tonne. However, the tonnage expands by 177% so that the gross NSR increases by 69% to more than $1 billion.

SENSITIVITY ANALYSIS

In order to understand the potential at Chile Colorado, we have run a series of analyses varying the key assumptions. In particular, we consider the most realistic case to include:

- Dense Media Separation – we assume DMS rejects 33% of the material to be milled with the loss of 10% of the contained metals at a cost of $0.45 per short ton processed, saving $25 million in capital costs.
- higher specific gravity – we have assumed the specific gravity is 15% higher than the 2.6 used by SNC: since preliminary testing of DMS has been successful, the density of the sulfide minerals must be significantly higher than the density of the waste rock, which is 2.6.
- increased resource tonnage – we have assumed resource volume to be 25% greater than the indicated resources. Drilling at Chile Colorado is open in several directions and we anticipate that the resource volume will expand and some of the resources currently categorized as inferred will move into the indicated or measured category.

These changes alone increase the internal rate of return by nearly 400 basis points to almost 15% on a project basis. Assuming that construction could be 70% project financed with a ten-year loan bearing interest at 8%, the rate of return to equity rises to more than 24%.

Sensitivity Analysis – DMS / Density and Resources

(sulfide resources only)

Variable	Unit	Low Case: Indicated Resources	Indicated Resources with DMS	Density 15%	Resources 25%	Adjusted Base Case
Specific gravity		2.60	2.60	2.99	2.60	2.99
Resources	million st	121.3	121.3	139.5	151.7	174.4
Strip ratio		2.0	2.0	1.9	1.9	1.8
Dense Media Separation		no	yes	yes	yes	yes
Capital costs	$ million	200	175	175	175	175
Contained metal						
Silver	million oz	152	152	175	190	218
Gold	million oz	1.274	1.274	1.465	1.593	1.831
Zinc	million lbs	2,233	2,233	2,567	2,791	3,209
Lead	million lbs	898	898	1,033	1,122	1,291
Co-product operating costs						
Silver		3.12	3.02	3.06	3.09	3.14
Gold		203	196	199	201	204
Zinc		0.38	0.38	0.38	0.38	0.38
Lead		0.20	0.20	0.20	0.20	0.20
Rates of Return						
Project IRR before tax		11.2%	13.0%	13.9%	14.3%	14.8%
IRR to equity before tax		17.2%	22.5%	23.7%	24.2%	24.7%
NPV of equity @ 5.0%	US$ million	45.6	56.8	75.6	86.9	104.1
7.5%	US$ million	30.7	41.3	54.1	61.5	72.3
10.0%	US$ million	19.5	29.5	38.4	43.3	50.2
12.5%	US$ million	11.1	20.5	26.7	30.0	34.5
15.0%	US$ million	4.5	13.5	17.9	20.2	23.1

Source: SNC Lavalin and Proteus Capital estimates

Even in the case where we have increased resources by 25%, the tonnage remains less than the 184.5 million short tons of indicated plus inferred sulfide resources reported by SNC – and our analysis does not include any potential from the 15.7 million short tons of oxide resources outlined by SNC.

Sensitivity Analysis – Metal Prices

Variable	Unit	Indicated Resources with DMS	Prices Silver 25%	Gold 25%	Zinc 25%	Lead 25%	All Prices 25%
Price							
Silver	$/oz	5.00	6.25	5.00	5.00	5.00	6.25
Gold	$/oz	325	325	406	325	325	406
Zinc	$/lb	0.45	0.45	0.45	0.56	0.45	0.56
Lead	$/lb	0.225	0.225	0.225	0.225	0.281	0.281
Co-product operating costs							
Silver		3.02	3.35	2.85	2.63	2.91	2.76
Gold		196	174	232	171	189	179
Zinc		0.38	0.37	0.37	0.42	0.37	0.40
Lead		0.20	0.20	0.20	0.20	0.23	0.22
Rates of Return							
Project IRR before tax		13.0%	20.0%	16.4%	21.3%	15.3%	32.3%
IRR to equity before tax		22.5%	43.8%	32.9%	47.5%	29.3%	82.2%
NPV of equity @ 5.0%	US$ million	56.8	133.6	92.9	148.3	80.4	284.8
7.5%	US$ million	41.3	105.7	71.7	118.0	61.1	232.7
10.0%	US$ million	29.5	84.3	55.5	94.8	46.5	192.5
12.5%	US$ million	20.5	67.7	42.9	76.7	35.1	160.9
15.0%	US$ million	13.5	54.6	33.1	62.4	26.2	135.7

Source: SNC Lavalin and Proteus Capital estimates

Higher metal prices have a significant impact on the project economics. The long term average real (inflation adjusted) price for each of the metals is closer to the higher assumptions set out above and therefore these may be more reasonable life-of-mine projections than those that SNC has used.

As noted in the comments in the table on Page 13, the only price assumption that is significantly above current levels is the zinc price. However, the economics of $0.45 per pound zinc with concentrate treatment charges of $172 per short ton ($189.50 per metric tonne) are comparable to current metal prices and current concentrate charges of less than $120 per short ton.

The tables also set out estimated cash costs for each metal. These costs are on a co-product basis – that is, mining and processing costs are allocated according to the net smelter revenue from each metal.

More conventionally, silver costs would be presented with other metals as a byproduct, in which case profits generated by those metals are offset against silver costs. Using this alternative approach, we estimate that the life-of-mine average costs would be less than $1.00 per ounce. During the first few years, other metals could well cover all the mining, processing, and smelting – the silver cost is likely to be negative in the initial years. Either way, we anticipate that Chile Colorado will be near the bottom of the cost curve.

CURRENT FINANCIAL POSITION

Western Silver is an exploration-stage company and, as such, does not have any operating revenues. At December 31, 2002 the Company had C$4.0 million (US$3 million at today's exchange rate) in cash.

The Company's corporate overhead was less than US$0.7 million in the fiscal year ended September 30, 2002. That is remarkably low for an active, publicly traded corporation and reflects, in part, the fact that the senior management's primary reward is through stock ownership and stock options.

The cash flow statement for the first quarter of fiscal 2003 is instructive – overhead less interest income resulted in a reported loss of C$0.253 million (approximately US$170,000 at prevailing exchange rates) and the company spent approximately US$700,000 on exploration and property acquisition, primarily at Peñasquito. However, the company received over US$900,000 from the exercise of previously issued options and warrants so that, before non-cash changes in working capital, the company's activities were fully funded.

At December 31, 2002 the company had approximately 8.5 million options and warrants outstanding. During the first quarter of calendar 2003, over two million options and warrants were exercised or expired and, at the end of March 2003, the Company had $3.5 million cash. If the remaining options and warrants were exercised, the Company would receive in excess of $8.2 million.

It is quite possible that option and warrant exercise will continue to fund the company's activities on a quarter-by-quarter basis, especially if the stock price trends higher. At its current level of activity, existing options and warrants, combined with cash on hand, could fund the company for approximately three years.

Summary Balance Sheet
December 31, 2002
(unaudited; US $ exchanged at C$1 = US$0.72)

	Canadian $	US $
ASSETS		
Current Assets		
Cash	4,034,119	2,904,566
Restricted cash	356,671	256,803
Accounts receivable	214,501	154,441
Total current assets	4,605,291	3,315,810
Long term investments	267,092	192,306
Property, plant, and equipment (net)	2,244	1,616
Mineral properties	35,030,930	25,222,270
Total Assets	39,905,557	28,732,001
LIABILITIES		
Current Liabilities		
Accounts payable	2,686,320	1,934,150
Deferred exploration commitment	356,671	256,803
Total current liabilities	3,042,991	2,190,954
Shareholders' Equity	36,862,566	26,541,048
Total Liabilities and Shareholders' Equity	39,905,557	28,732,001

COMPARABLE COMPANY ANALYSIS

The table below compares Western Silver's per share valuation with those of its peers. Our Base Case includes 206 million ounces of silver indicated and inferred resources in sulfide mineralization at Chile Colorado, Western's beneficial ownership of 16 million ounces of silver at San Nicolas, and converts the 1.85 million ounces of gold to silver equivalent at 70:1.

Western's enterprise value (market capitalization adjusted for net cash) is $0.22 per ounce of silver equivalent in the ground. This compares with Coeur d'Alene, Silver Standard and Pan American, which are valued at between $0.52 and $0.66 per ounce of silver equivalent in the ground, and Apex Silver, which is valued at $1.10 per ounce of silver equivalent.

Chile Colorado is less well advanced than Apex's San Cristobal project, or many of the other projects owned by its peers – Apex is the only other company that derives virtually all of its silver resources from one, large project. The relatively early stage may demand a lower valuation for Western today. However, as the company advances Chile Colorado, we expect the valuation gap to narrow or be eliminated.

Moreover, with much work still left to delineate the scope of Chile Colorado, let alone the potential of Peñasquito, we believe that Western has a greater expectation than any of its peers to significantly more than double its reserves/resources.

Valuation Summary: Western Silver and Other Silver Stocks

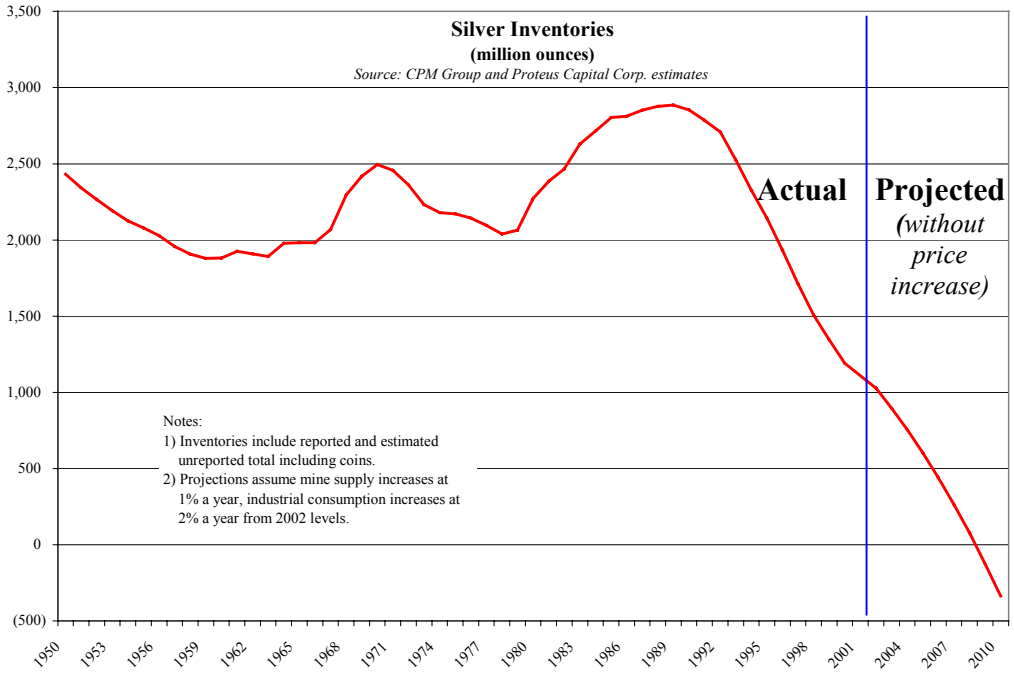
		Western Silver (Low Case)	Western Silver (Base Case)	Apex Silver	Pan American	Silver Standard	Coeur d'Alene
Stock Statistics							
US Exchange		AMEX	-	AMEX	NMS	NMS	NYSE
Ticker		WTZ	-	SIL	PAAS	SSRI	CDE
Price (05.09.03)	$	2.45	-	14.72	6.73	4.89	1.51
12 month high	$	3.13	-	18.12	9.85	7.80	2.50
12 month low	$	0.89	-	11.55	4.50	2.83	0.90
Volume	000	82,000	-	151,000	438,200	322,900	1,430,800
Issued Shares	million	32.436	-	36.996	51.515	39.390	140.122
Market capitalization	$ million	79.468	-	544.581	346.696	192.617	211.584
Net Cash (12.31.02)	$ million	2.941	-	43.428	2.335	11.593	(89.297)
Enterprise Value (EV)	$ million	76.527	-	501.153	344.361	181.024	300.881
Fiscal year							
Valuation							
Silver equivalent precious metals contained	million oz	257	351	455	519	346	568
Silver equivalent per share	oz	7.92	10.81	12.30	10.08	8.77	4.05
Enterprise value per ounce of silver equivalent	$/oz	0.30	0.22	1.10	0.66	0.52	0.53
Implied valuation of WTZ							
Low Case	$	-	-	8.82	5.34	4.24	4.29
Base Case	$	3.31	-	12.00	7.26	5.75	5.82

Notes: Low Case = SNC Indicated Resource estimate
Base Case = SNC Indicated and Inferred Resource estimate
EV = Enterprise Value (Market Cap less net cash)
Silver equivalent PM is silver plus gold converted to silver at 70:1

Source: Company Reports and Proteus Capital Corp. estimates

THE SILVER MARKET

Between 1950 and 1980, total silver inventories varied between about 1,900 million and 2,500 million ounces. The steady drawdown in inventories through the 1970s encouraged the Hunt brothers' attempt to corner the market, driving prices to nearly $50 per ounce in 1980.



Since 1980 there have been three distinct phases.

- 1980 – 1989: the price fell 13.7% a year compound. Mine supply expanded by an average of 3% a year as new projects that were encouraged by the previously high prices continued to come on stream. Official sector sales surged but secondary supply declined sharply as a result of declining prices. Consumption increased by over 3% a year, led by jewelry and silverware (up 9% a year) and photography (up nearly 5%). Inventories increased by more than 900 million ounces.
- 1990 – 1994: the price rose by 2.3% a year as mine supply was finally squeezed by low prices. Secondary supply increased by 3.8% and official sector sales continued to grow. Total supply decreased at an annual rate of 0.5%. Consumption growth accelerated to 6.5% driven by jewelry and silverware (up 16% a year) and continued strength in photographic consumption.
- 1995 – 2002: the price fell 1.7% a year as mine production rose 3.7% a year reflecting unfulfilled expectations of stronger prices and increased production of byproduct silver associated with major new zinc and copper mines, especially in Chile. Consumption growth slowed to 1.1% a year, reflecting continued growth in photographic consumption despite economic crises in Asia and advances in digital photography. Consumption in silverware and jewelry slowed sharply from the 1980s and early 1990s but electronics did well. Other demand, which covers a wide range of uses such as catalysts, brazing alloys, mirrors, and medical uses including biocides, declined by 1.8% a year.

Key Periods in the Silver Market

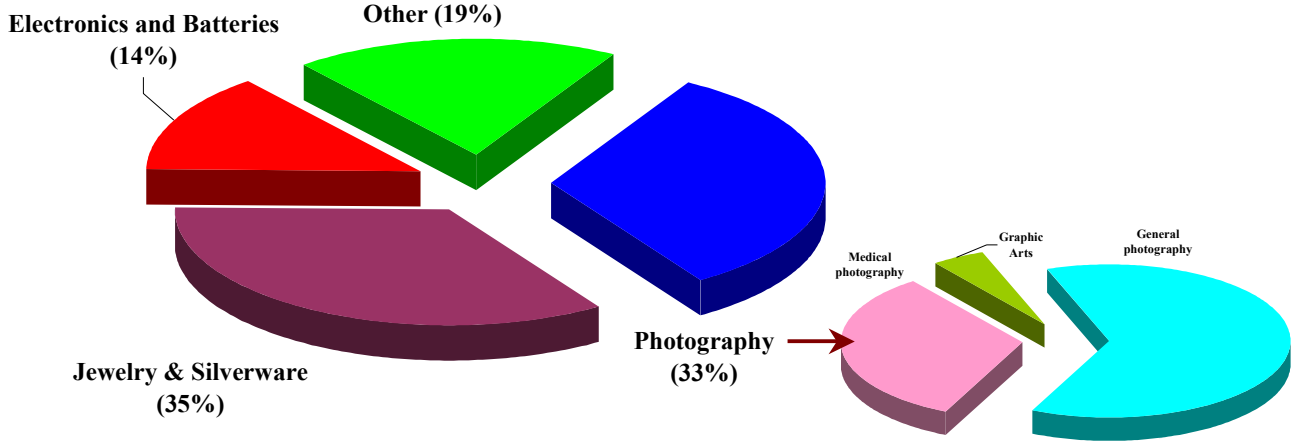
	Average annual change			
	1980 - 1989	1990 - 1994	1995 - 2002	1980 - 2002
Average price	-13.7%	2.3%	-1.7%	-7.2%
Supply				
Mine production	3.4%	-2.3%	3.7%	2.6%
Secondary supply	-8.5%	3.8%	3.1%	-2.1%
Official sector	8.8%	9.5%	6.7%	9.4%
Total supply	-1.1%	-0.5%	3.6%	0.9%
Consumption				
Photography	4.8%	2.3%	2.1%	3.7%
Jewelry & silverware	9.1%	16.3%	1.4%	8.6%
Electronics	1.3%	-0.3%	2.9%	2.1%
Other	-0.4%	5.5%	-1.8%	0.7%
Total consumption	3.4%	6.5%	1.1%	3.7%

Source: CPM Group Silver Survey 2003, April 2003

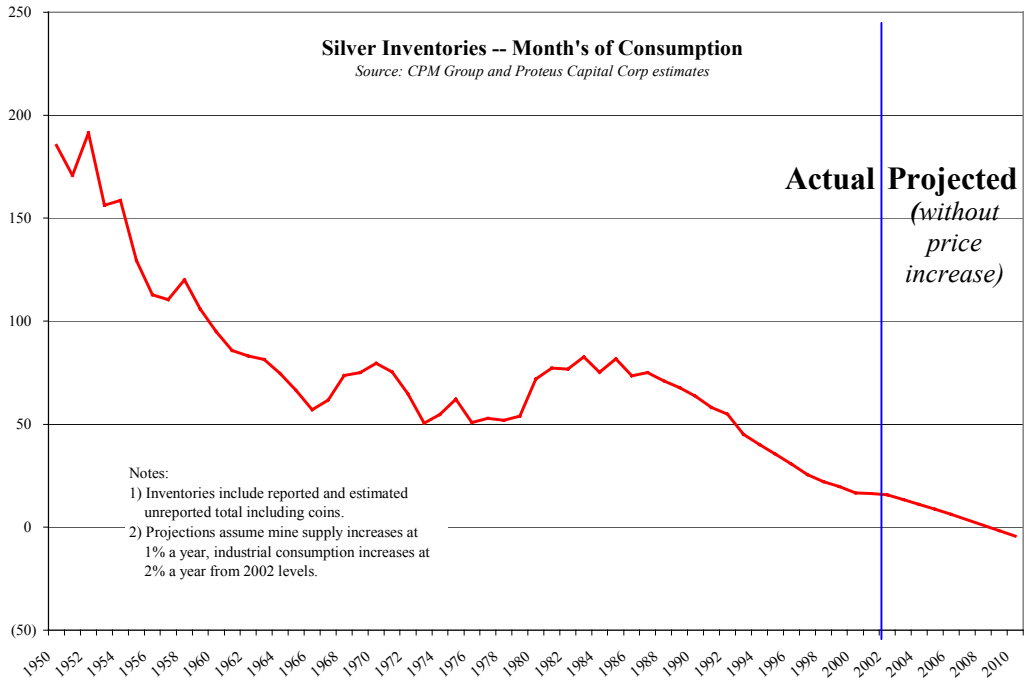
One of the myths associated with the silver market has been that, because photography is the biggest user, the advent of digital photography would have a devastating effect. Most silver used by the photographic industry reappears as secondary supply a year or two later – the net off-take is much less significant than merely looking at the headline numbers.

Digital photography has largely replaced film in the commercial, graphic arts world. For general photography, sales of digital cameras are gaining momentum in the U.S. but the number of such cameras remains an insignificant percentage of the total pool of cameras. Outside the U.S., the relative scarcity of personal computers and Internet access further reduces the impact of digital photography.

Major Uses of Silver in 2002



Source: CPM Group, Silver Survey 2003



The chart above shows silver inventories in terms of the number of months' consumption – what really matters is not the absolute size of inventories but the relationship between inventories and demand.

Since 1980, total inventories have declined by nearly 1.9 billion ounces to approximately 1.0 billion ounces. However, since consumption has more than doubled over the same time period, the ratio of inventories to consumption has fallen from over 80 months in 1983 to about 13 months today.

If mine supply continues to grow at its recent trend rate of 1% a year, and consumption grows at its recent trend rate of 2%, the market will continue to draw approximately 150-200 million ounces from inventory each year. At that rate, we estimate that total inventories will be less than six weeks of consumption within three years – and there will be no remaining inventories within five years.

If this analysis is correct, the silver price will have to adjust in order to reduce demand and increase supply.

Our conclusion, therefore, is that the silver market is approaching the point when the price will have to rise. The alternatives appear to be either that the price may rise steadily in order to restore balance to the market by reducing consumption and encouraging new production, or there may be a surge in the price in a few years when inventories become critically short.

KEY INFORMATION

Western Silver Corporation

Directors	F. Dale Corman (Chairman/CEO) Thomas C. Patton (President/COO) Lawrence P. Page (Secretary)	Lee Bilheimer Michael H. Halvorsen Robert A. Quartermain Klaus Zeitler
Officers (other)	Robert J. Gayton (Vice President, Finance) Hugh D. Harbinson (Vice President)	
Shares Traded	American Stock Exchange (WTZ) Toronto Stock Exchange (WTC) Berlin and Frankfurt Stock Exchanges (WCR)	
Auditors	PricewaterhouseCooper LLP	
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CORPORATE REVIEW

HISTORY

Western Silver Corporation was incorporated in 1984 as Western Copper Holdings Ltd. Its initial focus was Canadian exploration, including the Carmacks copper property in the historic Whitehorse mining district of the Yukon Territory, Canada.

In the early 1990s, the Company joined many other North American mining companies refocusing their activities on Mexico. In 1994, Western acquired an option over El Salvador in the State of Zacatecas and, in 1996, completed the acquisition and formed a joint venture with Teck covering both El Salvador and Teck's large, adjacent land position.

In 1998, Western entered into a Mexican exploration and development alliance with Kennecott, a subsidiary Rio Tinto plc, the UK-based mining giant. Under the initial terms, Western would have conducted exploration while Kennecott had back-in rights for development and operation. However, with the decline in metal prices in the late 1990s, the partnership never had a chance to blossom and was terminated in mid-1999. Through this relationship, Western acquired a 100% interest in the large Peñasquito property.

In mid-2000, Western entered into an exploration and development joint venture with Minera Hochschild S.A. Hochschild's forte is mining high-grade, underground deposits – the large-scale, bulk-tonnage opportunities that Western is focusing on did not fit and that agreement was terminated in mid-2001.

Since that time, Western has focused on exploration of Peñasquito.

MANAGEMENT

It has often been said that great mines are built, not found. Certainly, mining history is littered with great ore-bodies that were mismanaged and failed to become great mines – and there are a few examples of great mines being built around not-so-good ore bodies. As with any industry, management is key to the ultimate success.

F. Dale Corman, Chairman and CEO

Mr. Corman has over 35 years experience in mining finance and corporate development. He joined Western in his current capacity in 1995. Previously, he served as President and COO of several companies including Consolidated Durham Mines, NBU Mines, and Noble Minerals and Oils. He started his career as a field geologist with the Geologic Survey of Canada in British Columbia.

Thomas C. Patton, President and Chief Operating Officer

Mr. Patton joined Western as President and COO in 1998. He has over 30 years experience in mine exploration and development. Before joining Western, Mr. Patton held senior positions with the Rio Tinto group, including running the South American exploration efforts of Rio Tinto and previously, North American exploration for Kennecott. He was responsible for Kennecott's activities in Mexico, including the early stage exploration of Peñasquito.

WESTERN SILVER PROPERTIES

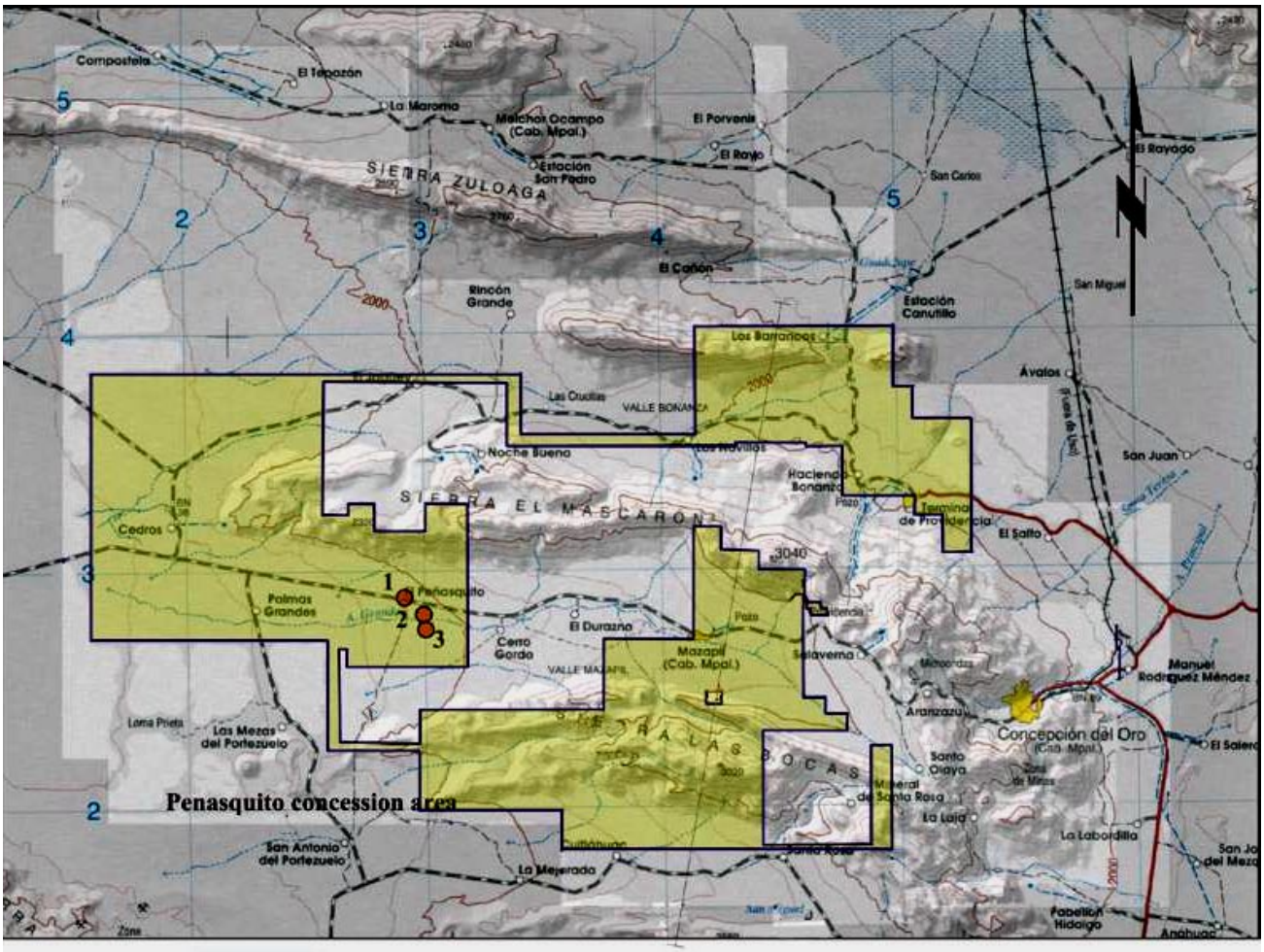
PEÑASQUITO

The Peñasquito property comprises approximately 147-square miles in the Concepción del Oro district of Zacatecas State in central Mexico. Zacatecas has a long history of mining, dating back at least to early Spanish settlers in the fifteenth century, consisting mainly of high grade silver mantos, chimneys, and veins typical of sandstone formations.

There are three major sections to Peñasquito, linked together to form a contiguous unit – see map below. The western block, where work has focused, is located in the broad Mazapil Valley with moderately rounded mountains rising from the valley floor at approximately 6,200 feet to peaks at about 10,000 feet. Bedrock in the valley is covered by up to about 120 feet of alluvium. The area is arid with typical, high desert vegetation comprising cacti and palm trees.

The western block has been the focus of exploration activity, centered on the Outcrop and Azul Breccias and the Chile Colorado zone immediately south of Azul – marked in red as "1" through "3" respectively on the map below.

Peñasquito Project Area



Land Status map for the Penasquito Project
Mupio. de Mazipil, Zacatecas, Mexico

Infrastructure

The Outcrop Breccia, which resembles a hat – after which the property was named – outcrops adjacent to a road that runs from the town of Concepción del Oro, about 20 miles to the east, to Nieves, about 100 miles to the southwest. The Company understands that this road is likely to be upgraded and paved all the way from Nieves to Concepción.

Concepción is on Highway 54, which runs from Guadalajara near the Pacific coast, to Monterrey in the northeast, passing through the state capital of Zacatecas, approximately 150 miles to the southwest, and Saltillo, which is about 75 miles to the northeast. There is also a railroad from Concepción to Saltillo that connects with Monterrey to the northeast and Torreón to the west.

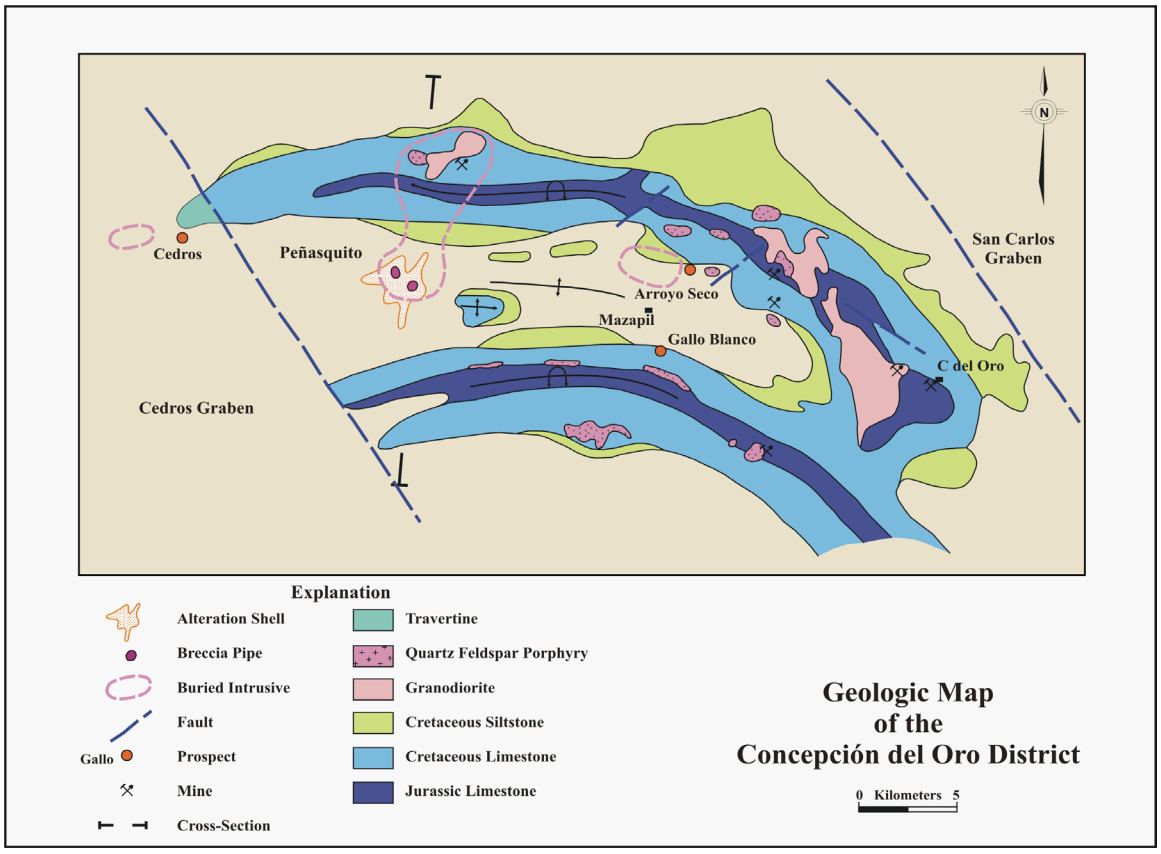
Nieves is on Highway 49 that connects Torreón, Fresnillo and Zacatecas, continuing to the east to San Luis Potosi, where Highway 70 connects to the Gulf of Mexico port city of Tampico.

The main Mexican power grid supplies electrical power to Mazapil, approximately eight miles east of the Outcrop Breccia.

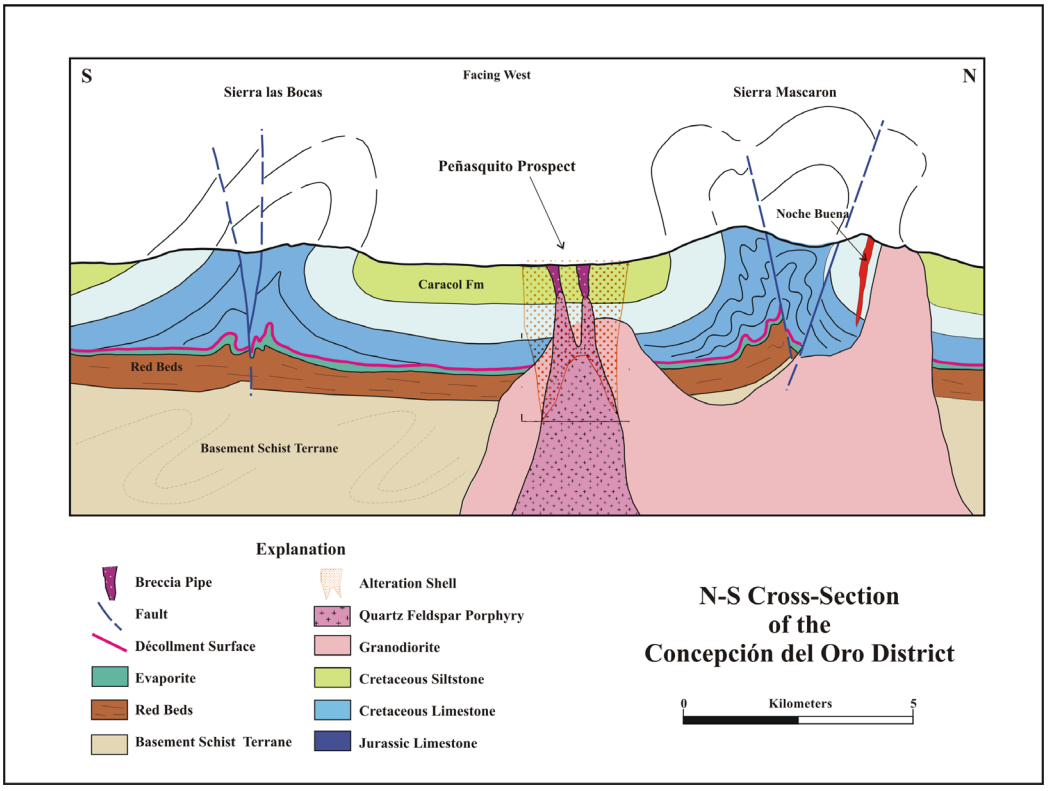
Regional and Local Geology

Concepción del Oro lies within the Mexico Geosyncline, a thick series of marine sediments deposited during the Jurassic and Cretaceous periods (213 million to 65 million years ago) comprising a 6,000-foot sequence of carbonaceous and calcareous turbidic siltstones and interbedded sandstones underlain by a 4,000-foot thick limestone sequence.

Geology of Concepción del Oro District



The project area is on the axis of an east-west trending syncline, dominated by Upper Cretaceous Caracol Formation, comprising interbedded shales and sandstones that overlie the Indidura Formation, itself a series of shales, calcareous siltstones, and argillaceous limestones. The area is believed to be underlain by a large granodiorite stock and the sedimentary sequence is cut by numerous intermediate to felsic intrusive dykes, sills and stocks.



History

The Outcrop Breccia, a quartz feldspar breccia with fragments of Caracol sediments and quartz feldspar porphyry, has been the subject of exploration and small-scale mining since the 1950s. In the early 1990s, when the Mexican mining industry opened-up for foreign ownership, Kennecott started exploring in the belief that the Outcrop Breccia might be the upper expression of a large-scale porphyry copper deposit hidden beneath the alluvium.

Kennecott completed numerous geophysical surveys between 1994 and 1997 that identified a large north-south trending magnetic high, centered on the Outcrop, and extending over an area about five miles long and two-and-a-half miles wide. The surveys suggest the presence of deep-seated granodiorites and identify numerous anomalies scattered across the area.

Kennecott drilled two deep holes that intersected calcareous shales and thinly bedded limestones, as part of a 71-hole program that led to several discoveries that are completely obscured by valley fill, including: the Azul Breccia, south of the Outcrop; the Chile Colorado silver-zinc-gold-lead zone on the southwestern flank of Azul breccia; and a copper anomaly between the two breccias. It also completed a 250-hole shallow drill program to sample the top of the bedrock.

Mineralization is in veinlets, stockworks, chimneys and mantos. The complexity and variety of intrusions, ranging from dacite porphyry to quartz monzonite, indicate multiple phases of intrusive activity – and consequently multiple opportunities for mineralizing events.

Kennecott interpreted silver intercepts and the copper anomaly as being the top of a large porphyry copper system. However, it was not interested in the silver and believed that the copper, if present, was too deep to be economic on a standalone basis. This gave Western Silver the opportunity to acquire the property, initially as part of a strategic exploration alliance that never blossomed and has since been terminated.

Western Silver was interested in the silver potential and has focused almost exclusively on the silver mineralization identified by Kennecott. After the relationship with Kennecott was terminated, Western entered briefly into an exploration joint venture with Minera Hochschild S.A.

That company's expertise is in small, underground vein mining and its interest may have been driven by the high grade vein mines that typify the Concepción del Oro district. However, as its work began to confirm a large, disseminated silver deposit, it dropped out of the joint venture – Western has retained a 100% ownership since that time and no longer has any interest in partnering the property before completion of a engineering feasibility study.

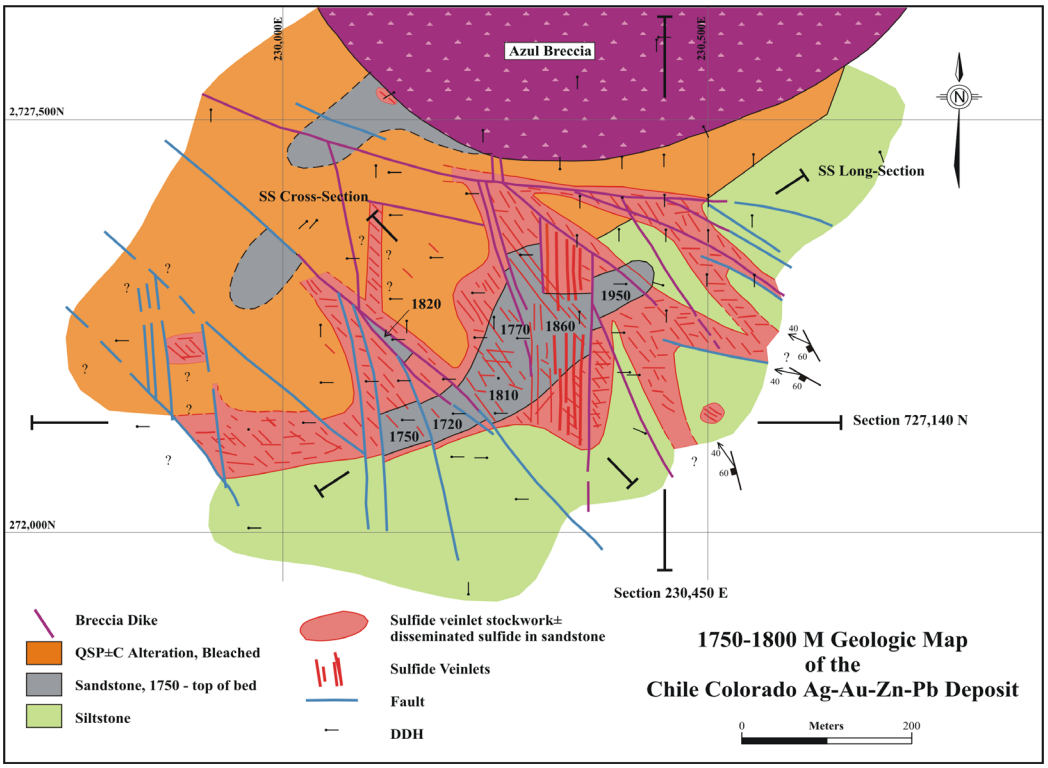
Typical View of Peñasquito

(two core rigs operating)

The picture gives a good indication of the terrain – a broad, high desert valley with low scrub.

Chile Colorado

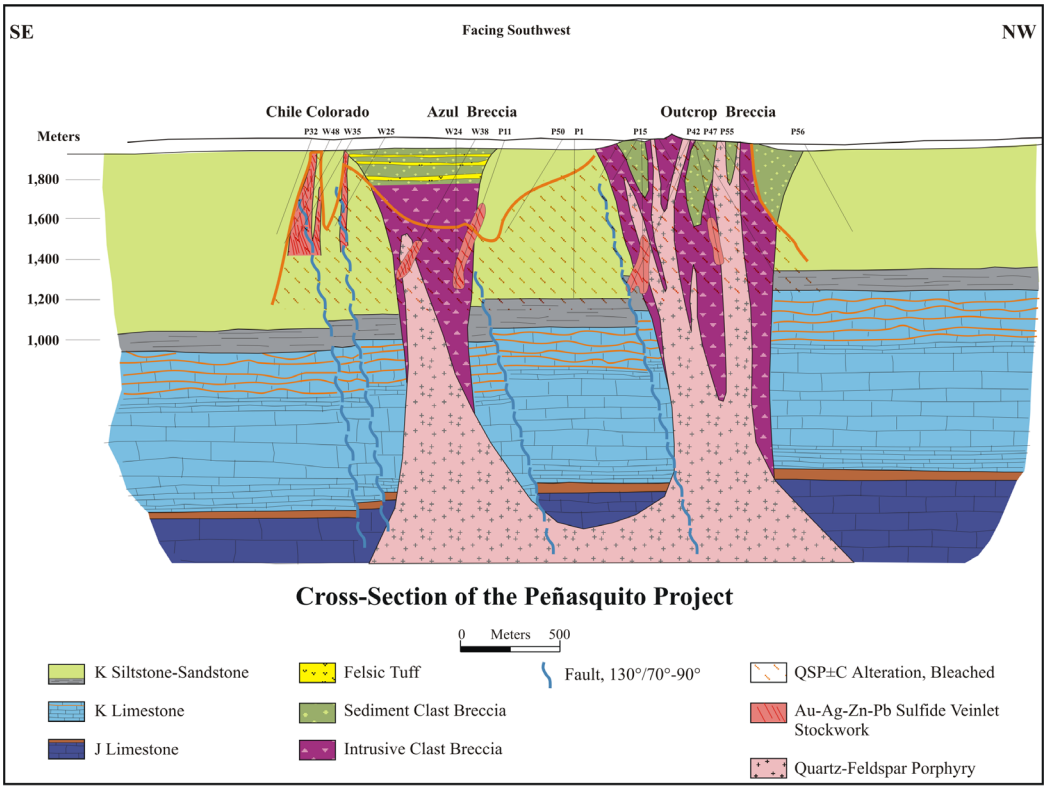
The Chile Colorado zone forms the basis of the indicated and inferred resources. It is located on the southern flank of the Azul Breccia. The area is in a flat-bottomed syncline between two anticlines that form ridges to the north and south, dipping gently to the west.



There are three sets of fracture faults: southeast striking, dipping steeply to the north east; north striking, dipping steeply to the east; and east-west striking steeply dipping to the north. The dominant set strike southeast with left-lateral displacement. Secondary sets of faults, also striking southeast, have a flat dip to the southwest with right-lateral displacement. The faults are believed to be pre-mineralization, providing conduits for the mineralizing fluids, as well as post-mineralization that have slightly offset Chile Colorado along the dominant, southeast striking faults.

There are stockwork veins and breccia dykes that strike in the same directions as the dominant faults and are believed to form a stair-step pattern from northeast to southwest. The Outcrop and Azul breccias formed along the dominant southeast striking faults.

Chile Colorado includes varying levels of quartz-sericite, quartz-sericite-pyrite, and quartz-sericite-pyrite-carbonate alteration that appear to be strongly controlled by structure and lithology. Generally, the intensity of alteration appears to be related to the porosity of the host rock – sandstones tend to be more altered than the finer siltstones. The alteration is believed to be phyllic, grading into a retro-skarn assemblage at depth approaching the buried intrusives.



There is a late clay-carbonate alteration overprint and late-stage propylitic alteration adjacent to the intermediate dykes.

Rocks in Chile Colorado exhibit some hornsfelsing resulting in increased hardness of the host rocks. Oxidation extends to more than 250 feet from surface.

Mineralization occurs as both veining and stockworks – the highest grades correspond to the areas of most intense veining and fracture filling. It is believed that the mineralization forms elongate ore bodies radiating from fracture fill and veining mineralization where sandstone beds are cut by the veins and fractures.

Local mineralogy is dominated by sphalerite, pyrite and galena with minor argentite, tetrahedrite, and chalcopyrite. Fluorite is common with sphalerite and galena, that tend to occur with calcite and pyrite as massive veins up to about one-foot thick, and as fine fracture filling and fine, disseminated grains within the sandstones.

Exploration Drilling

Kennecott drilled 71 holes totaling more than 76,000 feet of reverse circulation and diamond drill holes. The first holes were vertical, after which Kennecott drilled angle holes to the north and south. The holes were spread through the Outcrop, Azul and Chile Colorado zones, as well as outside this immediate project area.

Hochschild drilled 14 diamond drill holes in the Chile Colorado zone. Until the past few months, Western's drilling has primarily been at Chile Colorado.

Resource Calculation

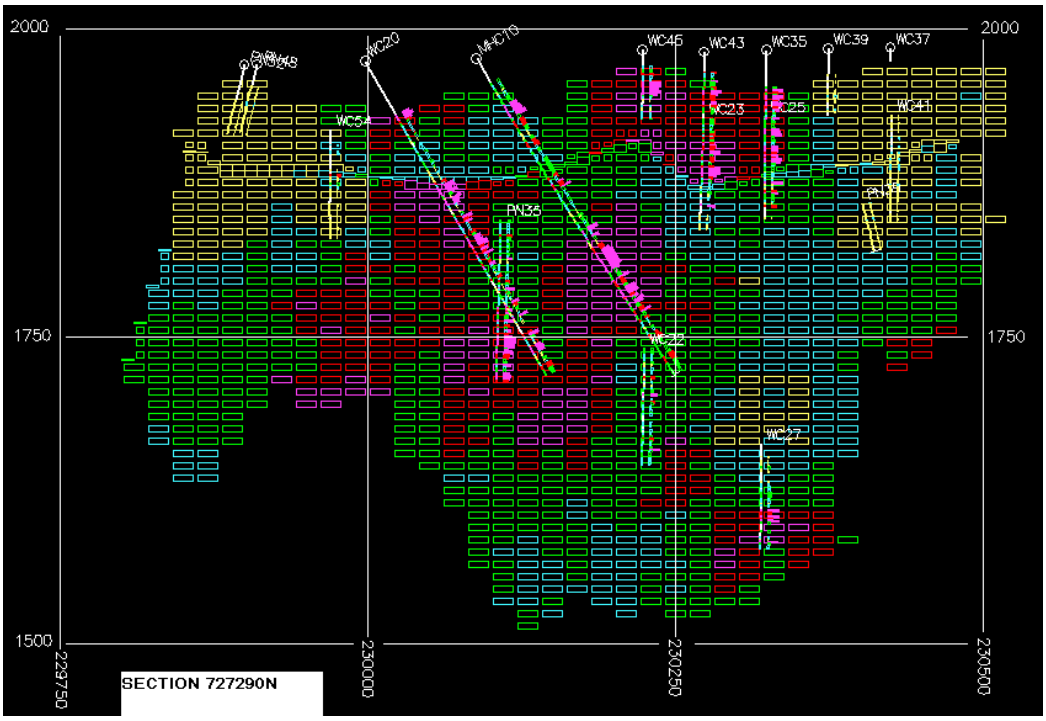
Only the Chile Colorado zone has sufficient drill density to permit a resource calculation. Even within Chile Colorado, drilling in the western section is sparse and the zone remains open to the east, west and at depth. The eastern section of Chile Colorado has been drilled on 165-foot centers, but many of these holes ended in ore-grade mineralization.

SNC used a standard Datamine software package that estimates grades of resource blocks interpolated from nearby drill intercepts using both ordinary kriging and multiple indicator kriging.

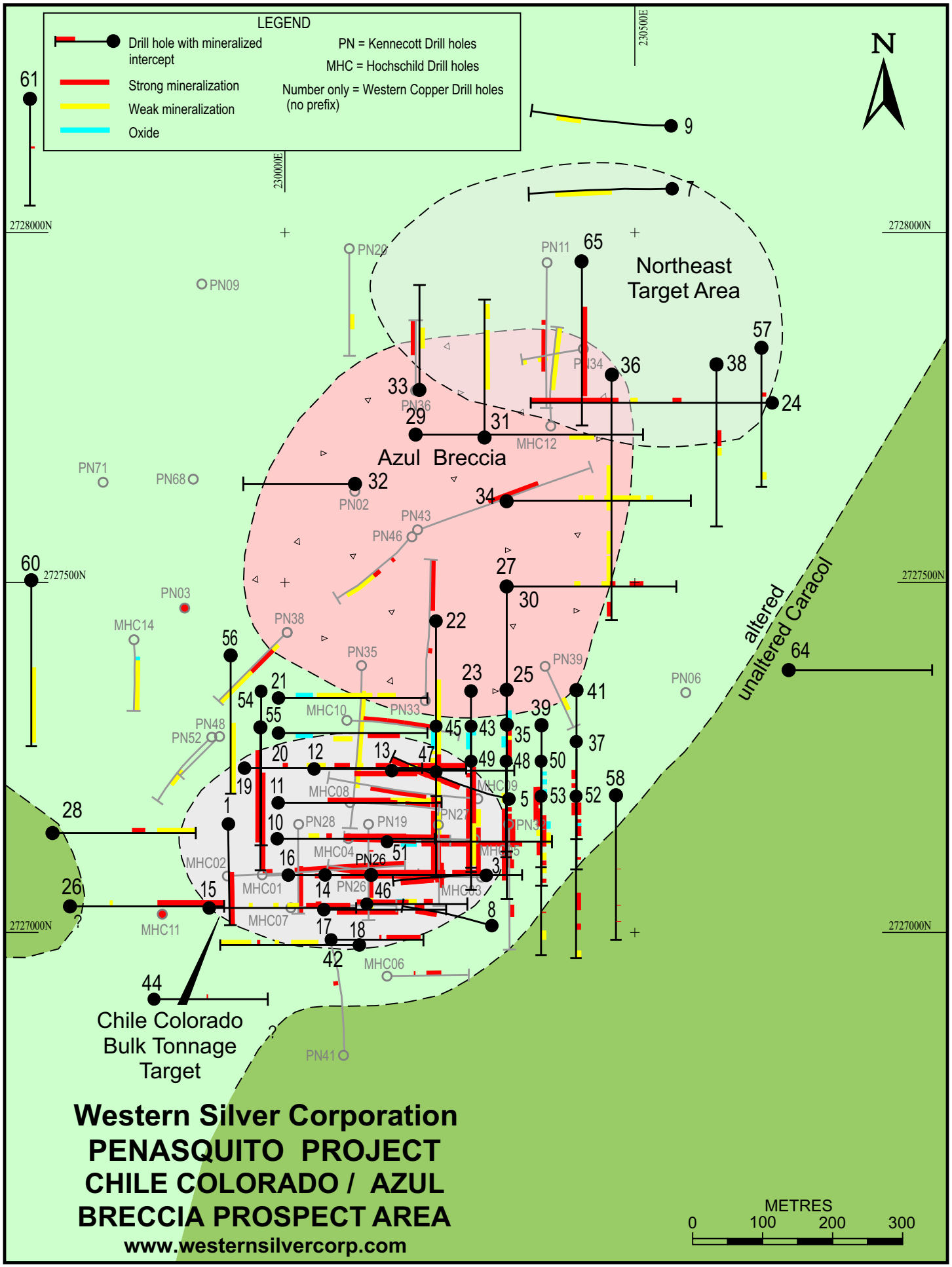
Based on a $4 per metric tonne NSR cutoff grade, SNC estimated total *in situ* indicated mineral resources of 130 million short tons (121 million tons of sulfide and 9 million tons of oxide) with an average grade of 1.22 oz/st silver, 0.010 oz/st gold, 0.89% zinc, and 0.38% lead. The economic projections in this Information Memorandum are based solely on the sulfide indicated resource.

In addition, SNC estimated inferred resources of 65 million short tons grading 0.85 oz/st silver – the lower grade reflecting in part wide spaced drilling and the effect of kriging. The total indicated and inferred resource is estimated to be 195 million short tons grading 1.10 oz/st silver, 0.010 oz/st gold, 0.82% zinc, and 0.33% lead.

The section below demonstrates the consistent nature of the mineralization and the fact that high grade mineralization (in red and magenta) continues to the top of the bedrock. The lower-grade areas generally correspond to areas that are more distant from drill holes, suggesting that infill drilling may increase the grade, especially within the inferred resources.



Source: SNC-Lavalin


LEGEND
Drill hole with mineralized intercept
Strong mineralization
Weak mineralization
Oxide
PN = Kennecott Drill holes
MHC = Hochschild Drill holes
Number only = Western Copper Drill holes (no prefix)
N
230500E
230000E
2728000N
2727500N
2727000N
Northeast Target Area
Azul Breccia
altered
unaltered Caracol
Chile Colorado Bulk Tonnage Target
Western Silver Corporation
PENASQUITO PROJECT
CHILE COLORADO / AZUL BRECCIA PROSPECT AREA
www.westernsilvercorp.com
METRES
0 100 200 300

Chile Colorado Resource Calculation
(Sulfide Resources)

	Metric Units					Imperial Units		
	Tonnage	Grade				Tonnage	Grade	
Cut-off NSR ($/t)	(million t)	Silver (g/t)	Gold (g/t)	Zinc (%)	Lead (%)	(million st)	Silver (oz/st)	Gold (oz/st)
Indicated								
-	169.62	30.85	0.27	0.68%	0.27%	186.98	0.90	0.008
2.00	145.64	35.20	0.31	0.77%	0.31%	160.53	1.03	0.009
3.00	128.62	38.63	0.33	0.84%	0.33%	141.78	1.13	0.010
4.00	110.07	42.92	0.36	0.92%	0.37%	121.33	1.25	0.011
5.00	92.37	47.93	0.40	1.01%	0.45%	101.82	1.40	0.012
6.00	77.23	53.90	0.43	1.11%	0.44%	85.12	1.57	0.013
7.00	64.88	58.24	0.46	1.20%	0.48%	71.51	1.70	0.013
8.00	54.91	63.22	0.49	1.28%	0.52%	60.52	1.84	0.014
10.00	39.81	73.04	0.54	1.45%	0.59%	43.88	2.13	0.016
Inferred								
-	109.86	19.80	0.21	0.47%	0.17%	121.10	0.58	0.006
2.00	92.27	22.65	0.24	0.54%	0.19%	101.71	0.66	0.007
3.00	74.78	25.48	0.28	0.62%	0.21%	82.43	0.74	0.008
4.00	57.32	29.11	0.31	0.70%	0.23%	63.19	0.85	0.009
5.00	44.18	32.44	0.35	0.78%	0.25%	48.70	0.95	0.010
6.00	32.36	36.29	0.40	0.87%	0.26%	35.67	1.06	0.012
7.00	24.21	39.95	0.44	0.94%	0.28%	26.69	1.17	0.013
8.00	18.35	43.47	0.47	1.00%	0.29%	20.23	1.27	0.014
10.00	9.07	51.52	0.55	1.13%	0.34%	10.00	1.50	0.016
Total								
-	279.48	26.51	0.25	0.60%	0.23%	308.07	0.77	0.007
2.00	237.91	30.33	0.28	0.68%	0.26%	262.24	0.88	0.008
3.00	203.40	33.79	0.31	0.76%	0.29%	224.21	0.99	0.009
4.00	167.40	38.19	0.34	0.84%	0.32%	184.52	1.11	0.010
5.00	136.55	42.92	0.38	0.94%	0.39%	150.52	1.25	0.011
6.00	109.58	48.70	0.42	1.04%	0.39%	120.79	1.42	0.012
7.00	89.09	53.27	0.45	1.13%	0.43%	98.20	1.55	0.013
8.00	73.26	58.27	0.48	1.21%	0.46%	80.75	1.70	0.014
10.00	48.88	69.04	0.54	1.39%	0.54%	53.88	2.01	0.016

Source: SNC-Lavalin

Chile Colorado Resource Calculation
(Oxide Resources)

	Metric Units					Imperial Units		
	Tonnage	Grade				Tonnage	Grade	
Cut-off NSR ($/t)	(million t)	Silver (g/t)	Gold (g/t)	Zinc (%)	Lead (%)	(million st)	Silver (oz/st)	Gold (oz/st)
Indicated								
4.00	7.84	26.79	0.30	0.46%	0.51%	8.64	0.78	0.009
7.00	2.37	42.33	0.45	0.69%	0.81%	2.61	1.23	0.013
10.00	0.80	62.61	0.50	0.95%	1.16%	0.88	1.83	0.015
Inferred								
4.00	1.28	23.35	0.26	0.36%	0.59%	1.42	0.68	0.008
7.00	0.28	3.76	0.38	0.52%	0.91%	0.31	0.11	0.011
10.00	0.03	35.72	0.79	0.53%	0.45%	0.04	1.04	0.023
Total								
4.00	9.13	26.31	0.29	0.45%	0.52%	10.06	0.77	0.009
7.00	2.65	38.20	0.44	0.67%	0.82%	2.92	1.11	0.013
10.00	0.83	61.51	0.51	0.93%	1.13%	0.91	1.79	0.015

Source: SNC-Lavalin

Chile Colorado Resource Calculation
(Total Resources)

	Metric Units					Imperial Units		
	Tonnage	Grade				Tonnage	Grade	
Cut-off NSR ($/t)	(million t)	Silver (g/t)	Gold (g/t)	Zinc (%)	Lead (%)	(million st)	Silver (oz/st)	Gold (oz/st)
Indicated								
-	195.81	28.66	0.25	0.63%	0.27%	215.84	0.84	0.007
2.00	164.21	33.29	0.30	0.72%	0.31%	181.01	0.97	0.009
3.00	140.86	37.22	0.32	0.80%	0.34%	155.27	1.09	0.009
4.00	117.92	41.85	0.36	0.89%	0.38%	129.98	1.22	0.010
5.00	97.20	47.17	0.40	0.99%	0.46%	107.15	1.38	0.012
6.00	80.43	53.27	0.43	1.09%	0.45%	88.65	1.55	0.013
7.00	67.24	57.68	0.46	1.18%	0.49%	74.12	1.68	0.013
8.00	56.66	62.70	0.49	1.26%	0.53%	62.46	1.83	0.014
10.00	40.60	72.83	0.54	1.44%	0.60%	44.75	2.12	0.016
Inferred								
-	117.81	19.17	0.21	0.45%	0.17%	129.86	0.56	0.006
2.00	96.12	22.39	0.24	0.53%	0.20%	105.95	0.65	0.007
3.00	76.97	25.34	0.28	0.61%	0.22%	84.85	0.74	0.008
4.00	58.61	28.98	0.31	0.69%	0.24%	64.60	0.85	0.009
5.00	44.92	32.34	0.35	0.77%	0.26%	49.52	0.94	0.010
6.00	32.79	36.21	0.40	0.86%	0.27%	36.15	1.06	0.012
7.00	24.50	39.53	0.44	0.94%	0.29%	27.00	1.15	0.013
8.00	18.47	43.40	0.47	1.00%	0.29%	20.36	1.27	0.014
10.00	9.11	51.46	0.55	1.13%	0.34%	10.04	1.50	0.016
Total								
-	313.62	25.10	0.24	0.56%	0.23%	345.70	0.73	0.007
2.00	260.33	29.27	0.28	0.65%	0.27%	286.96	0.85	0.008
3.00	217.83	33.02	0.31	0.73%	0.29%	240.12	0.96	0.009
4.00	176.52	37.58	0.34	0.82%	0.33%	194.58	1.10	0.010
5.00	142.12	42.48	0.38	0.92%	0.39%	156.66	1.24	0.011
6.00	113.22	48.33	0.42	1.03%	0.40%	124.80	1.41	0.012
7.00	91.74	52.83	0.45	1.12%	0.44%	101.12	1.54	0.013
8.00	75.13	57.96	0.49	1.20%	0.47%	82.82	1.69	0.014
10.00	49.71	68.92	0.54	1.38%	0.55%	54.79	2.01	0.016

Source: SNC-Lavalin

Upside Potential at Chile Colorado

The expansion potential at Chile Colorado falls into two broad categories – gaining a better understanding of existing resources through infill drilling and further analysis of the mineralization; and expansion of the known mineralized envelop.

In the first category, the company is undertaking analysis of the density of the mineralization. SNC assumed the rock to have a specific gravity of 2.6, although earlier testing indicated an average density of 2.65 and the mineralization itself is believed to be significantly more dense. A higher specific gravity would increase the tonnage and the estimated metal content.

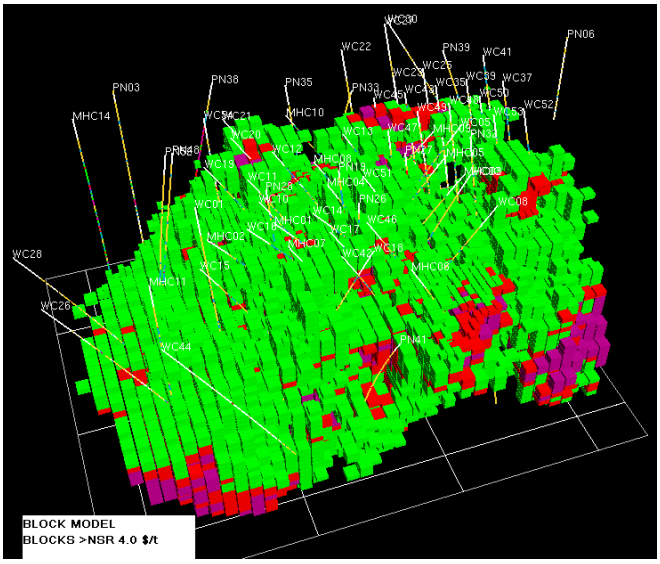
In addition, infill drilling especially within the area of inferred mineralization, as well as some further definition drilling within the core of Chile Colorado, may move the grade of the inferred mineralization towards that of the indicated resources.

These two factors alone could expand the estimated metal content in indicated sulfide resources at Chile Colorado from the current estimate of 159 million ounces of silver to at least 250 million ounces.

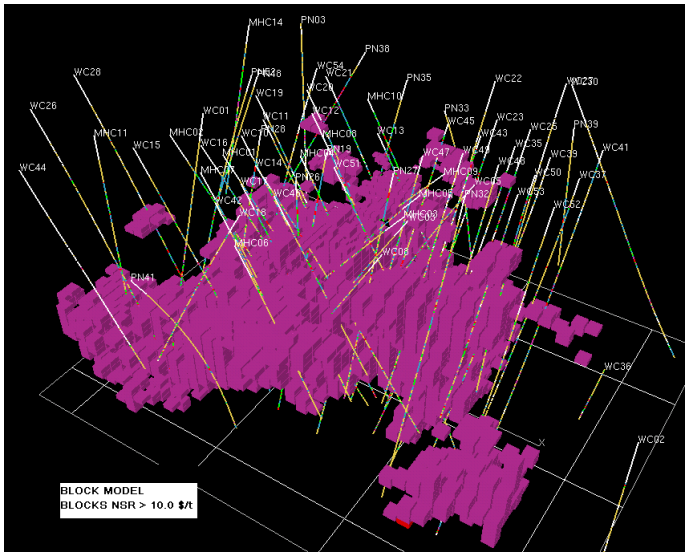
Further, the initial economics setout earlier in this Information Memorandum excludes the shallow oxide mineralization. Western is starting a shallow drill program to define this zone more fully.

The other broad area of potential for expansion lies outside the current envelop of mineralization and includes extensions to depth, to the northeast, northwest, and southwest.

>$4 NSR Resource 3-D Model



High Grade >$10 NSR Model



The 3-D models above demonstrate the high grade core (on the right) within a lower-grade envelop. The mineralization is highly consistent.

District Potential

The Azul Breccia intruded through Caracol Formation post-mineralization. The boundaries of the breccia are mineralized, probably primarily from the effects of the intrusive event. To the northeast of Azul, Western has found Chile Colorado-style mineralization. The extent of mineralization to the northeast is not yet known but will be tested by additional drilling.

The Outcrop Breccia was drilled by Kennecott. This wide-spaced drilling intercepted some high grades but is of insufficient density to support a resource calculation. Western has recently drilled two holes to the south of Outcrop that intersected strong alteration and narrow zones of high grade mineralization.

SNC observes that there is a good possibility to establish resources in the Outcrop area. In fact, the physical dimensions of the known area of mineralization and the grades of the wide-spaced drill intercepts indicate that Outcrop could be comparable to Chile Colorado in terms of tonnage and grade.

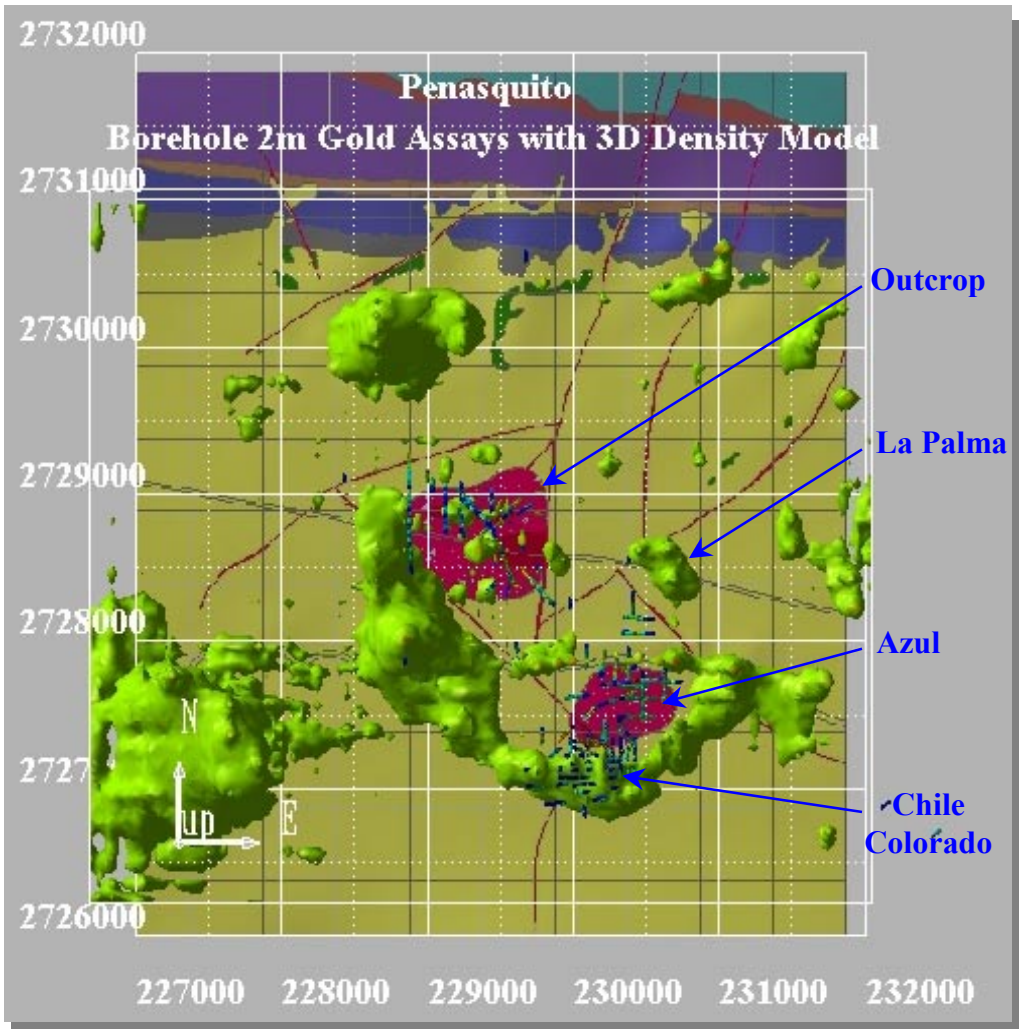
Western has also drilled a strong geophysical anomaly approximately 4,700 feet north of Azul and 3,300 feet east of Outcrop. There was sparse drilling by Kennecott in this area, including one vertical hole, PN-05 that returned 40 feet grading 0.54 oz/st gold. Western's WC-63 hole collared northwest of PN-05 and angled to the south intersected 0.58 oz/st over 20 feet approximately 150 feet to the west of PN-05.

This zone, named La Palma, could prove to be a high grade underground gold target. Further drilling is required to outline the size and continuity of La Palma – the geophysical anomaly is large.

SNC also identifies IP anomalies about 2,200 feet south of the Outcrop Breccia and about 3,000 feet west of Chile Colorado that it states represent high priority targets. There is no drilling in this area, although WC-60 drilled nearly 1,000 feet to the west of Chile Colorado intersected over 700 feet of mineralization including 33 feet of 1.6 oz/st silver and 0.013 oz/st gold at approximately 850 feet down hole.

These four areas – Outcrop to the northwest, La Palma to the northeast, Azul/Chile Colorado to the southeast, and the unnamed area identified by SNC – form the approximate corners of a square.

Peñasquito Gravity Anomalies



There are another 14 identified targets within the Peñasquito property, including the Gallo Blanco, Arroyo Seco and Cedros targets (see map on Page A - 3). Two holes drilled at Gallo Blanco, about seven miles southeast of Chile Colorado, intercepted weak disseminated and veinlet mineralization. Sampling at an old mine dump identified high grade silver in massive sulfide fragments.

EL SALVADOR

El Salvador, located 40 miles southeast of the city of Zacatecas, is an exploration joint venture between Teck (65%) and Western (35%), covering a 95 square mile area of interest.

The San Nicolas ore body in the south of the exploration area was discovered in 1997 – the discovery hole intersected 580 feet of massive sulfide mineralization.

Teck, the operator, completed a feasibility study in early 2002 but has decided to put the project on hold pending higher zinc prices. Teck's decision to postpone development demonstrates the dangers of farming control out to another entity whose decisions may not be entirely driven by economics. Western's current ownership is 21%, although it could ultimately be between 18.75% to 29.75% depending on options selected by Teck and Western.

Proved and probable reserves total 71 million tons grading 1.32% copper, 2.04% zinc, 0.015 oz/t gold and 0.94 oz/t silver – the shallower sections of the ore body are zinc-rich, with higher-grade copper mineralization at depth, including possible extensions below an initial open pit. The feasibility study projected mining 16,500 tons of ore per day, producing about 250,000 tonnes of copper concentrates with an average grade of 24% copper and 210,000 tonnes of zinc concentrates with an average grade of 50% zinc per year.

The feasibility study projects capital costs at US$246 million with life of mine operating costs of approximately US$7.70 per ton milled. One of the strengths of San Nicolas is that there is little infrastructure required – the project is three kilometers from a paved highway and thirty kilometers from a power line.

There are a number of massive sulfide targets within a ten-kilometer radius of San Nicolas that require additional work. Limited drilling at three of these prospects encountered narrow intersections of massive to semi-massive sulfides and stringers, as well as strong hydrothermal alteration.

Since the discovery of San Nicolas, district-wide exploration has been limited. However, it is well documented that massive sulfide deposits tend to occur in clusters. Knowledge gained at San Nicolas has helped the partners to understand the geologic setting, geochemical signature and geophysical response of the massive sulfide ore bodies – important information in identifying, prioritizing and evaluating other massive sulfide targets.

CARMACKS COPPER PROJECT

The Carmacks Project, which has an open-pit mineable reserve of 17 million tons grading 1.01% copper, is projected to produce 30 to 32 million pounds of copper annually.

EXPLORATION JOINT VENTURES

Western Silver has two key joint venture partners: Apex Silver and Anglo American.

EL PIRUL

In April 2002, Western and Apex entered into a joint exploration project in northern part of the Zacatecas silver district. The agreement consolidates 15,500 acres held by the two companies in an area that has not been systematically evaluated for sediment hosted or volcanogenic massive sulfide deposits.

Western is the operator of the program to map and potentially drill the property. Initial mapping has identified several prospective areas that will undergo additional evaluation during 2003. Drilling could commence later this year.

SAN JERONIMO

In August 2002, Western and Apex entered into an agreement covering the 11,800 acre San Jeronimo silver property in Zacatecas State whereby Apex has the right to earn a 70% interest by making $1.18 million in land and tax payments through March 2005.

San Jeronimo is located about 13 miles south of the city of Zacatecas in the heart of the Faja de Plata district, which was an important mining area prior to the Mexican Revolution in 1911. Apex is focusing its exploration efforts on the Loreto vein, which is some 1.6 miles long. Western had previously demonstrated potential for both high grade and bulk mineable vein and stockwork silver mineralization. Apex plans to commence drilling later this year.

ALMOLOYA

In November 2002, Western and Anglo American entered into an agreement whereby Anglo has the right to earn up to 80% in a large land holding that covers the historic Almoloya zinc-lead-silver-gold district in southern Chihuahua. Historic mining started in the 1850s when bonanza-grade oxide ores were produced. The property is highly prospective for both sulfide and oxide base metal deposits.

Anglo is the operator and has completed initial reconnaissance. Plans for 2003 include mapping, geochemical and geophysical surveys, and possibly initial drilling.