

INFORMATION MEMORANDUM

Western Silver Corporation

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



MAY 2003

IN THIS REPORT, CURRENCY IS US FUNDS, UNITS ARE SHORT TONS, AND TROY OUNCES UNLESS STATED OTHERWISE. PRICES AS OF CLOSE, MAY 16, 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.

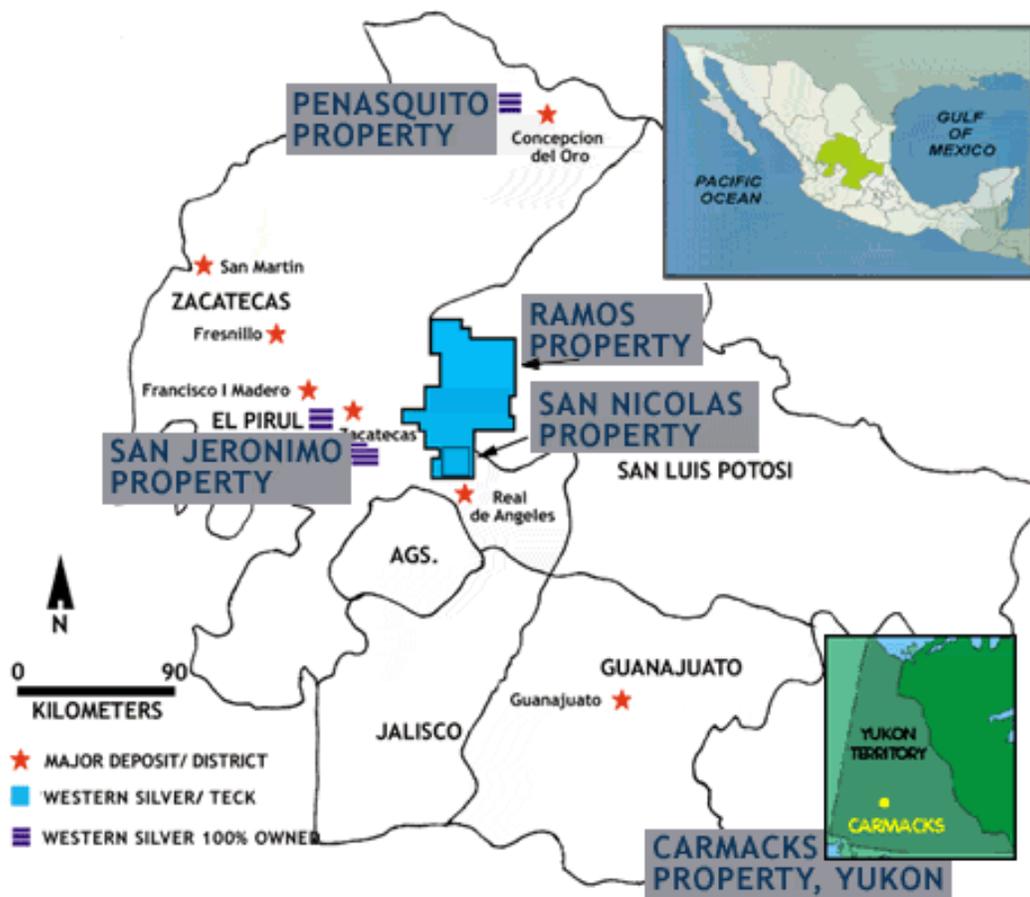
SUMMARY

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

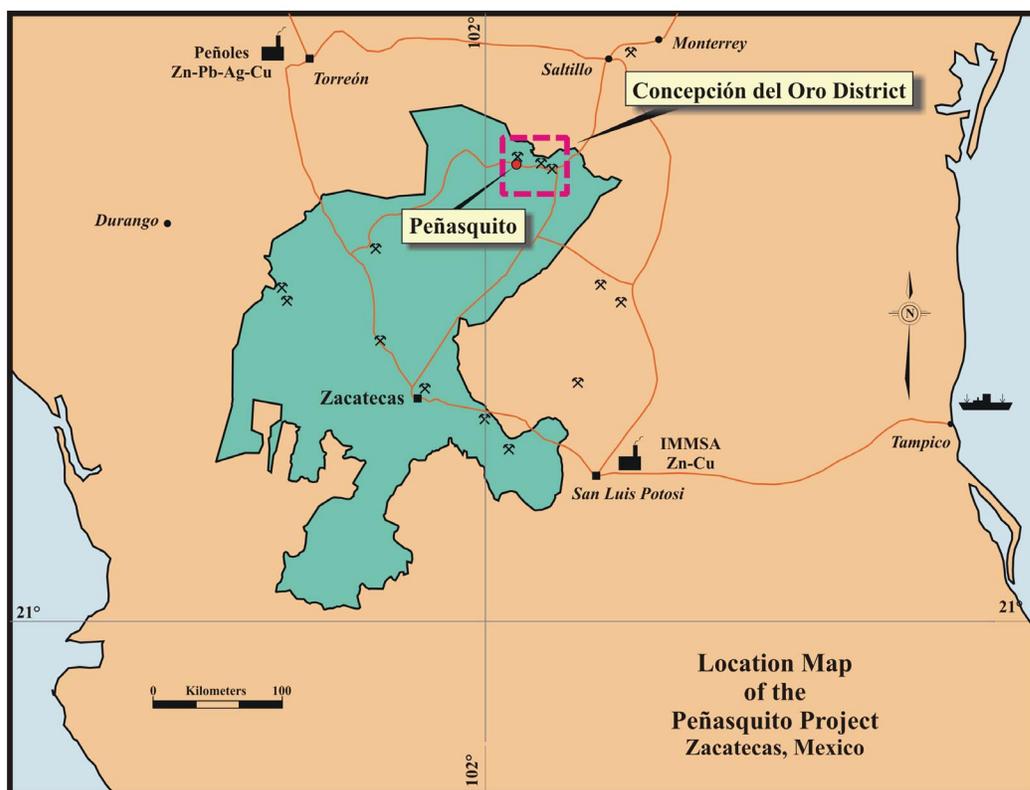
PEÑASQUITO

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.

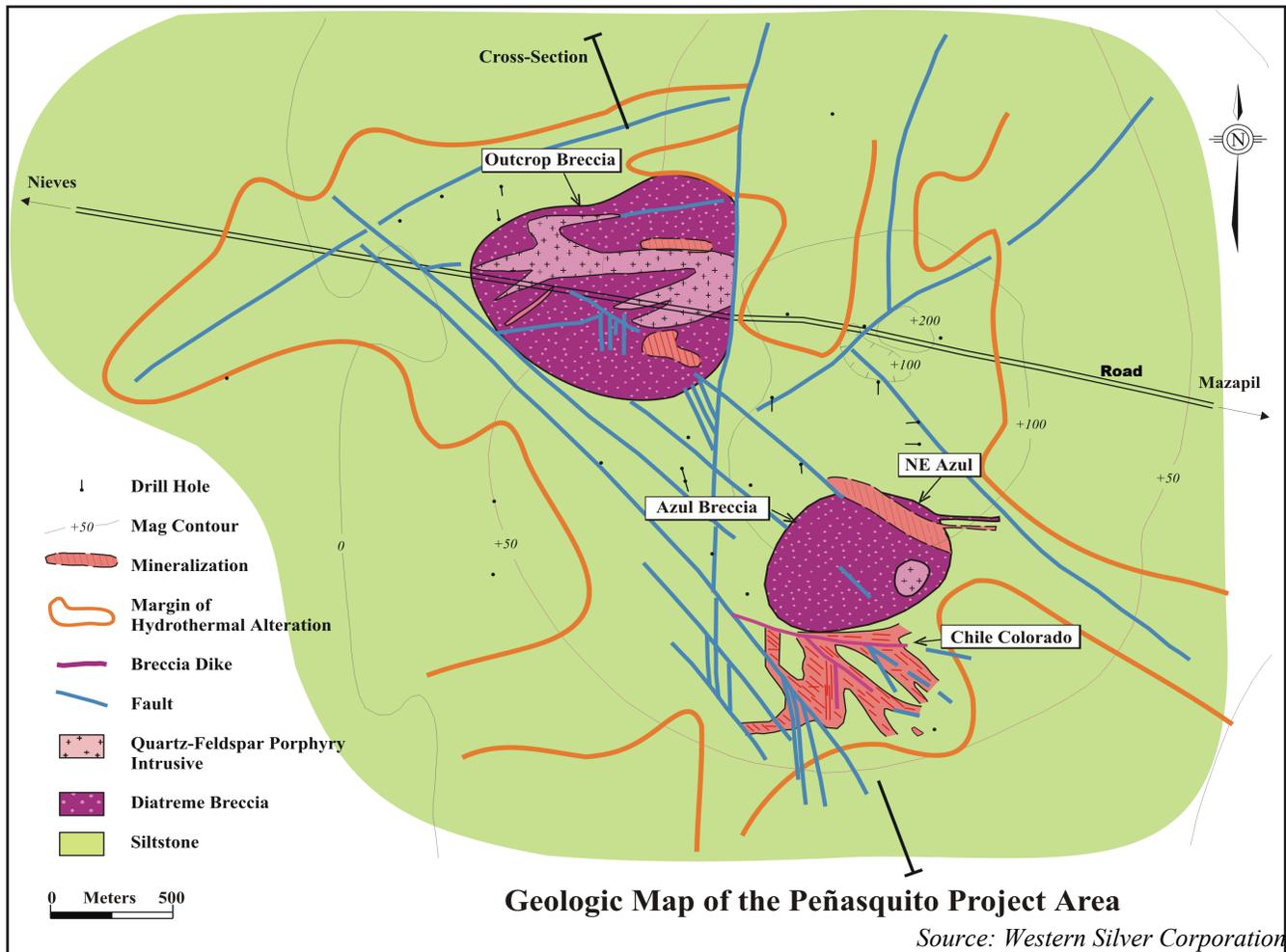
That strategic decision opened the door for Western to focus on the silver-zinc-gold-lead “cap”, initially concentrating on the Chile Colorado zone immediately south of the Azul Breccia.

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



Two large mineralized zones already discovered

Independent resource calculation confirms major silver deposit

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.

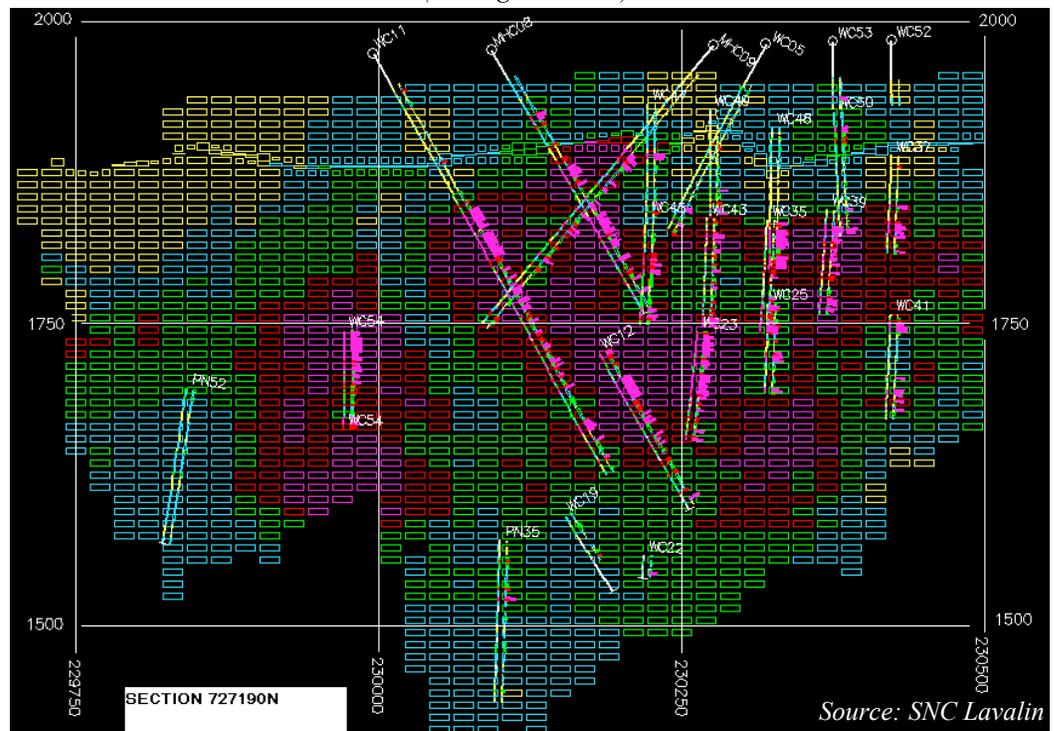
Chile Colorado

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)

Cut-off NSR (\$/t)	Metric Units					Imperial Units		
	Tonnage (million t)	Grade				Tonnage (million st)	Grade	
		Silver (g/t)	Gold (g/t)	Zinc (%)	Lead (%)		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)



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

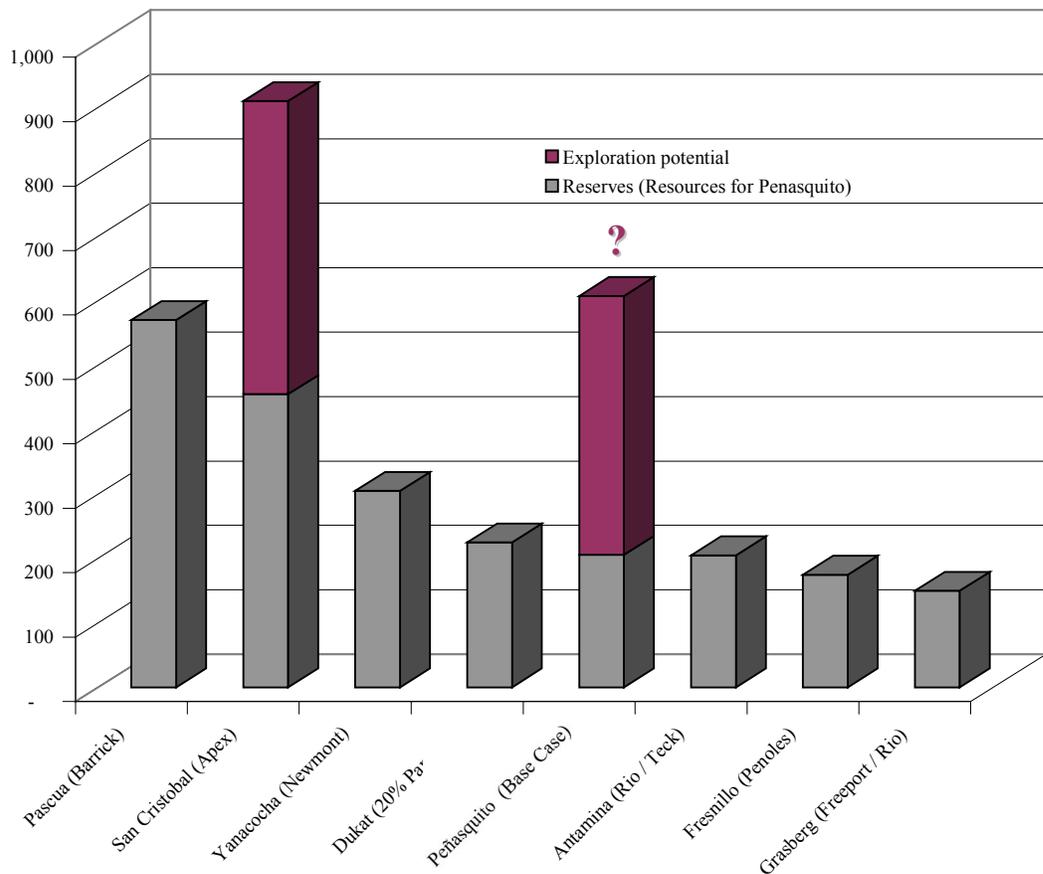
This typical cross section also demonstrates the consistent mineralization throughout the zone and the fact that resources are open to the east, west and at depth. Furthermore, the lower grade blocks (yellow and blue) are, at least in part, a reflection of drill density – the resource model assumes grade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

District-scale potential at Peñasquito

Peñasquito District Potential

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.

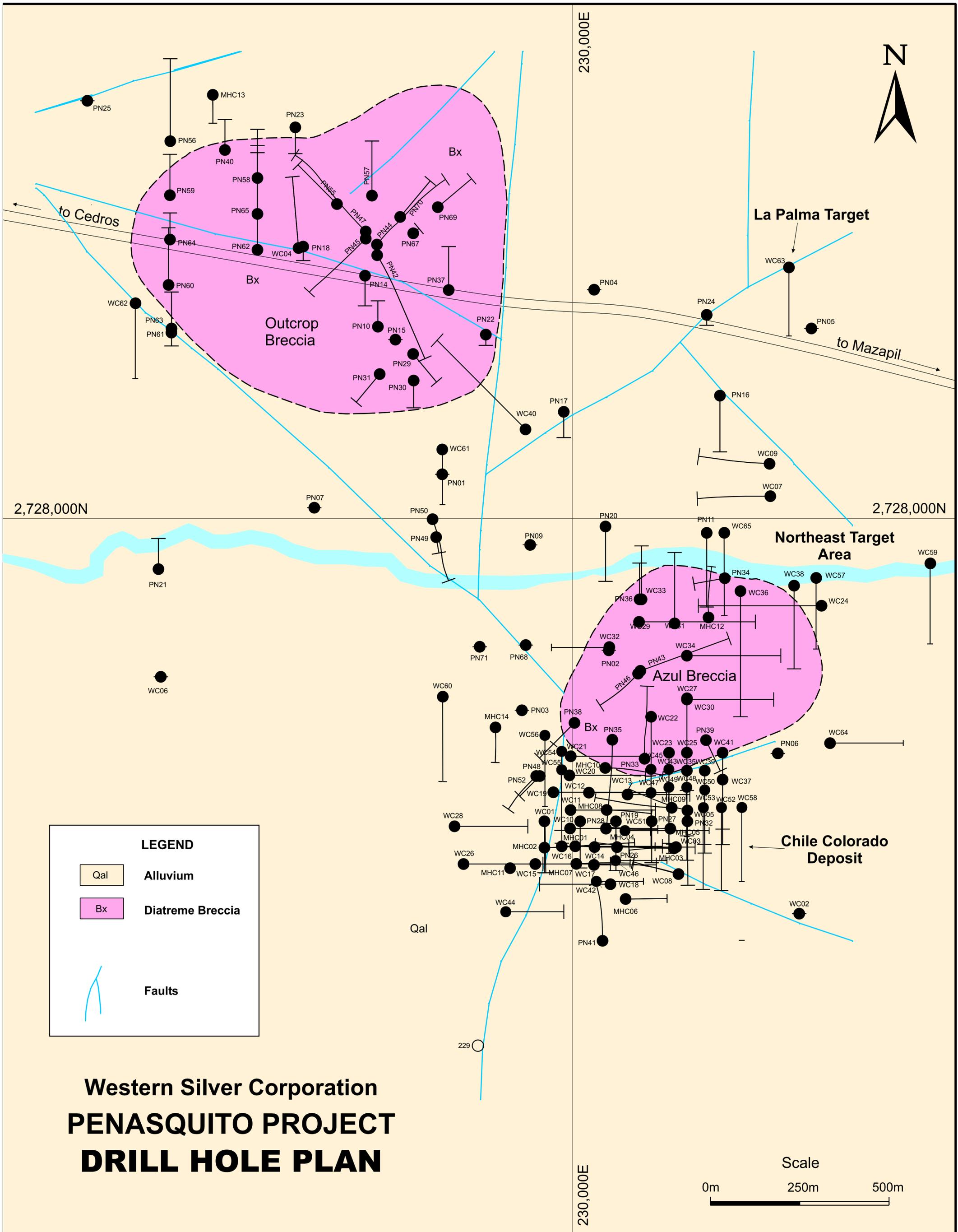
Kennecott drilled the Outcrop Breccia on a wide-spaced pattern that indicated the potential for a deposit comparable to Chile Colorado in terms of size and grade. In its latest round of drilling, Western included two holes drilled on the southern flank of Outcrop, both of which intersected strong alteration 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		Width (ft)	Gold (oz/t)	Silver (oz/t)	Lead (%)	Copper (%)	Zinc (%)
	(ft)	(ft)						
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
<i>Includes</i>	498.6	- 610.1	111.5	0.018	2.508	0.83		2.01
<i>Includes</i>	531.4	- 557.6	26.2	0.035	5.454	2.29		4.59
<i>Includes</i>	1,089.0	- 1,279.2	190.2	0.026	0.933	0.07		2.35
<i>Includes</i>	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
<i>Includes</i>	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
<i>Includes</i>	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
<i>Includes</i>	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
<i>Includes</i>	1,325.6	- 1,581.0	255.3	0.025	0.992	0.45		1.92
<i>Includes</i>	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
<i>Includes</i>	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
<i>Includes</i>	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
<i>Includes</i>	905.3	- 925.0	19.7	0.583	14.146	4.53	0.34	7.13
<i>Includes</i>	918.4	- 925.0	6.6	1.219	32.433	9.11	0.86	11.91

Source: Western Silver Corporation



LEGEND

Qal	Alluvium
Bx	Diatreme Breccia
(Blue line symbol)	Faults

**Western Silver Corporation
PENASQUITO PROJECT
DRILL HOLE PLAN**



High grade gold-silver mineralization discovered

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.

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		Apex Silver	Pan American	Silver Standard	Coeur d'Alene
	(Low Case)	(Base Case)				
Major Property		Penasquito	San Cristobal	Various	Various	Various
Property size	sq. miles	147	750			
Ownership	%	100%	100%			
Location		Zacatecas, Mexico	Potosi, Bolivia	Various	Various	Various
Reserves and resources	category	Indicated Resource	Plus Inferred Resource	Measured / Ind. Reserve	Measured / Ind. Reserve / Resource	Measured / Ind. Reserve
Tonnage	million st	121	185	241	125	106
Silver grade	oz.st	1.252	1.114	1.885	3.603	2.713
Gold grade	oz.st	0.011	0.010	-	0.008	0.008
Silver equivalent grade	oz.st	1.987	1.814	1.885	4.142	3.246
Zinc grade	%	0.92%	0.84%	1.66%	n/a	n/a
Lead grade	%	0.37%	0.32%	0.58%	n/a	n/a
Contained metal						
Silver	million oz	152	206	455	452	289
Gold	million oz	1.274	1.845	-	0.966	0.810
Silver equivalent	million oz	241	335	455	519	346
Zinc	million lbs	2,233	3,105	8,014	1,129	515
Lead	million lbs	898	1,189	2,807	519	401
Contribution of precious metals	%	50%	51%	35%	81%	84%
Drilling						
Number of coreholes	number	139		717	n/a	n/a
Length of core	thousand ft	90.0		65.9	n/a	n/a
Length of RC	thousand ft	76.5		555.8	n/a	n/a
Estimated strip ratio		2.00		1.80	n/a	n/a
Average mining rate	tons / day	66,100		123,500	n/a	n/a
Milling rate	tons / day	22,000		44,100	n/a	n/a
Contained silver per year	million oz	10,100		30,300	n/a	n/a
Mine life	years	15.7	23.9	15.6	n/a	n/a
Capital expenditure	\$ million	200		495	n/a	n/a
Altitude	ft	6,600		13,500	n/a	n/a
Expansion potential	multiple	> 4 times		~ 2 times	n/a	n/a
Total company						
Reserves and resources						
Contained silver	million oz	168	221	455	452	289
Contained silver equivalent	million oz	257	351	455	519	346
Risk profile						
Infrastructure		Good		Average	Average	Good
Political risk		Average		High	High	Low
2002 Operations						
Silver production	million oz	n/a		n/a	7.765	n/a
Operating revenues	\$ million	n/a		n/a	45.1	n/a
Administrative costs	\$ million	0.661		5.533	1.698	2.147
Financial metrics						
Major project						
Silver per share	oz	4.68	6.34	12.30	n/a	n/a
Silver eq. PM per share	oz	7.43	10.32	12.30	n/a	n/a
EV per oz of silver equivalent PM	\$/oz	0.32	0.23	1.10	n/a	n/a
Total company						
Silver per share	oz	5.17	6.83	12.30	8.77	7.33
Silver eq. PM per share	oz	7.92	10.81	12.30	10.08	8.77
EV per ounce of silver equivalent	oz	0.30	0.22	1.10	0.66	0.52
Stock Statistics						
US Exchange		AMEX		AMEX	NMS	NYSE
Ticker		WTZ		SIL	PAAS	SSRI
Price (05.02.03)	\$	2.45		14.72	6.73	4.89
12 month high	\$	3.13		18.12	9.85	7.80
12 month low	\$	0.89		11.55	4.50	2.83
Volume	000	82,000		151,000	438,200	322,900
Issued Shares	million	32.436		36.996	51.515	39.390
Market capitalization	\$ million	79.468		544.581	346.696	192.617
Net Cash (12.31.02)	\$ million	2.941		43.428	2.335	11.593
Enterprise Value (EV)	\$ million	76.527		501.153	344.361	181.024
Fiscal year		September 30		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

The potential at Peñasquito is only beginning to be recognized

VALUATION

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.

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

CONCLUSION

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	Pre-strip 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 smelting charge assumptions.
Gold	\$/oz	325	
Zinc	\$/lb	0.45	
Lead	\$/lb	0.23	

Source: SNC-Lavalin and Proteus Capital estimates

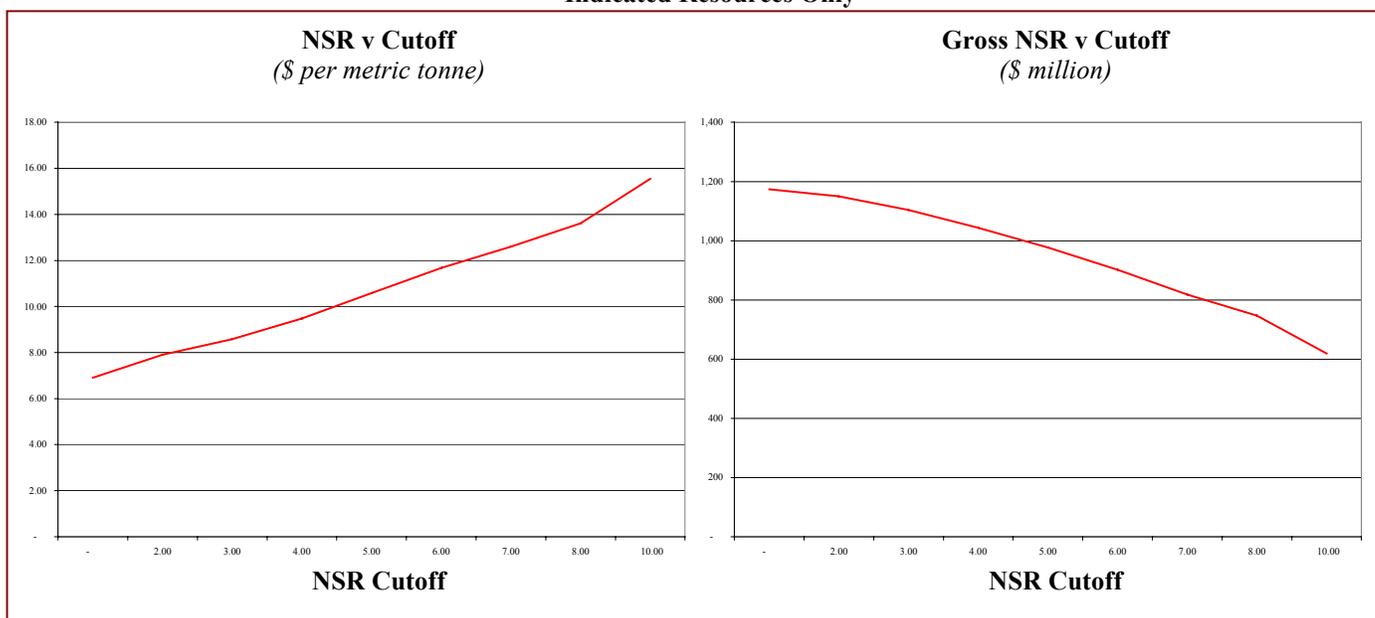
Our model assumes that the resources are mined out at the average resource grade over fifteen years, without any high grading in the early years that would enhance the economics. The first column of the table on Page 15 sets out the life-of-mine operating results based on these assumptions.

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 is 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		Apex Silver	Pan American	Silver Standard	Coeur d'Alene
	(Low Case)	(Base Case)				
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

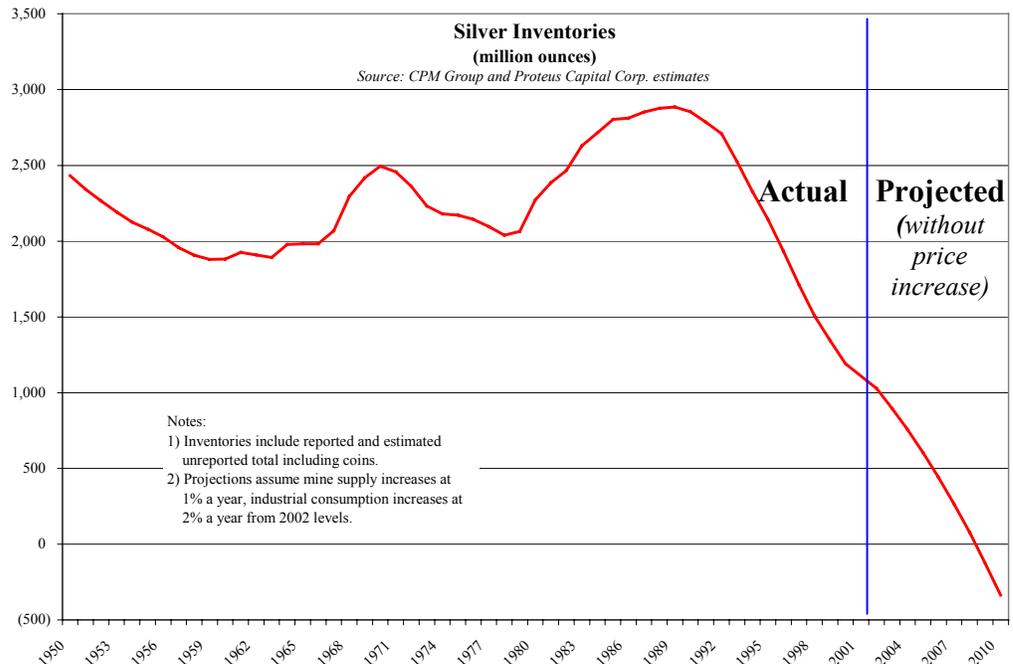
EV = Enterprise Value (Market Cap less net cash)

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

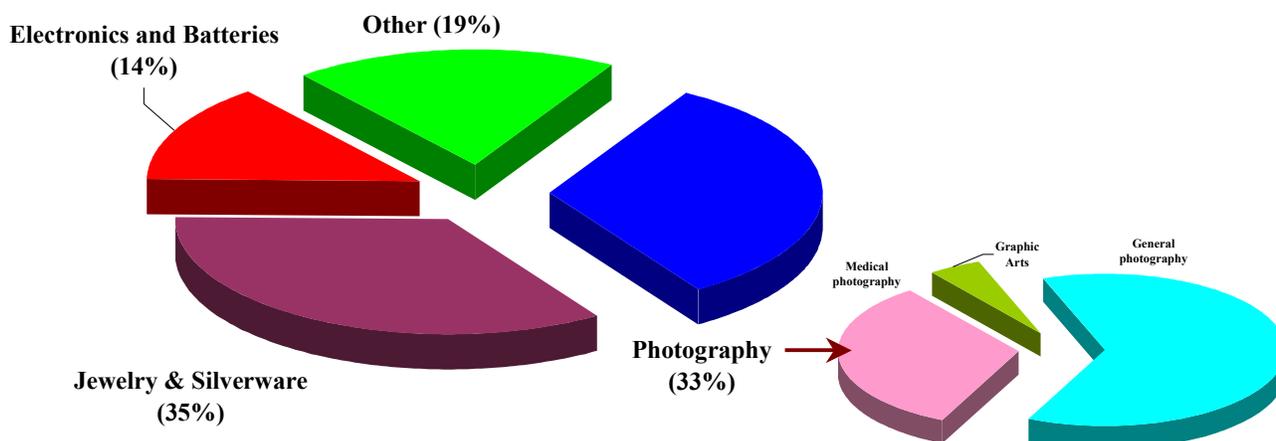
	Average annual change			
	1980 - 1989	1990 - 1994	1995 - 2002	1980 - 2002
Average price	-13.7%	2.3%	-1.7%	-7.2%
Supply				
Mine production	3.4%	-2.3%	3.7%	2.6%
Secondary supply	-8.5%	3.8%	3.1%	-2.1%
Official sector	8.8%	9.5%	6.7%	9.4%
Total supply	-1.1%	-0.5%	3.6%	0.9%
Consumption				
Photography	4.8%	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

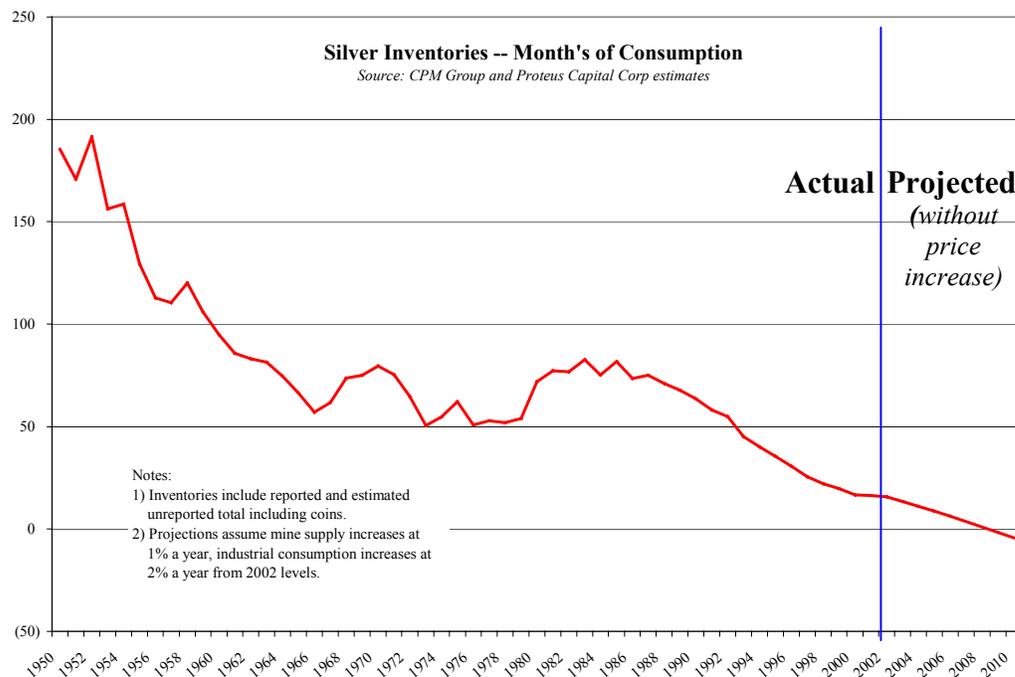
One of the myths associated with the silver market has been that, because photography is the biggest user, the advent of digital photography would have a devastating effect. Most silver used by the photographic industry reappears as secondary supply a year or two later – the net off-take is much less 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	
Address	Western Silver Corporation 1550-1185 West Georgia Street Vancouver, B.C. CANADA V6E 4E6 Tel: (604) 684-9497 Fax: (604) 688-4670 E-mail: info@westernsilvercorp.com Web: www.westernsilvercorp.com	

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