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INFORMATION MEMORANDUM

Western Silver Corporation

(AMEX : WTZ AND TSX : WTC)

View of Peñasquito looking northwest from Chile Colorado to Peñasco (where the drill rigs are located, center). Note low mountains in the distance that separate the Peñasquito valley from the area that hosts the Noche Buena target to the north. The outcrop is visible in the center of the photograph.

APRIL 2005

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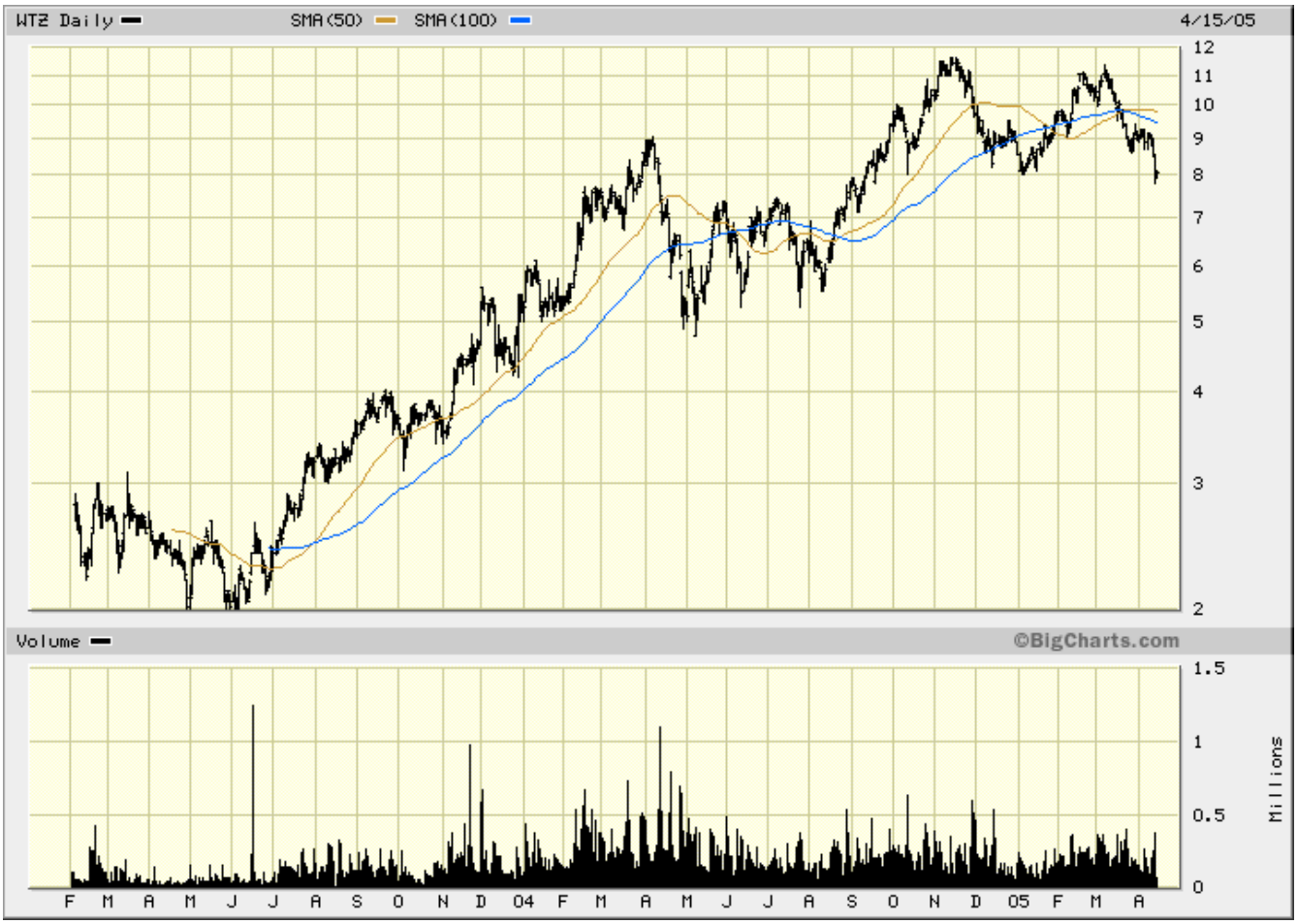
Western Silver Stock Price: US Dollars



WESTERN SILVER CORPORATION – OVERVIEW

Western Silver Corporation is one of the most successful metals exploration companies of the past three years. It has established its flagship Peñasquito property as one of the largest undeveloped precious metals projects in the world. In three years, the tonnage of mineralized material has increased nearly six-fold; approximately 60% of that mineralized material is now measured and indicated; and gold has become an increasingly important part of the suite of metals. Deposits at Peñasquito contain seven million ounces of gold (and growing) with an additional nine million ounces of gold-equivalent precious metals.

When we initiated coverage of Western Silver in 2002, each $1 of enterprise value was backed by $36 of metal in the ground – based on mineralized material. Today, despite the considerably greater quality of the resource evaluation, each $1 of enterprise value is backed by $42 of metal in the ground. Put simply, the increase in Western Silver's stock price reflects actual exploration success and changes in metal prices, and includes nothing for the enhanced classification of mineralization or demonstration of the district-scale potential at Peñasquito.

- 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 initially focused on the Chile Colorado deposit. Subsequent focus shifted to Peñasco, located approximately one mile to the northwest and there remains considerable potential for expansion of both deposits.
- High grade gold-silver mineralization in the northern contact of Peñasco may be linked to other bonanza grades at La Palma, some 3,500 feet to the east.
- Noche Buena, ten miles north of Peñasquito, is a high grade target more typical of the district than the bulk mineable Peñasquito deposits, and may represent "the other half" of the system.
- Independent engineering studies estimate measured and indicated resources at Peñasquito totaling 374 million tons containing approximately 340 million ounces of silver and 5 million ounces of gold, with an additional 242 million tons containing 190 million ounces of silver and more than 2 million ounces of silver in the inferred category. Of that, approximately 108 million tons are reserves as a result of an initial pre-feasibility study on part of the resource base.
- The polymetallic characteristics of Peñasquito make it especially attractive in a broad-based commodity cycle – we estimate approximately 63% of the net smelter revenues will be from precious metals with 37% from zinc and lead, based on current metal prices. As co-products, we estimate each metal will be produced for less than half the current market price. Taking zinc and lead as by-products, we estimate the cost of producing one gold-equivalent ounce will be approximately $120, including capital.
- We estimate that Western Silver could generate free cash flow in excess of $2 billion – more than $40 per share – based on current metal prices and the total identified mineralization at Peñasquito. That places no value on the potential expansion of Chile Colorado and Peñasco, the exploration potential at La Palma, El Sotal and El Chamisal, and the blue sky at Noche Buena and elsewhere on the property.

We expect the value drivers in the next twelve months to include the updated scoping study and subsequent bankable feasibility study covering Peñasquito; continued exploration news from that core area; the potential for exploration success at Noche Buena and Gallo Blanco; all reinforced by our expectation of a continued secular rise in metal prices.

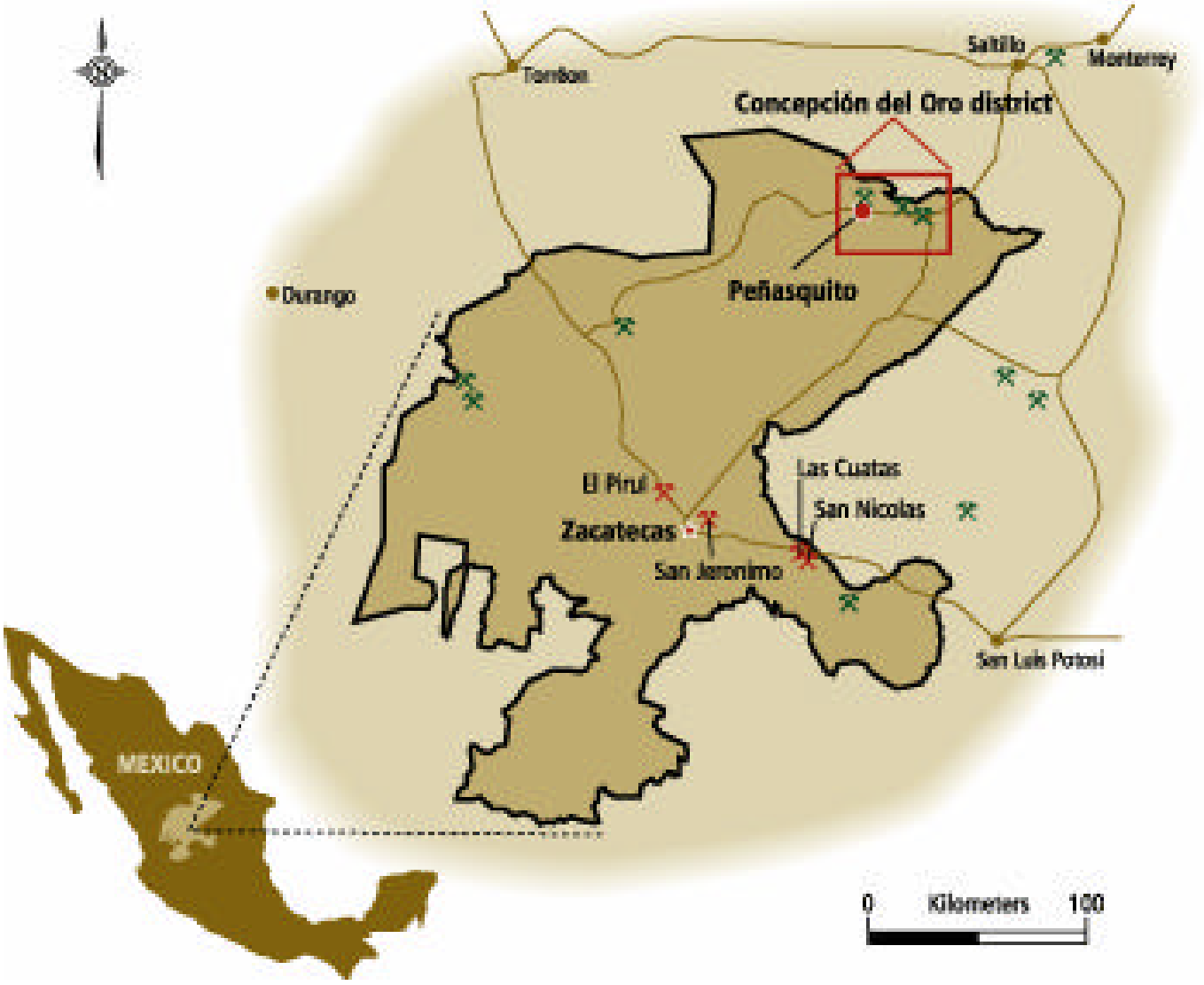
SUMMARY

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 six years, Western focused on its 100%-owned Peñasquito project. Exploration has established Chile Colorado and Peñasco – just two deposits within the district-scale project – as being amongst the largest deposits of silver in the world.

Property Location



Source: Western Silver Corporation

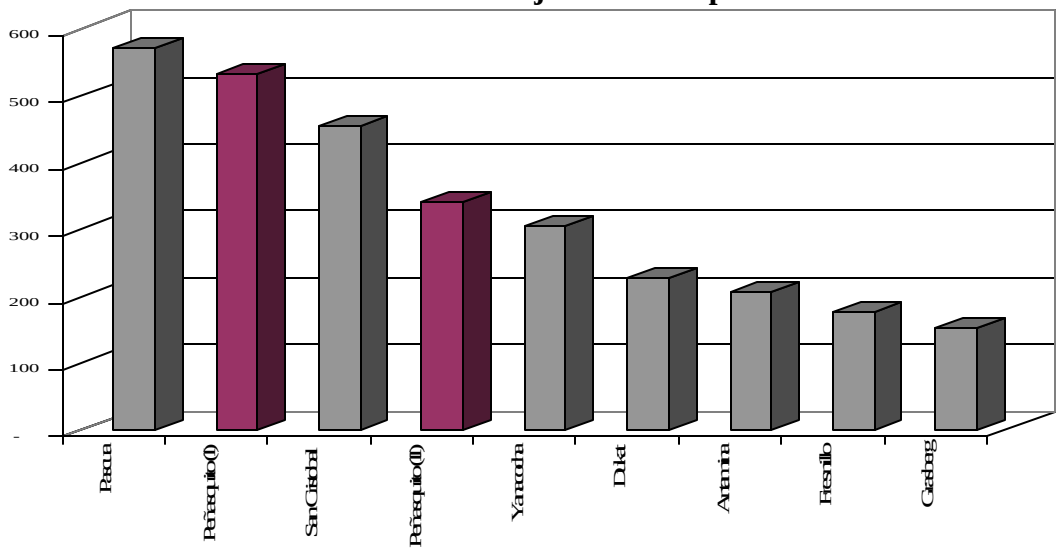
Key Statistics

Exchange		Amex		Toronto	Shares out. (12.31.04)	(millions)	47.968
Ticker		WTZ		WTC	Float	(%)	84%
Price (04.08.05)	(US$)	7.94	(C$)	9.80	Options & warrants	(millions)	2.43
52 week: high (11.16.04)	(US$)	11.65	(C$)	13.92	Average exercise price	(C$)	4.16
low (05.10.03)	(US$)	4.78	(C$)	6.52	Cash (12.31.04)	(US$ mm)	60.03
Average daily trading volume		226,000		111,000	Cash on option/warrant exercise	(US$ mm)	11.25
Fiscal year: September 30					Market capitalization	(US$ mm)	380.866

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

- Both the Chile Colorado and Peñasco deposits individually rank as amongst the world's largest known silver deposits – there is strong potential for substantial expansion of the current resources in those zones.
- There is strong exploration potential – El Sotol, La Palma, El Chamisal, and NE Azul in the immediate vicinity of Chile Colorado and Peñasco.
- There are other high-priority targets on the property, including Noche Buena some ten miles to the north, and Gallo Blanco to the east, of Chile Colorado/Peñasco.
- Initial pre-feasibility and scoping studies indicate strong economics.
- Good infrastructure in an established mining district will facilitate development:
  - A road passes through the Chile Colorado/Peñasco area, 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.

The World's Major Silver Deposits



Note: Reserves except for Peñasquito – Case I is total mineralized material; Case II is measured and indicated resource

Source: CPM Group and Proteus Capital Corp estimates

Progress since 2002

Western Silver has maintained an impressive pace of development during the past three years. Our original report focused on an initial 110 million tons of mineralized material that had been defined by 19 holes drilled at Chile Colorado.

Since then, the company has:

- Drilled an additional 269 holes and reincorporated some 85 other holes drilled previously into the database.
- Completed an initial scoping study on Chile Colorado that gave the go-ahead for further drilling.
- Completed a pre-feasibility study on Chile Colorado in early 2004 that supports the translation of mineralized material in measured, indicated and inferred resources under Canadian standards.
- Identified opportunity at Peñasco and completed resource model.
- Discovered La Palma, El Chamisal, El Sotol and other targets in the immediate vicinity of Chile Colorado/Peñasco.
- Commenced a bankable feasibility study at Chile Colorado/Peñasco
- Identified other targets at Peñasquito and expanded the property to cover the Noche Buena area located ten miles north of Chile Colorado.

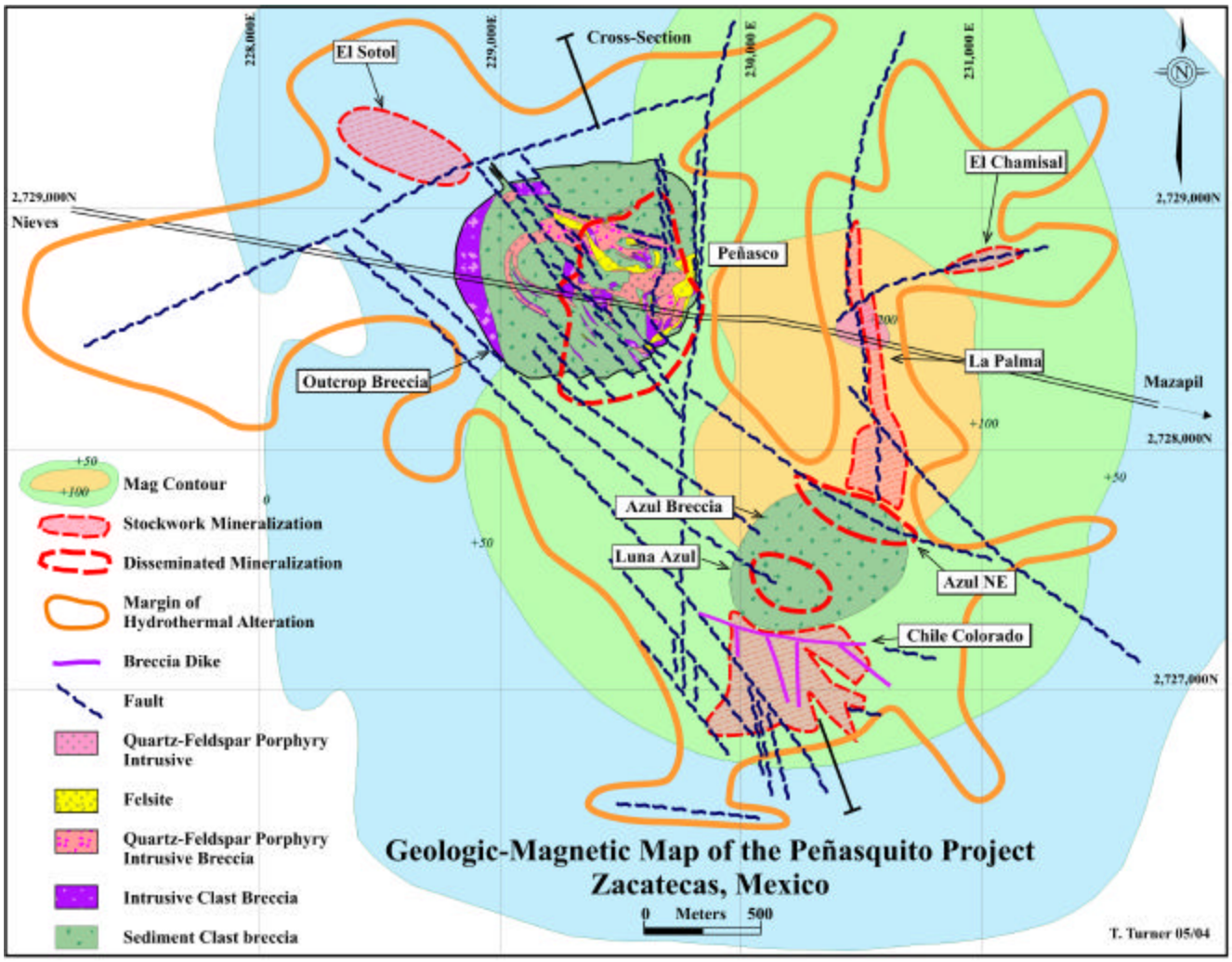
Corporately, the company has also made enormous progress, completing three rounds of financing, including a C$65 (US$52) million public offering in late 2004. The company has also changed its name to Western Silver from Western Copper in order to more fully reflect its focus, and successfully listed on the American Stock Exchange, giving it a dual listing with the Toronto Stock Exchange.

INVESTMENT SUMMARY

The value proposition is straightforward – in our opinion the financial markets have still not recognized the size and economic potential of Peñasquito. In part, we believe that reflects the rate at which identified mineralization has expanded, combined with the steady enhancement of the classification of that mineralization into the measured and indicated category.

In addition, Peñasquito is not following an entirely conventional development path for a junior mining company. Typically, the property is fully explored after which the engineering feasibility work is completed leading to a production decision and subsequent mine development.

Western Silver has dual-tracked feasibility work with continued exploration. This partly reflects the lack of funding available for exploration plays in 2002-2003. However, more fundamentally it reflects the size and complexity of the project combined with management's desire to confirm that exploration success could be translated into an economically viable mine, even when metal prices were at their lows.



Source: Western Silver Corporation

As Western advances towards production, we believe this dual-track approach will be seen to have been smart. Typically, the period of feasibility work is not newsworthy and there is always the risk of disappointment as exploration enthusiasm is translated into engineering reality.

For Western, the engineering reality has been a factor in the market for a long time. Furthermore, continued drilling in the vicinity of Chile Colorado/Peñasco and elsewhere on the property is likely to maintain some exploration excitement.

More fundamentally, the company is conducting its bankable feasibility work with a high degree of confidence.

Finally, as a practical matter, district-scale projects such as Peñasquito can never be fully explored prior to moving to production. Indeed, perhaps the distinction between a district and a single project is the ability of a district to expand and grow, supporting several expansions to operation over a period of many years – think of Carlin or Grasberg.

Advances at Chile Colorado/Peñasco since 2002

		2002	March 2004				April 2004	March 2005			
		Sulfide	Sulfide		Oxide		Sulfide	Sulfide		Oxide	
		Mineralized Material	Measured & Indicated	Inferred	Measured & Indicated	Inferred	M & I Reserves	Measured & Indicated	Inferred	Measured & Indicated	Inferred
Tonnage	million st	111	164	110	21	26	108	341	229	32	13
Silver											
Grade	g/mt	47.00	34.32	28.75	15.15	12.71	39.65	31.56	26.99	28.74	25.65
	oz/st	1.37	1.00	0.84	0.44	0.37	1.16	0.92	0.79	0.84	0.75
Contained metal	oz	152	164	92	9	10	125	314	180	27	10
Price	$/oz	4.90	7.00	7.00	7.00	7.00	7.00	7.15	7.15	7.15	7.15
Value	$	743	1,149	647	64	68	878	2,247	1,288	194	70
Gold											
Grade	g/t	0.398	0.337	0.173	0.143	0.126	0.359	0.460	0.320	0.380	0.390
	oz/st	0.012	0.010	0.005	0.004	0.004	0.010	0.013	0.009	0.011	0.011
Contained metal	oz	1.284	1.613	0.556	0.086	0.097	1.136	4.581	2.136	0.359	0.148
Price	$/oz	312	400	400	400	400	400	425	425	425	425
Value	$	401	645	223	34	39	454	1,947	908	152	63
Zinc											
Grade	%	1.01%	0.84%	0.53%	0.30%	0.21%	0.93%	0.78%	0.63%	0.40%	0.29%
Contained metal	lb	2,234	2,751	1,165	123	111	2,018	5,326	2,884	259	76
Price	$/oz	0.34	0.45	0.45	0.45	0.45	0.45	0.60	0.60	0.60	0.60
Value	$	760	1,238	524	55	50	908	3,196	1,731	155	45
Lead											
Grade	%	0.43%	0.23%	0.31%	0.26%	0.11%	0.34%	0.31%	0.28%	0.35%	0.19%
Contained metal	lb	951	751	679	108	59	738	2,117	1,282	226	50
Price	$/oz	0.20	0.30	0.30	0.30	0.30	0.30	0.45	0.45	0.45	0.45
Value	$	190	225	204	32	18	221	953	577	102	22
Total metal value	$	2,093	3,257	1,598	186	175	2,462	8,343	4,504	603	201

Note: All units except grade and price are in millions

Source: Company reports and Proteus Capital Corp. estimates

The table above shows the progression of identified mineralized material and enhancements to the classification during the past three years. Note that in 2002 none of the material met the standard to be inferred resources, whereas the 2004 and 2005 numbers are in the measured, indicated, or inferred category (we have not included any estimate of other mineralization). In addition, the April 2004 numbers are the reserve part of the resources defined in March of that year.

During the three years, the value of contained metals has increased a impressive 550%, driven by two factors – the increase in contained metals, which contributed 300%, and the increase in the prices of those metals, which contributed 62% to the increase (note, the total increase is the product of the individual contributions.)

In July 2002, Western Silver had 27.3 million shares in issue, the share price was $2.17 and the company had $0.87 million in cash – the enterprise value (market capitalization less net cash) was $58 million. By April 2004 when we reviewed the pre-feasibility study, the share price had risen to $5.27 and there were 38.2 million shares in issue. With $10.7 million in cash, the enterprise value was $190 million.

Today, the share price is $8.94 (up 265%), there are 48.0 million shares in issue (up 76%) and the company has $60 million in cash – the enterprise value is $321 million, up approximately 450% since July 2002.

We find it remarkable that the enterprise value has actually increased less than the value of the contained metal. A dollar's worth of metal contained in measured and indicated resources should be worth more than a dollar's worth of metal contained in mineralized material – the likelihood of that dollar's worth of metal being extracted is much greater today than it was in 2002. Further, that dollar's worth of contained metal is more profitable today owing to higher metal prices.

The only real justification for this stability of value would be that the market was anticipating "blue sky." However, we believe the "blue sky" at Peñasquito is at least as great today as it was in 2002. Therefore, we conclude Western Silver is more undervalued today than it was in 2002 because the risks are are much reduced yet the valuation is similar.

FINANCIAL PROJECTIONS

In April 2004, M3 Engineering & Technology Corporation completed an initial prefeasibility study on the Chile Colorado zone of Peñasquito – see table on page 8. The study contemplating mining just one third of the measured, indicated and inferred resources already outlined at that time – it did not include Peñasco or the oxide material. However, it did translate resources into reserves and took into account mineable ore.

Outline Economics of Enlarged Chile Colorado/Peñasco Project

(units in metric tonnes)

	Year:	-1	0	1	2	3	4	5 - 7	8 - 24	Total
Mining										
Rock	mt	9.3	16.3	21.7	21.2	25.6	43.8	51.1	102.2	1,954.2
Strip ratio		n/a	n/a	2.17	1.90	2.50	5.00	2.50	2.50	2.50
Ore	mt	-	0.5	6.8	7.3	7.3	7.3	14.6	29.2	558.6
Silver	(g/t)		36.94	44.85	83.30	28.67	28.67	28.67	28.67	29.59
Gold	(g/t)		0.27	0.21	0.31	0.41	0.41	0.41	0.41	0.40
Zinc	(%)		0.73%	0.83%	1.44%	0.68%	0.68%	0.68%	0.68%	0.694%
Lead	(%)		0.42%	0.52%	0.90%	0.29%	0.29%	0.29%	0.29%	0.298%
Payable metal										
Silver	oz		0.4	7.0	13.2	4.5	4.5	8.9	17.9	354.0
Gold	oz		0.002	0.028	0.041	0.055	0.055	0.111	0.222	4.20
Zinc	lbs		(0.8)	79.8	139.5	66.1	66.1	132.2	264.4	5,143.4
Lead	lbs		(0.1)	63.5	111.3	35.6	35.6	71.1	142.2	2,824.2
Revenues										
Silver	$		2.7	50.1	94.3	32.0	32.0	64.0	128.0	2,531.2
Gold	$		1.0	12.0	17.4	23.6	23.6	47.1	94.2	1,785.4
Zinc	$		(1.7)	26.5	46.3	21.9	21.9	43.8	87.7	1,704.9
Lead	$		(0.6)	17.8	31.2	10.0	10.0	19.9	39.8	790.7
Net Smelter Revenue	$		1.3	106.3	189.2	87.4	87.4	174.9	349.7	6,812.1
Operating costs										
Mining	$	6.0	10.6	14.1	13.8	16.6	28.5	33.2	66.4	1,270.3
Processing	$	-	1.6	24.7	24.7	24.7	24.7	49.3	98.6	1,888.0
Total	$	6.0	12.2	38.7	38.4	41.3	53.1	82.5	165.0	3,158.2
Operating income		(6.0)	(10.9)	67.6	150.8	46.2	34.3	92.3	184.7	3,653.9
Depreciation	$	-	0.1	2.1	2.3	2.3	2.4	7.5	28.1	500.0
General and admin	$	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	52.0
Income before tax		(8.0)	(13.0)	63.5	146.5	41.8	29.9	82.8	154.5	3,101.9
Taxation	$	(2.6)	(4.2)	20.3	46.9	13.4	9.6	26.5	49.4	992.6
Net income	$	(5.5)	(8.8)	43.1	99.6	28.4	20.4	56.3	105.1	2,109.3
Operating cash flow	$	(8.0)	(12.9)	65.6	148.8	44.2	32.3	90.3	182.7	3,601.9
Free op. cash flow	$	(38.7)	(135.6)	46.9	145.8	41.0	29.2	(9.7)	(29.8)	3,101.9
After tax cash flow	$	(5.5)	(8.7)	45.3	101.9	30.8	22.7	63.8	133.2	2,609.3
Free net cash	$	(36.1)	(131.5)	26.6	98.9	27.7	19.6	(36.2)	(79.3)	2,109.3
Capital										
Capital	$	30.6	122.8	18.6	3.0	3.1	3.1	100.0	212.5	500.0

Source: Company reports and Proteus Capital Corp estimates

Using the operating projections in the pre-feasibility study, we have developed a simplified model projecting the current Chile Colorado/Peñasco resources. This should only be taken as a rough guide to the ultimate plans – after the first three years we have straight lined grade and the strip ratio and have made assumptions about two expansions. However, we believe the model indicates the potential at this one part of Peñasquito.

We have taken the first three years from the pre-feasibility study, except that we have escalated capital costs by 25% in order to be conservative. We have assumed initial production at 20,000 metric tonnes per day, expanding to 40,000 tonnes per day in years five through seven at a capital cost of $100 million, and then doubling again to 80,000 tonnes per day for years eight through twenty four for a further capital cost of $212.5 million. Life-of-mine capital is projected at $500 million.

The projections assume current metal prices – silver at $7.15 per ounce, gold at $425 per ounce, zinc at $0.60 per pound, and lead at $0.45 per pound. We have used smelter and refinery charges as predicted in the prefeasibility study.

Our model projects free cash flow from operations (excluding taxation, but after capital recoupment) of $3.1 billion for a pre-tax internal rate of return of 37%. An assumed 32% tax rate reduces the undiscounted free cash flow to $2.1 billion and the IRR to 27%. Assuming typical 70% project debt funding, we project the leveraged after tax IRR to equity at nearly 50%.

Our model shows a maximum equity funding requirement of $56 million, which is less than the cash balance at the end of 2004 – in other words there may be little need for additional equity financing to fund construction.

Western Silver Balance Sheet

	December 31 2004	September 30 2004	September 30 2004
ASSETS			
Current Assets			
Cash and cash equivalents	73,655,990	13,528,534	2,744,038
Accounts receivable and prepaid expenses	373,687	693,521	194,198
Total	74,029,677	14,222,055	2,938,236
Long-term Assets			
Long-term investment	267,092	267,092	267,092
Mineral properties	45,554,088	43,194,729	39,447,235
Property, plant and equipment, net	42,328	44,794	1,839
TOTAL ASSETS	119,893,185	57,728,670	42,654,402
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	1,455,114	1,509,410	871,567
Shareholders' Equity			
Issued and outstanding	142,645,510	79,249,498	59,064,015
Stock options and warrants	3,489,038	3,853,483	269,257
Deficit	(27,696,477)	(26,883,721)	(17,550,437)
Total	118,438,071	56,219,260	41,782,835
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	119,893,185	57,728,670	42,654,402

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 – the team at Western Silver is led by:

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.

PROPERTIES

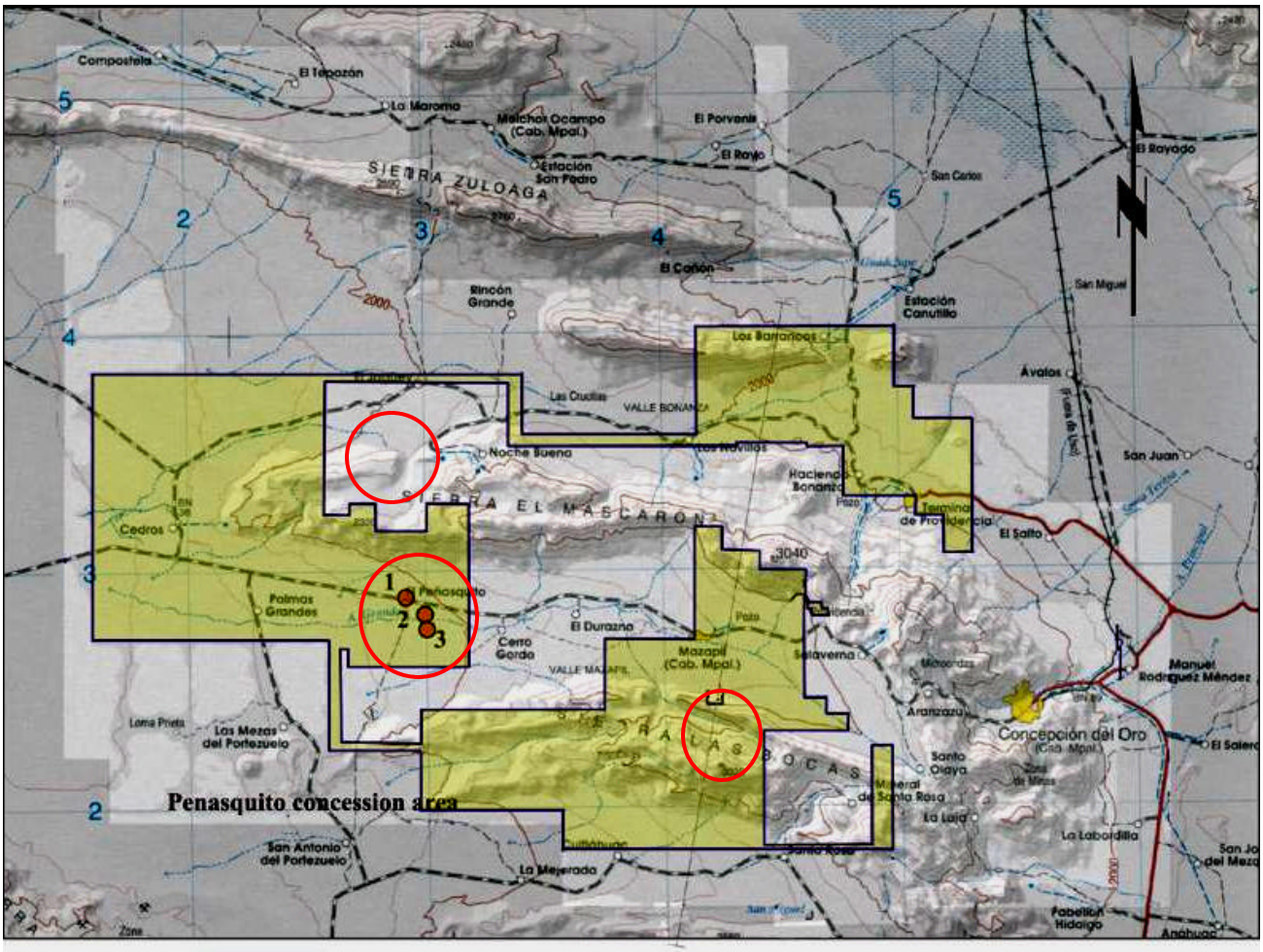
PEÑASQUITO

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 company has secured rights to the land around Noche Buena – the northern most circle below. Chile Colorado/Peñasco and Gallo Blanco are marked separately

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.

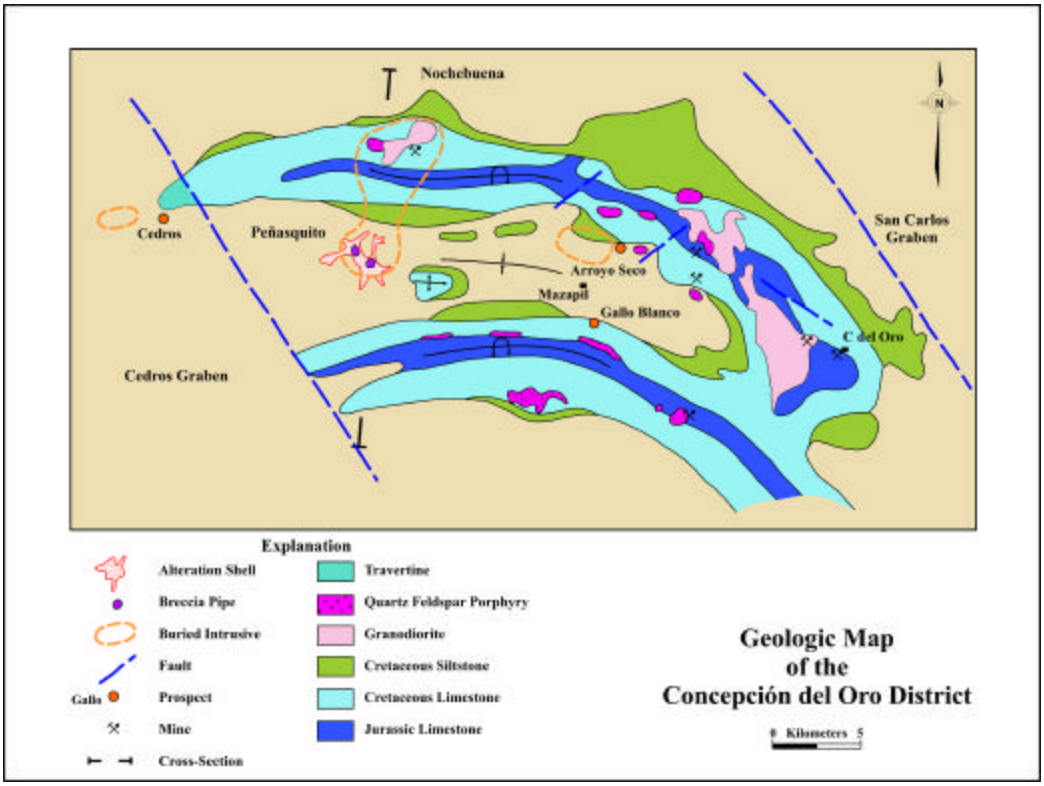
Nieves is on Highway 49 that connects Torreón, Fresnillo and Zacatecas, continuing to the east to San Luis Potosi, where Highway 70 connects to the Gulf of Mexico port city of Tampico.

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

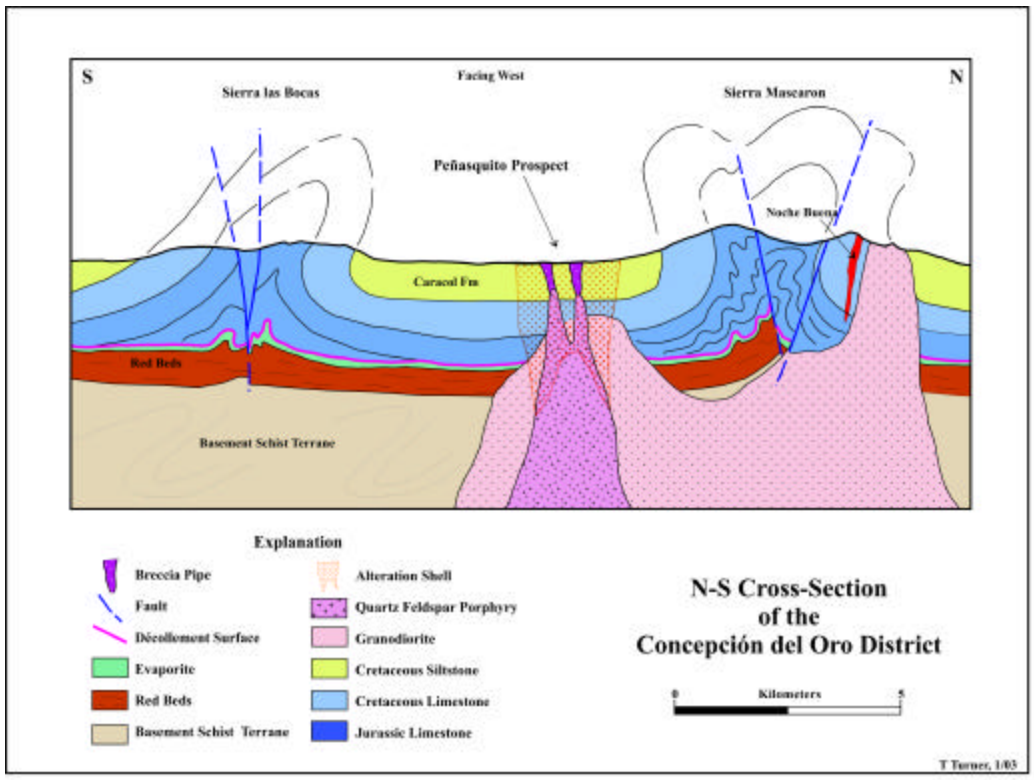
Regional and Local Geology

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.

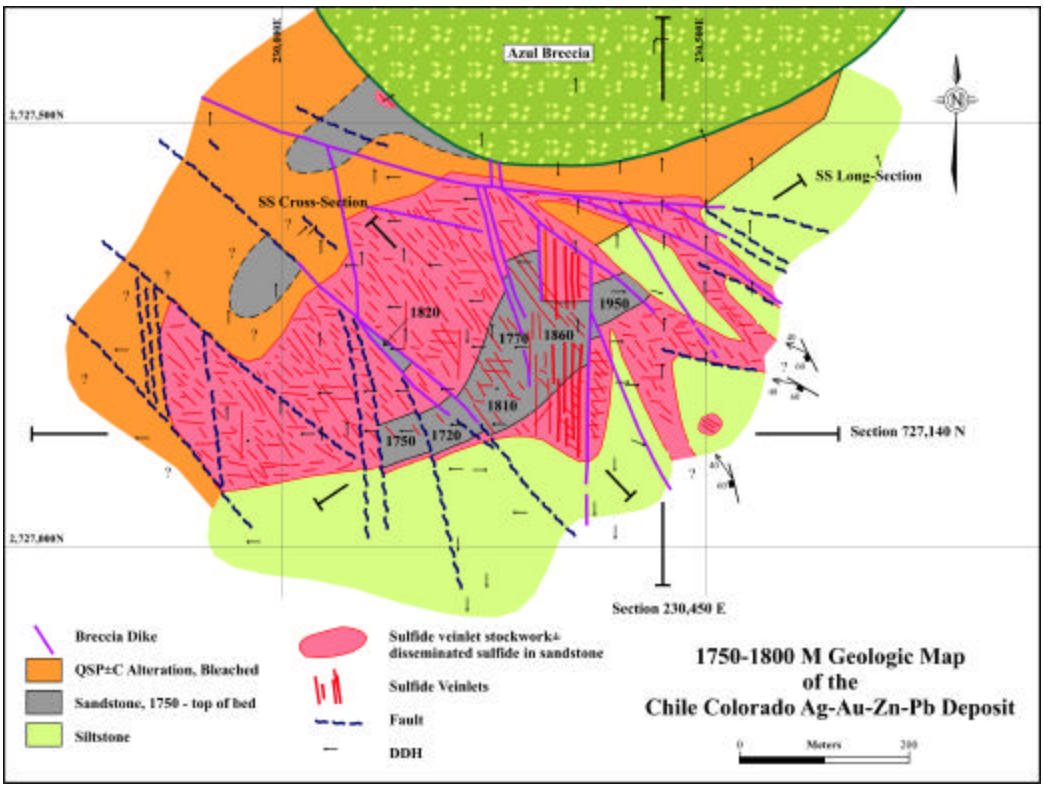
That company's expertise is in small, underground vein mining and its interest may have been driven by the high grade vein mines that typify the Concepción del Oro district. However, as its work began to confirm a large, disseminated silver deposit, it dropped out of the joint venture – Western has retained 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

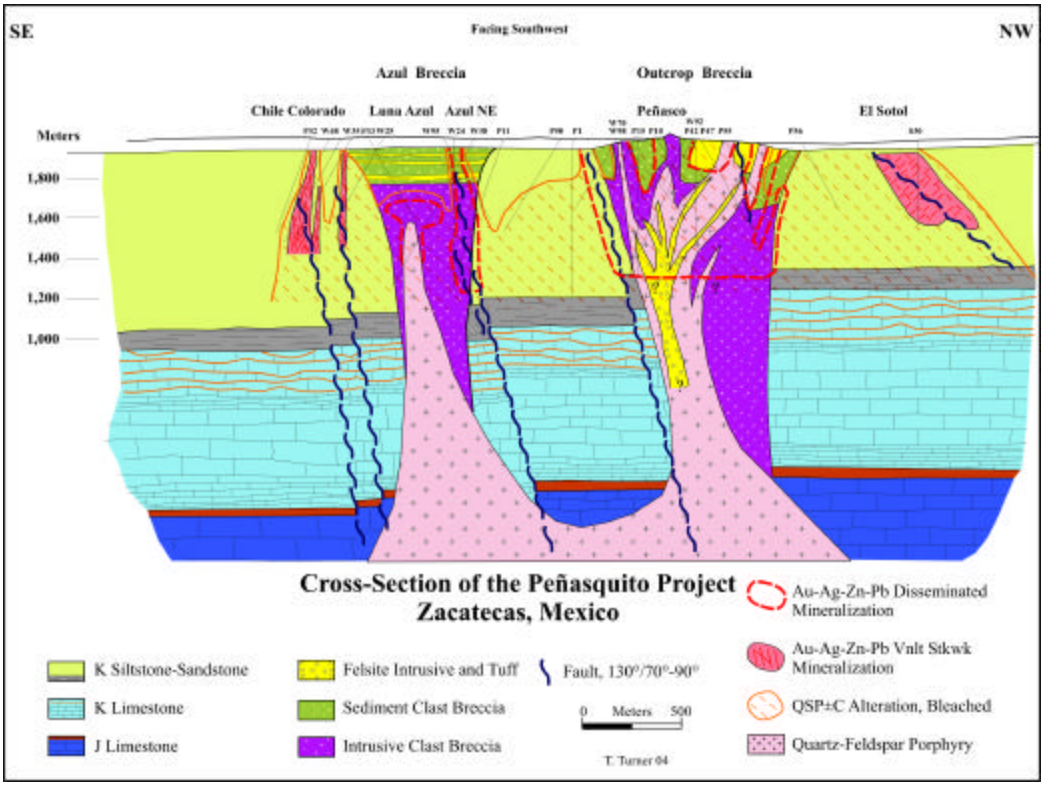
Chile Colorado is located on the southern flank of the Azul Breccia. The area is in a flat-bottomed syncline between two anticlines that form ridges to the north and south, dipping gently to the west.



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.

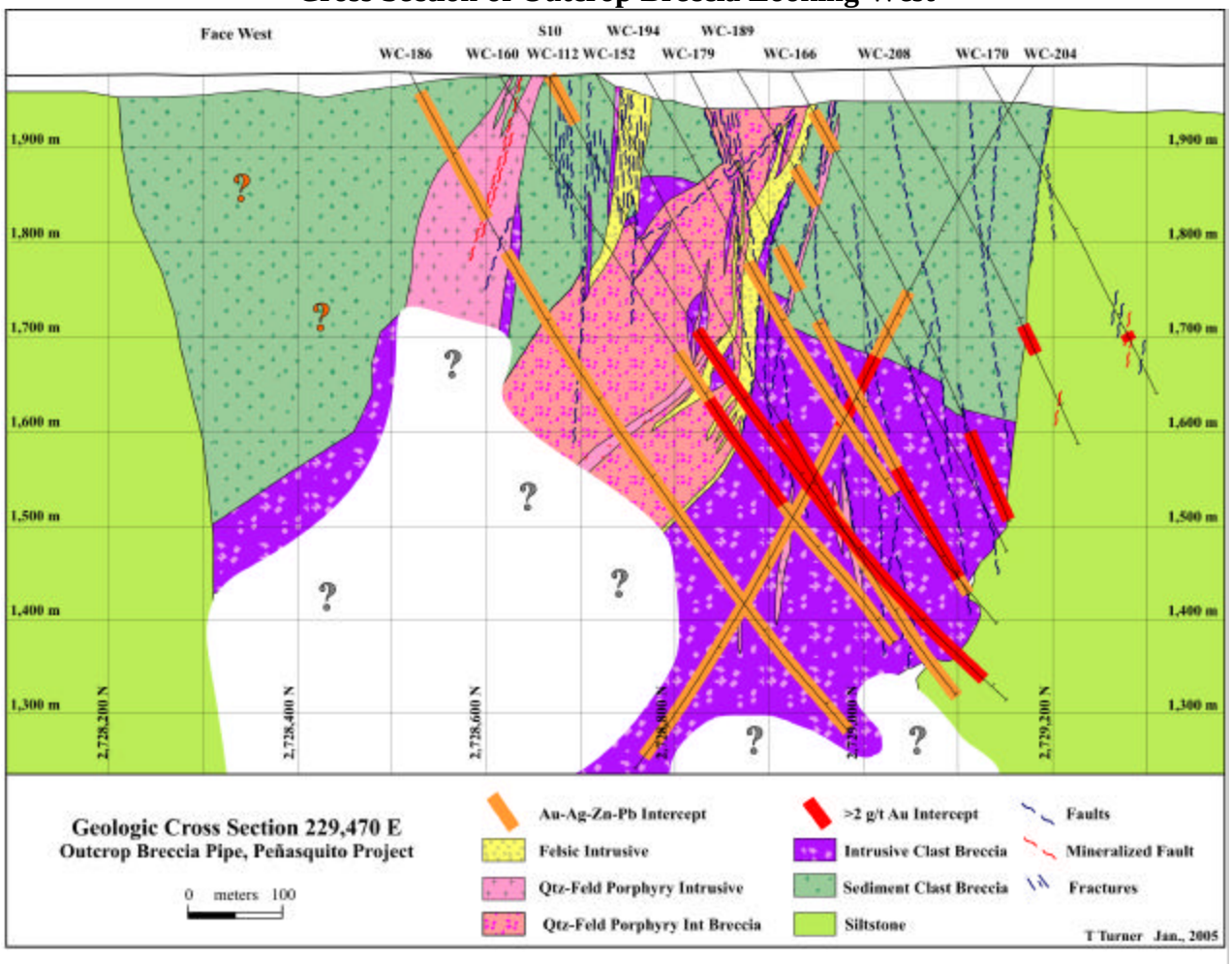
Peñasco

Peñasco is associated with the Outcrop Breccia, which was the original discovery and initial focus of exploration activity. However, Kennecott was looking for a buried porphyry and was not interested in the silver-gold-zinc-lead nearer surface. Peñasco is focused in the eastern half of the Outcrop Breccia, covering about 1,000 feet east-west and 1,500 feet north-south. The bottom of mineralization appears to be relatively flat while the top extends to surface associated with intrusive stocks and dikes.

Mineralized sulfides occur in hydrothermal breccias associated with quartz porphyry stocks and dikes. Drilling has also identified intervals of high grade gold and silver mineralization along the northern contact of the breccia pipe. One hole (WC-166) intercepted 15.6 oz/t gold and 241 oz/t silver over a 2 meter (7 feet) section.

The Concepcion district is known for high grade systems, typically chimneys associated with buried porphyritic intrusives. It is possible that the bonanza grade at the north of Peñasco could be associated with an east-west structure that may extend to La Palma, some 3,500 feet to the east, where limited drilling intercepted high grade gold-silver mineralization.

Cross Section of Outcrop Breccia Looking West



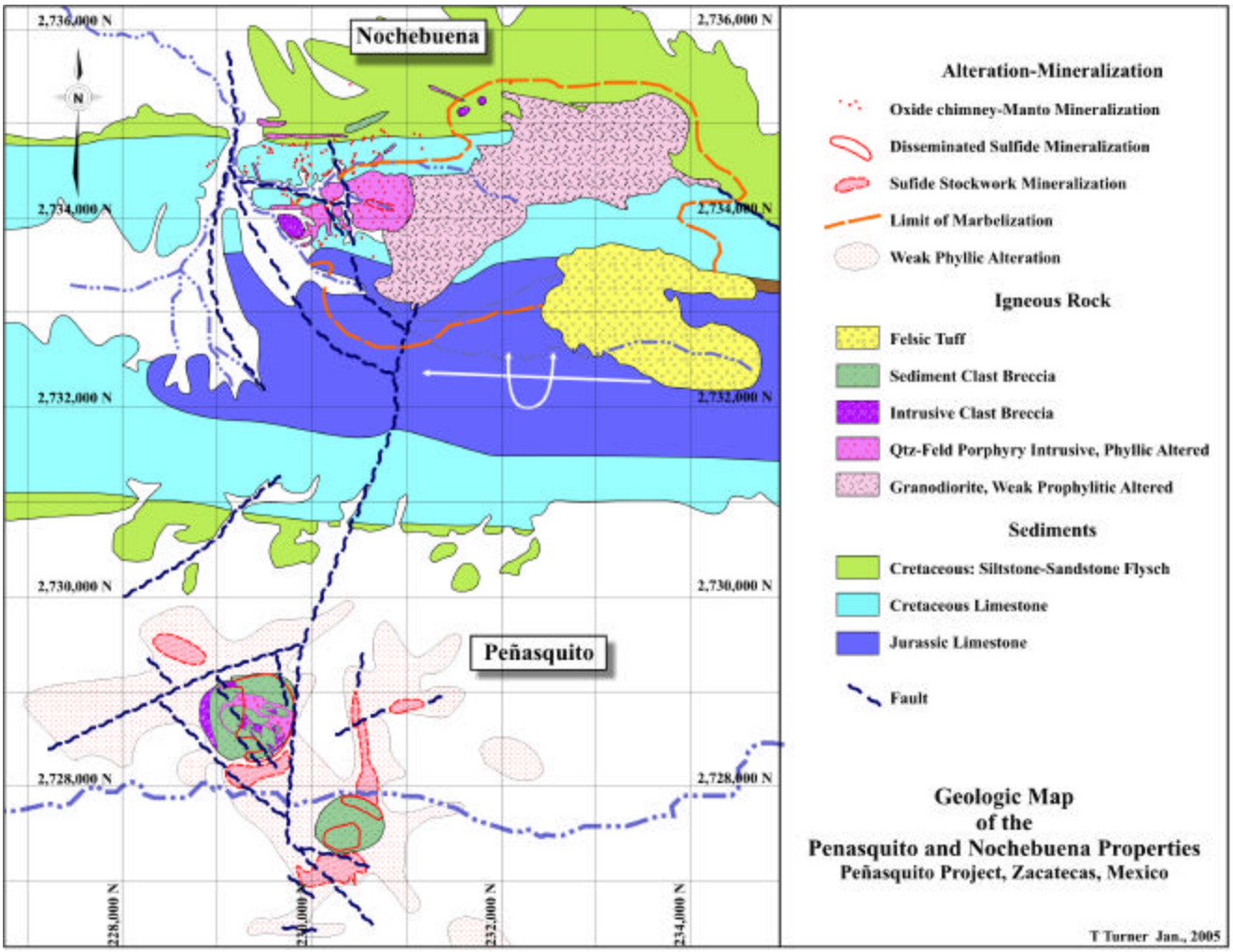
Noche Buena

Western Silver has expended considerable effort over the past year or so to secure about 80% of the property at Noche Buena, located ten miles to north of Peñasco. There is a large, north-south aeromagnetic anomaly that encompasses Peñasco/Chile Colorado to the south and Noche Buena to the north, traversing a range of low mountains that define the Mazapil valley. The magnetic high at Noche Buena covers an exposed, 40 million year old grandodiorite stock, similar to the postulated stock at depth beneath Peñasco/Chile Colorado.

The target at Noche Buena is a large are on the western side of the exposed stock centered around an altered quartz-feldspar porphyry stock. Initial reconnaissance has identified vertical chimneys along the northern contact of the porphyry stock that the company has interpreted as the top of a carbonate replacement mineral system.

This target has the potential to be a major, high grade system more typical of those found elsewhere in the Concepcion district.

Geologic Map of Peñasco/Chile Colorado and Noche Buena District



Gallo Blanco

Gallo Blanco is located about a mile and a half southwest of Mazapil, the local village where Western Silver maintains its local office (See maps on pages 10 and 11). The target is a series of silver-lead-zinc replacement chimneys in the northern, overturned limb of the Sierra Las Bocas anticline (see cross section on page 12) where the Indidura and Cuestra de Cura formations extend along the low east-west mountains that form the southern boundary of the Mazapil valley. These formations are known hosts for other bonanza grade chimneys in the Concepcion district.

Western Silver has taken samples from old time workings in the Gallo Blanco adit that ended at chimney approximately twenty-five feet in diameter where a grab sample returned 63 ounces of silver per ton and 32% lead. Again, this has the potential to become a significant high-grade underground target, more typical of the Concepcion district than the bulk mineable deposits at Peñasco and Chile Colorado.

OTHER PROPERTIES

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

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

The company is contemplating how to best maximize value of these assets while not becoming distracted from the core assets at Peñasquito.

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 that may not be entirely driven by economics. The joint venture owns 75% of San Nicolas – Teck owns 25% directly – so Western's interest in the project is 26.25%, which could be diluted to 18.75%.

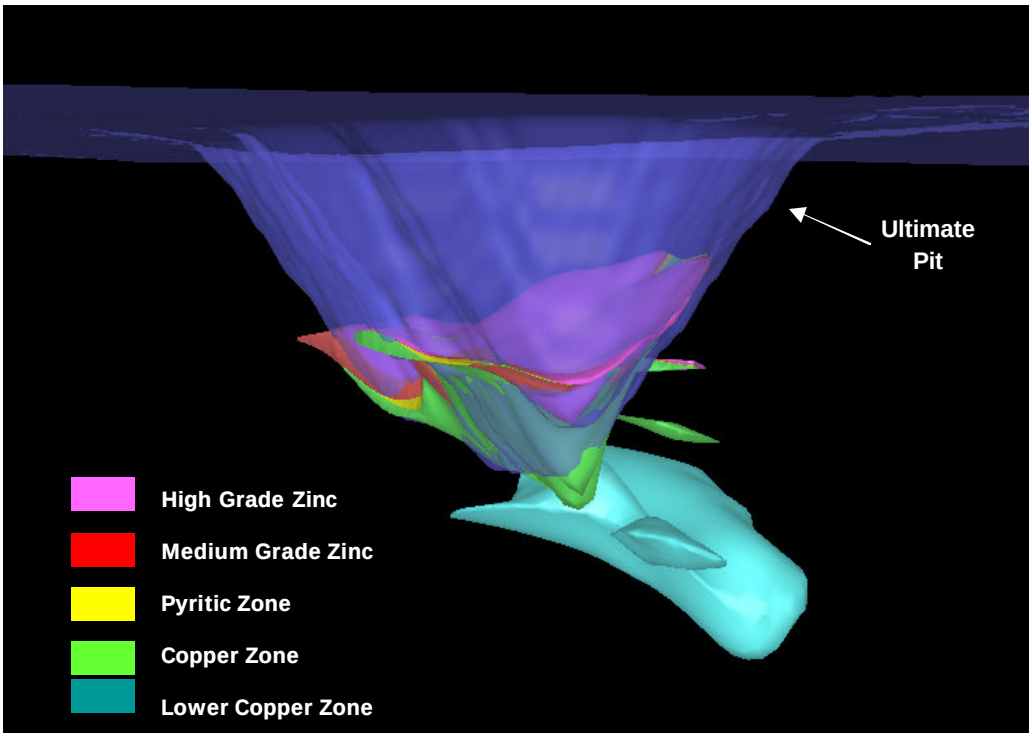
Proved and probable reserves total 71 million tons grading 1.32% copper, 2.04% zinc, 0.015 oz/t gold and 0.94 oz/t silver – the shallower sections of the ore body are zinc-rich, with higher-grade copper mineralization at depth, including possible extensions below an initial open pit. The feasibility 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. Therefore, the joint venture has continued to accumulate land within the area of interest. 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.

Cross Section through Projected Pit



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.

KEY INFORMATION

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