

WESTERN SILVER CORPORATION **(AMEX – WTZ; TSX – WTC)**

SITE VISIT TO PEÑASQUITO SILVER PROJECT RECONFIRMS WORLD-CLASS SCALE AND POTENTIAL FOR FURTHER DISCOVERIES

Following a recent visit to Western Silver Corporation's 100%-owned Peñasquito silver project in Zacatecas State, Mexico, we conclude that Peñasquito is a cluster of individually major silver-gold-zinc-lead deposits within a much larger mining district. We were also impressed by the enormous intercepts of mineralization in the core. Put simply, our visit reconfirmed our belief that Peñasquito is a company maker. In fact, we believe the scale of the project is such that the project could form the basis of a major mining company.

Developments at Peñasquito

We visited the Peñasquito property in mid-February. The first revelation was the easy access – a 90 minute flight from Houston's Intercontinental airport to Saltillo where any American will feel immediately at home with all the regular chains of fast food and inexpensive hotels. A two-hour drive on mostly well-maintained roads took us through the historic mining town of Concepcion and, after a shortcut through a perfectly serviceable mountain pass, on to the picturesque village of Mazapil. Western's office and camp are located in a newly renovated adobe house on the village square, built in traditional style around a courtyard with a fountain.

The next morning we set out for a tour of the property. Touring exploration sites tends to be of limited value, especially when the bedrock is covered with unmineralized valley fill. Peñasquito started with the discovery of a hat-shaped outcrop sat at the side to the road that runs west from Mazapil. This single outcrop not only provided the first key to unlocking the geologic potential of the property, it also acts as a useful marker that is visible from most of the area.

Our visit coincided with preparations for the start of the 130,000-foot 2004 drill program. Western has developed a clear exploration methodology to see through the blanket of valley fill that hides the bedrock, making traditional surface geology meaningless.

This program comprises shallow drilling to the upper bedrock using a reverse circulation rig, followed by deeper core drilling where results from the shallower drilling indicate potential. During our visit, one RC and one core rig were about to commence drilling, with a second core rig scheduled to arrive shortly.

While the Outcrop was the key to discovering Peñasquito, until the middle of 2003 the focus was on the Chile Colorado zone located approximately a mile southeast of the outcrop.



The Outcrop



RC and Core Rigs Near Outcrop

See Important Notice on Page 4

As we have discussed in previous reports, the discovery of Chile Colorado required modern geophysical analysis that can look through the surface material and detect changes in magnetic, gravity and other characteristics that can point to areas of potential mineralization.

Chile Colorado is now well established – Western has completed an initial scoping study and preliminary mine planning, it has followed up with in-fill drilling to improve the categorization of the mineralization and it is now working on a pre-feasibility study that will include detailed mine planning and scheduling as well as processing plant design.

It is now clear that Chile Colorado is one of a cluster of deposits at Peñasquito. Because less work has been completed on the other deposits and targets than at Chile Colorado, their size and ultimate economics are less well established. However, these other deposits seem to be of comparable size, generally shallower, with equivalent or better grades, and with stronger gold credits.

Another feature of Peñasquito is the scale of mineralized intercepts in core drilling. Reports of hundreds of meters of mineralization are less impressive than physically walking along as much as five hundred meters of core. Furthermore, while there are variations in mineralization within these large intercepts, each zone tends to be thick and visually distinct.

We were also impressed by the infrastructure and organization at the camp and the core logging facilities. A half split of all the core that has ever been drilled on the property is maintained in a neat, clean core shack (see below right.)

We believe that the company is planning development in an appropriately pragmatic fashion. The extremes would be to push ahead with Chile Colorado as a standalone operation and ignore the fact that other areas may offer better initial economics or, alternatively to explore the whole area before optimizing the plans. The middle course being adopted is to advance engineering at Chile Colorado while fast-tracking detailed evaluation of Peñasco, located immediately south and east of the outcrop, which is the area that offers the most likely alternative for initial bulk-mining.

Our analysis indicates that the best approach to maximize shareholder value would be to start operations with, say, a 20,000 metric tonne per day plant, with expansion to 40,000 metric tonnes per day or more funded from the initial operations. The scoping study indicated an initial capital cost of approximately \$150 million.



The core pictured is a zone of continuous mineralization



Orientation of core – note structures cutting across core



View of Core Shack

We expect as much as 70% of the capital cost to be debt financed, indicating an equity requirement of less than \$50 million. Future expansion capital is likely to be funded from cash flow – typical scaling factors suggest doubling of capacity would cost between \$75 million and \$100 million.

The current exploration program is designed to determine just how large the Peñasquito area may be. In addition to Chile Colorado, there are five other targets with varying amounts of work already completed: Peñasco to the southeast of the outcrop breccia, NE Azul to the northeast of Chile Colorado, La Palma to the north of Azul and east of Peñasco, El Chamisal east of La Palma, and El Sotol to the west of Peñasco. Further, the Azul breccia itself may be at least partially mineralized. These targets cover an area approximately two-and-a-half miles east-west and about a mile-and-a-half north-south.

It is important to remember that the scoping study at Chile Colorado focused on approximately 98 million tons, or approximately half the total resources that are themselves open. Nonetheless, this initial study indicated attractive economics based on metal prices prevailing last summer. Today, metal prices are significantly higher. Indeed, at current metal prices the lead and zinc production would cover over 75% of the operating costs. If these revenues were applied against costs of producing the precious metals, the cash cost of silver would be approximately \$1.00 per ounce and the cash cost of gold would be under \$100 per ounce (on a co-product basis) placing Chile Colorado near the bottom of the global cost curve.

We anticipate that the economics in the prefeasibility study will be at least as good as in the scoping study based on greater tonnage, lower strip ratio, and probably better grade. We expect the price assumptions to be somewhere between the lows levels of last summer and today's prices.

However, it is extremely important to understand that no matter how exciting Chile Colorado may be, it remains just one part of the Peñasquito camp. It is not hard to envision the amount of recoverable silver at Chile Colorado doubling from approximately 112 million ounces based on the description above. It is also quite possible to imagine comparable potential at each of the other targets. Furthermore, these other targets tend to show higher gold values than at Chile Colorado.

In conclusion, we remain very positive about Peñasquito. It has the clear potential to be one of the largest clusters of silver deposits in the world. Furthermore, there is likely to be a lot of good news over the coming weeks and months, starting with the prefeasibility study at Chile Colorado, and supported by continued drilling news and an economic scoping study at Peñasco before yearend.

This combination – detailed engineering enhanced by additional scoping studies and supported by a major exploration program – is unusual and could be very well received in the public markets as analysts get more information upon which to base their forecasts simultaneously with getting a better handle on the ultimate geological potential.

Exchange	Amex	Toronto	Shares out. (12.31.03)	(millions)	38.176
Ticker	WTZ	WTC	Float	(%)	79%
Price (03.05.04)	(US\$) 7.38	(C\$) 9.72	Options & warrants	(millions)	4.68
52 week: high (02.18.04)	(US\$) 7.70	(C\$) 10.25	Average exercise price	(C\$)	1.98
low (06.04.03)	(US\$) 2.00	(C\$) 2.71	Cash (12.31.03)	(US\$ mm)	10.70
Average daily trading volume	253,800	113,100	Cash on option/warrant exercise	(US\$ mm)	7.17
Fiscal year: September 30			Market capitalization	(US\$ mm)	281.739

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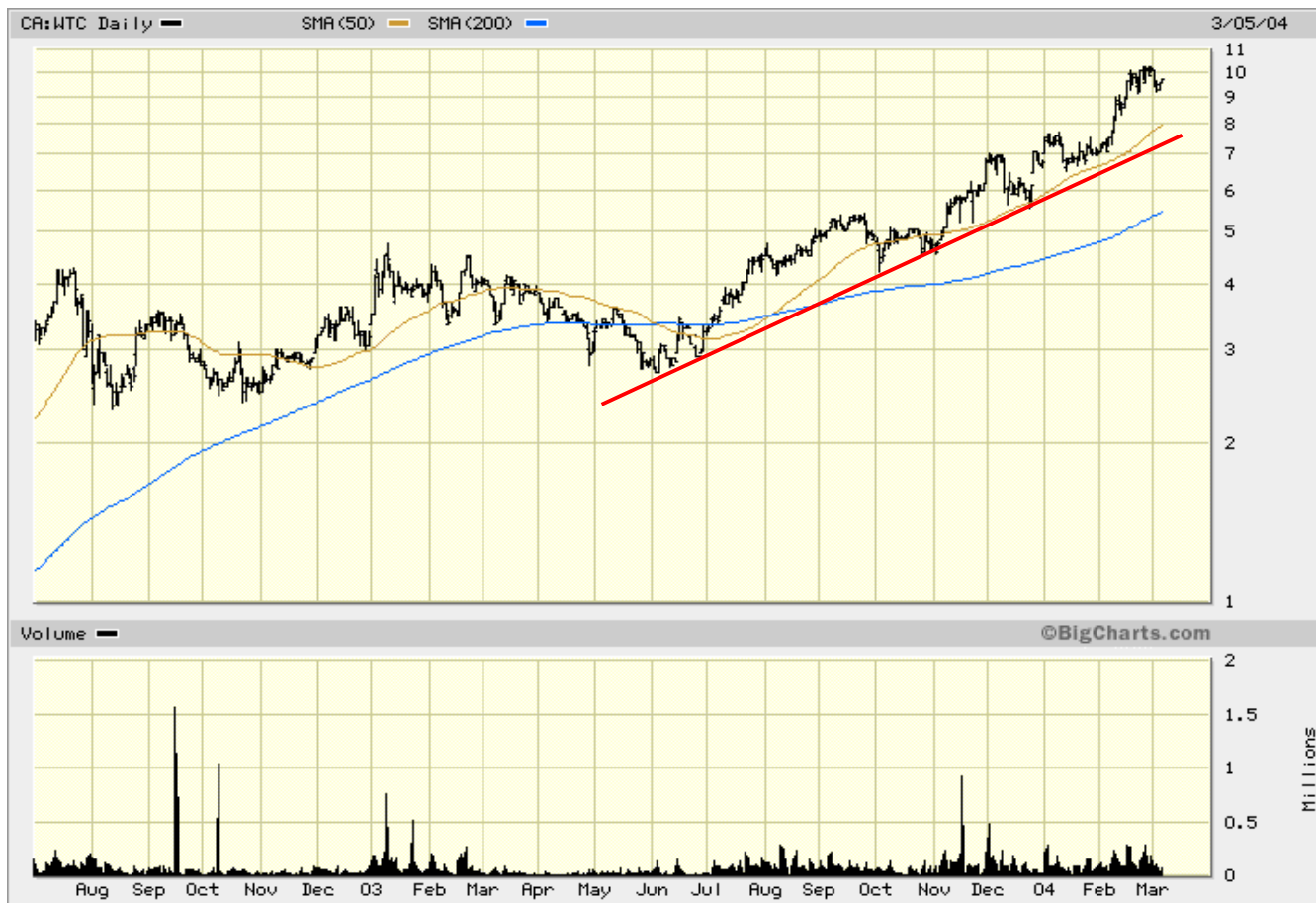
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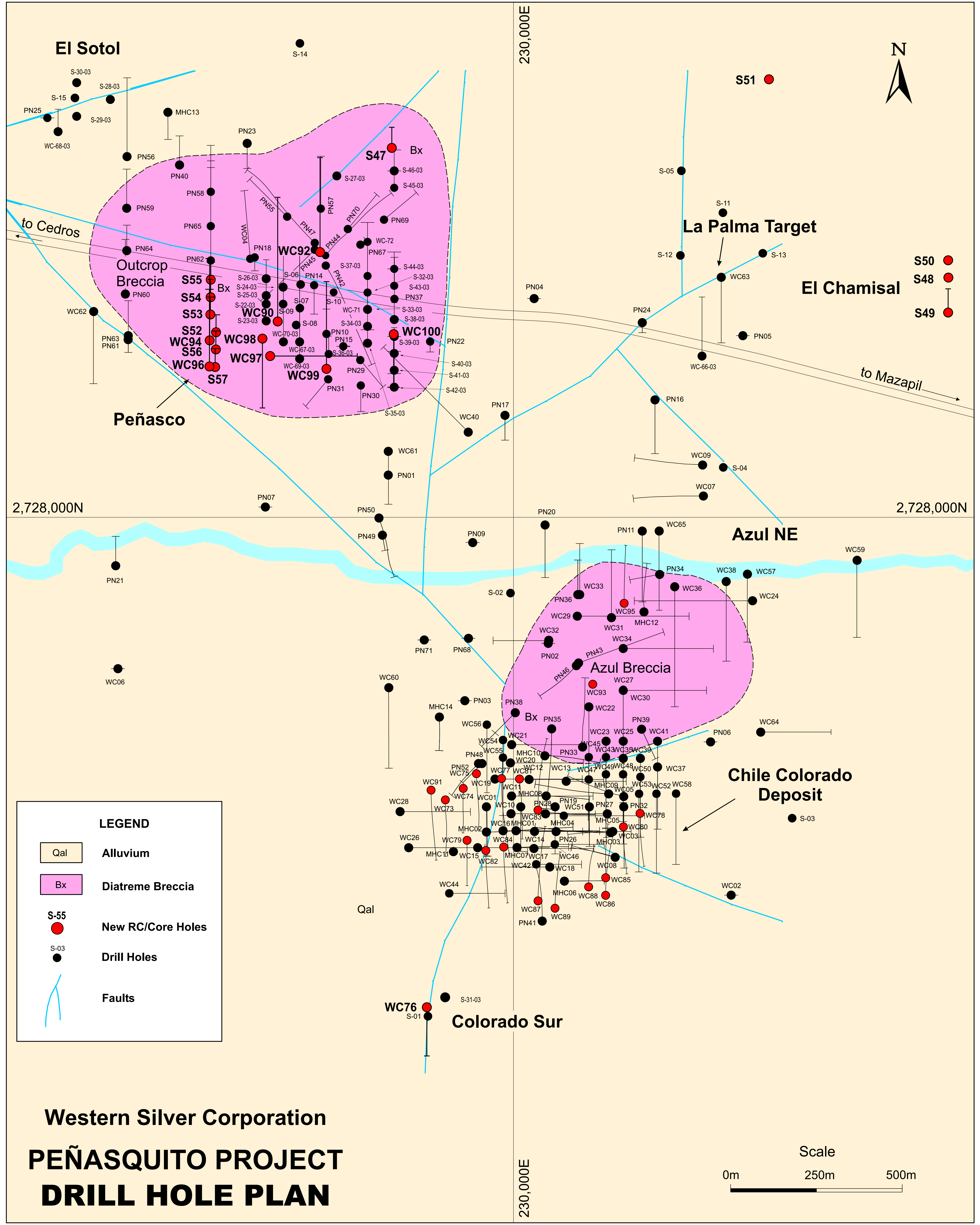
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Stock Price: TSX/Canadian Dollars





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