

WESTERN SILVER CORPORATION

BONANZA GOLD GRADES AT PEÑASCO

PEÑASQUITO COULD BECOME A MAJOR SILVER-GOLD PLAY

In the two-and-a-half years that we have covered Western Silver Corporation, its 100%-owned Peñasquito project in Mexico has evolved into a major precious metals project. The latest round of drilling – comprising some 49 holes – includes bonanza intercepts with visible gold in the northeastern quadrant of Peñasco, located to the northwest of the initial Chile Colorado zone. We will publish a detailed update when the next round of engineering work is completed in the fourth calendar quarter of 2004.

Western Silver's 100%-owned Peñasquito project in north-central Mexico continues to expand and improve. Those who have followed our reports on the Company (see the Western Silver page at www.proteuscapital.com/WesternSilver.htm) will know that we have consistently anticipated good news yet reality has consistently exceeded our expectations. The latest round of drill results suggests that **Peñasquito may be developing into a major precious metals play and not simply a silver deposit, continuing the trend of better-than-expected results.**

The infill drill program at Peñasco during the summer of 2004 is the sort of thing that typically excites engineers but doesn't do much for geologists. The Company used four core rigs to grid drill the eastern section of Peñasco, located to the northwest of the Chile Colorado zone where the majority of prior work was focused. Close observers noted indications that there could be a high grade gold structure that may be related to La Palma, located approximately 1,000 feet east of the eastern flank of the Peñasco.

In the latest round, **WC-166 intercepted over 330 feet of gold-silver mineralization, including 85 feet averaging 1.36 ounces of gold and 23 ounces of silver per ton that, in turn, included approximately 78 feet of 0.17 ounces of gold and nearly 4 ounces of silver per ton beneath a bonanza intercept of seven feet averaging over 15 ounces of gold and 240 ounces of silver per ton (sic).** A new drill program that commenced last week seeks to define the continuity of the high grade system. However, drilling to date confirms north-south longitudinal and vertical dimensions of at least 1,300 feet and an east-west width of at least 1,000 feet, indicating total tonnage in excess of 100 million tons (including internal waste).

Prior to this round of drilling, the ratio of gold to silver at Peñasquito has averaged about 1:100. In view of the price differential, gold has contributed perhaps 60% as much gross value as silver. **However, in this latest zone there may be more value in the gold than in the silver.** If the continuity holds, Western may be able to develop a high grade underground gold-silver mine prior to development of the disseminated silver-gold-zinc-lead ore bodies, which could enhance the economics significantly.

Of course, throughout this discussion it is important to recall that the pre-feasibility study at the Chile Colorado Zone was positive – Peñasco and the gold-silver zone are layers of icing on the cake. We will publish a further update when the next round of engineering analysis is completed, scheduled for the fourth calendar quarter of 2004.

Exchange	Amex	Toronto	Shares out. (6.30.04)	(millions)	40.784
Ticker	WTZ	WTC	Float	(%)	81%
Price (08.30.04)	(US\$) 7.56	(C\$) 10.00	Options & warrants	(millions)	3.29
52 week: high (04.07.04)	(US\$) 9.03	(C\$) 11.84	Average exercise price	(C\$)	4.20
low (10.03.03)	(US\$) 3.11	(C\$) 4.20	Cash (6.30.04)	(US\$ mm)	11.29
Average daily trading volume	258,000	105,000	Cash on option/warrant exercise	(US\$ mm)	10.53
Fiscal year: September 30			Market capitalization	(US\$ mm)	308.324

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Stock Price: AMEX/US Dollars

