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**U.S. SILVER CORPORATION**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**FOR THE PERIOD ENDED March 31, 2008**

**DATED May 29, 2008**

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**Disclosure Regarding Forward-Looking Statements**

This Management Discussion and Analysis contains forward-looking statements that include risks and uncertainties. Some factors that could cause actual results to differ materially from those indicated in such forward-looking statements include changes in the prevailing price of resources, commodities and unforeseen difficulties in operations, which would affect future revenue and costs of production. Other factors that could affect actual results are uncertainties pertaining to government regulations, both domestic as well as foreign, and the changes within the capital markets (see Item 10 below – Risk Factors). Other risks may be detailed from time to time in U.S. Silver Corporation’s public filings, which are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

U.S. Silver Corporation  
Management Discussion and Analysis  
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*Unless otherwise indicated, in this Management Analysis and Discussion all reference to "dollar" or the use of the symbol "\$" are to the United States of America dollar and all references to "CA dollars" or "CA\$" are to the Canadian dollar.*

## **Management's Discussion and Analysis**

In this report management of U.S. Silver Corporation presents operating highlights from the past quarter as well as comments on plans for the future. The financial information is presented in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), which are also used in the presentation of financial statements for the fiscal period ended March 31, 2008. This report should be read in conjunction with the unaudited, consolidated financial statements for the period ended March 31, 2008 and the accompanying notes ("FS2008Q1"). The data on production is given in Imperial units which are used widely in the United States. Further information on U.S. Silver Corporation can be obtained from the website of SEDAR ([www.sedar.com](http://www.sedar.com)).

*The following text contains forward-looking information. Therefore, please read carefully the "Disclosure Regarding Forward-Looking Statements" on the cover page of this report.*

### **ITEM 1 - Overview**

U.S. Silver Corporation (the "Company" or "U.S. Silver") is principally engaged in the exploration, development and operation of silver mining properties in northern Idaho. The Company is listed on the TSX Venture Exchange trading under the symbol "USA". The Company undertakes its business through two Delaware corporations, United States Silver, Inc. ("United States Silver") that was incorporated on April 7, 2006 and is wholly owned by U.S. Silver, and U.S. Silver-Idaho, Inc. (formerly "Coeur Silver Valley, Inc.") which was incorporated in 1994, and is wholly owned by United States Silver. On June 1, 2006, United States Silver purchased 100% of the outstanding shares of Coeur Silver Valley, Inc. (now called U.S. Silver-Idaho, Inc. or "USI") from Coeur d'Alene Mines Corporation. The primary assets of USI are the operating Galena Mine and the nearby Coeur and Caladay Mines (which are on operating standby) in the Coeur d'Alene Mining District in northern Idaho. These mines have a long mining history having a combined production of over 210 million ounces of silver and associated by-product metals of copper and lead over a modern production history of more than fifty years.

U.S. Silver went public on the TSX Venture Exchange on December 28, 2006 by way of a reverse takeover of a Capital Pool Company named Chrysalis Capital III Corporation ("Chrysalis") and began trading January 2, 2007. Chrysalis was incorporated on March 23, 2006 as an Ontario corporation. Subsequent to the reverse takeover, the name of Chrysalis was changed to U.S. Silver Corporation on February 28, 2007 at a special meeting of the shareholders of the Company. During 2006, the Company successfully raised approximately \$28 million in two financings. The first \$21 million was raised on June 1, 2006, and proceeds were used to purchase USI and for working capital. An additional \$7 million was raised in early December 2006, prior to the completion of the reverse takeover with Chrysalis. These proceeds were used for ongoing repair, development, and exploration. At December 31, 2006 the Company had cash and equivalents of approximately \$5.5 million. The Company also raised funds in two financings in 2007 through an accelerated warrant exercise program ending in May, 2007 (approximately \$15 million) and a private placement of shares and share purchase warrants in December, 2007 for gross proceeds of approximately \$24.5 million.

The Company's primary operating objective continues to be to return the Galena mine to its optimal production level of 3.5 to 4.0 million ounces of silver per year along with associated by-product lead and copper, at cash operating costs in line with long term historical levels. A secondary operating objective is to undertake additional exploration and development in the Galena mine to return reserves to historical norms of approximately three to five years of production. To reach this objective, in part, the Company expects to drill over 90,000 feet of exploratory drilling and undertake over 8,000 feet of development drifting during 2008, having drilled 71,144 feet in 2007. A tertiary operating objective is to explore for additional mineral resources in the extensive North Idaho land package the Company now controls, and to make additional opportunistic acquisitions of mining properties, primarily within the Coeur d'Alene Mining District. Success in this exploration may lead to the possible reopening of the Coeur and Caladay Mines, currently on standby.

The Company's strategy over the next five years is to become a profitable, intermediate-sized mining company producing primary silver from several locations in the Americas.

## **ITEM 2 - Selected Financial Information**

	<b>December 31, 2007</b>	<b>December 31, 2006</b>
Net loss	\$ (6,441,205)	\$ (6,319,818)
Comprehensive loss	(2,188,247)	(5,905,495)
Net loss per common share, basic and diluted	(0.04)	(0.07)
Comprehensive loss per common share, basic and diluted	(0.01)	(0.05)
Total assets	67,683,803	29,382,476
Total liabilities	11,165,002	9,193,549
Cash and cash equivalents	28,540,280	5,474,991
Marketable securities	3,598,520	965,211
Mining assets	23,616,962	14,761,207

### Analysis of Fiscal 2007

The Company recorded revenues of \$18.1 million (\$6.1 million for approximately seven months in the prior year) during the period of January 1, 2007 through December 31, 2007. The revenues were lower than those anticipated because of ongoing infrastructure repair and the shortage of skilled mining and professional labour. Higher mining costs, general and administrative costs and greater depreciation led to a Net Loss of \$6.4 million, which was, mitigated somewhat by Other Comprehensive Income from lead hedging, foreign exchange impacts and marketable securities gains. The resulting Comprehensive Loss was \$2.2 million for 2007. At December 31, 2007 total assets of \$67.7 million consisted primarily of mining assets of \$23.6 million, cash and equivalents of \$28.5 million, accounts and notes receivable of \$1.6 million, marketable securities of \$3.6 million and metal and supply inventories of \$2.3 million and \$1.6 million, respectively. The Company expects that assets in the form of mineral reserves and property will grow somewhat in 2008 as the Company continues its reserve definition and development activities. Adjustments to the carrying value of the mining assets were made in 2007 to reflect adjustments related to pension plan liabilities, asset retirement obligations and post retirement medical obligations. (Please see Notes 7 & 8 within the audited financial statements for the period ending December 31, 2007 ("FS2007")).

At December 31, 2007, current liabilities were \$3.4 million, almost exclusively, accounts payable. Long-term liabilities consisted primarily of retirement benefit obligations of \$4.0 million, mine reclamation obligations of \$1.1 million and future tax liabilities of \$2.6 million. The Company does not expect any of these long-term liabilities to be reduced significantly in 2008. The asset reclamation provision is related to detailed studies of the property reclamation requirements of the relevant State and US federal agencies. The carrying value of mining assets was reduced accordingly. (Please see Note 8 in the FS2007).

Revenue in 2007 of \$18.1 million increased significantly over that in 2006, even after adjustment for only 7 months of operations in 2006, primarily due to higher metal prices. Revenue had declined significantly after June 1, 2006 as a result of a substantially reduced output implemented by current management as part of a business strategy to redesign and improve the mining practices which were ongoing at the time of the acquisition, and to rebuild the reserves. Prior to June 1, 2006, the mine was operated at approximately 600-700 tons per day but reserves had been depleted by the previous operator due to several years of generally low metal prices, which did not justify investment in development of new reserves. After U.S. Silver acquired the property, and with higher metal prices, output was reduced to approximately 200 tons per day to better focus the workforce on redeveloping new reserves in the mine.

Reserve and Resource Estimates

The tables below summarize the reserve and resource information as at December 31, 2007. This is compared to the November, 2006 estimate which was initially done by Coeur d'Alene Mines Corporation in the Coeur d'Alene Mines – Galena Mine Technical Report – January 2006 by Donald J. Birak (the “Birak Technical Report”). At such time, Dr. Birak was an employee of Coeur d'Alene Mines Corporation. U.S. Silver subsequently retained Chlumsky, Armbrust and Meyer, LLC (“CAM”) of Lakewood, Colorado in September 2006 to review the Coeur d'Alene reserve estimate. CAM submitted a report to the Company dated November 17, 2006 and entitled “Galena Mine Project, Idaho, U.S.A.” (the “CAM Technical Report”), prepared in accordance with National Instrument 43-101 of the Canadian Securities Administrators (“NI 43-101”), which confirmed the Coeur d'Alene technical report to within a small margin. Fred Barnard, Ph.D., Professional Geologist, who is the principal author of the CAM Technical Report, is a “qualified person” and an “independent person” each within the meaning of NI 43-101.

December 2007 Estimate

<b>Copper-Silver Ore</b>	Tons	Ag Grade (oz/t)	Contained Ounces	% Cu
Proven & Probable Reserves	702,200	21.19	14,878,100	0.68%
Measured & Indicated Resources <sup>1</sup>	715,900	14.73	10,545,100	0.49%
Inferred Resource	640,300	18.38	11,765,900	0.57%

<b>Lead-Silver Ore</b>	Tons	Ag Grade (oz/t)	Contained Ounces	% Pb
Proven & Probable Reserves	278,900	9.22	2,571,300	9.85%
Measured & Indicated Resources <sup>1</sup>	215,600	9.30	2,005,700	9.43%
Inferred Resource	873,800	7.18	6,275,100	7.72%

Note<sup>1</sup>, Measured & Indicated Resources do not include Proven & Probable Reserves

November 2006 Estimate

<b>Copper-Silver Ore</b>	Tons	Ag Grade (oz/t)	Contained Ounces	% Cu
Proven & Probable Reserves	444,003	24.50	10,878,797	0.86%
Measured & Indicated Resources <sup>1</sup>	1,170,046	15.87	14,741,366	0.65%
Inferred Resource	558,379	16.90	9,435,387	0.73%

<b>Lead-Silver Ore</b>	Tons	Ag Grade (oz/t)	Contained Ounces	% Pb
Proven & Probable Reserves				
Measured & Indicated Resources <sup>1</sup>	316,548	9.13	2,889,962	10.30 %
Inferred Resource	541,075	5.01	2,713,925	5.70%

Note<sup>1</sup>, Measured & Indicated Resources do not include Proven & Probable Reserves

There was a significant increase in total ounces outlined in the new estimate for December 2007 compared to the November 2006 report, which also shows an increase of 61% in proven and probable silver reserves year over year. Information of a technical nature respecting the properties has been prepared and reviewed by Mr. Daniel H. Hussey, Chief Geologist of U. S. Silver who supervised the drilling and sampling programs, and resource estimation. Mr. Hussey is a “qualified person” within the meaning of National Instrument 43-101 of the Canadian Securities Administrators.

## **ITEM 3 - Results of Operations**

### Analysis of Three months Ending March 31, 2008

The Company recorded revenues of \$7.3 million (vs. \$4.2 million in the period ending March 31, 2007 (“Q107”)) and earned its first quarterly profit since 2006 with net income before provision for taxes of \$ 1.0 million. Revenues for the period were higher than last year primarily due to higher metals prices and higher volumes. The Company continued to focus its resources on infrastructure improvements, employee training, and resource development while slowly increasing production levels. The turnaround at these operations will continue through 2008, with both tonnage and grade improving because of numerous initiatives started nearly two years ago.

Operating expenses for the period ended March 31 2008 (“Q108”) were \$7.4 million (vs. \$5.5 million for Q107). Increased expenses were due to an increase in production tonnage of nearly 80% as compared to the prior year. Q108 operating expenses consisted primarily of \$6.4 million in mining costs, \$0.7 million in general and administrative expense (higher than in Q107 as the corporate structure was setup and staffed over the course of 2007), and exploration costs of \$0.5 million vs. \$0.2 million in Q107. The elevated level of exploration costs can be expected to continue as the Company seeks to continuously build its reserves and resources with the aim to enhance shareholder value.

Depreciation expense for the period was nominal because the major part of both numbers is now reflected in the Cost of Mining. Q108 depreciation and depletion (see Note 6) was \$0.4 million vs. \$0.2 million in Q107, reflecting a larger investment in mining assets over the last year.

The Net Income in Q108, after a provision for taxes of \$0.4 million, was \$0.6 million vs. a Net Loss of \$(1.2) million in Q107. Other Comprehensive Income (Loss) for the period was (\$1.6 million), consisting of unrealized losses on cash flow hedge contracts on forecasted lead production, unrealized gains on Available For Sale investments and the effects of foreign exchange activities. Therefore, Comprehensive Loss was \$0.9 million for the period versus a loss of \$.0.7 million in Q107.

Based on the weighted average common shares outstanding of 211,589,994 the basic Net Loss per share was \$0.00 and Comprehensive Loss per share was also \$0.00. (\$0.01 and \$0.01 in Q107, respectively).

The Company invested heavily in capital improvements and exploration at the Galena Mine with \$6.1 million invested during the quarter. Large capital projects include the acquisition of mechanized mining equipment, the rehabilitation of the Galena Shaft, exploration drilling and drifting, the purchase of new mine rescue equipment, plus rehabilitation and development activities in several underground locations. Capitalized development and repair activities accounted for about 65% of the capital spending.

The Company continues to operate two concentrators with the Coeur mill processing the silver-lead ores produced at the Galena mine. Aggressive development and exploration of the potentially large silver-lead resource continued with mining activity of the silver-lead ores currently focused on the 3000 and 3700 levels. Exploration of the silver-lead ores during the quarter continued on the 2400, 3000, 3700, 4000, and 5200 levels of the Galena mine with all the mentioned levels exploring or developing mineralized zones discovered since U.S. Silver acquired the mine. The Coeur mill operated at a rate 218 tpd during the quarter and is expected to operate at a rate of 400 tpd by the fourth quarter of 2008.

The Company continues to process the silver-copper ores at the Galena mill with production of silver-copper ores having come from the 3400, 3700, 4000, 4600, and 4900 levels of the Galena mine. Development of new ore bodies has continued throughout the quarter with emphasis on newly discovered mineralization on the 2400 and 4600 levels, with an additional development on the 4900 level into a 55 ounce per ton ore reserve. The 2400, 4600, and 4900 developments are designed to utilize highly efficient mechanized mining equipment. The Galena mill operated at a rate of 340 tpd during the quarter and is expected to produce at a rate of 700 tpd by early fourth quarter. Additionally, the currently idle second flotation circuit in the Galena mill is in the process of being repaired and is expected to increase the production capacity of the mill to 1100 tpd by early 2009.

Production volumes continue to be lower than expected as a result of the significant shortage of skilled workers and the high levels of repair requirements. The result has been weaker revenue growth than expected. Lower production volume resulting from significant infrastructure repair requirements and a shortage of skilled personnel together with significant costs associated with hiring, training, and infrastructure repairs, led to reduced profitability.

<b>Production Statistics</b>	<b>Q1 07</b>	<b>Q2 07</b>	<b>Q3 07</b>	<b>Q4 07</b>	<b>Q1 08</b>
Total tonnage	19,858	19,234	18,852	27,107	35,724
Tons per day	310	300	299	444	558
Total ounces Ag	328,984	302,188	265,547	283,423	352,246
Ounces per day	5,140	4,722	4,215	4,646	5,510
Total copper production - lbs	211,382	319,964	184,965	160,665	178,269
Total lead production - lbs	N/A	N/A	N/A	451,163	822,634
Estimated cash costs	\$10.16	\$10.63	\$12.62	\$14.69	\$12.10

Much of the higher costs in the 4<sup>th</sup> quarter of 2007 reflect the repair and development activities related to the commencement of silver-lead ore production. The high levels of repair and development have continued into 2008 but are now being somewhat offset by the increasing volume of metal production. This trend of higher metal production and lower unit cost is expected to continue through 2008.

The continued exploration and development of the 2400 level is one of the highlights of the quarter with phase 1 of the development sequence being completed by the end of the quarter. On-going exploration drilling continues to show excellent results with multiple high-grade intercepts. Several veins containing both silver-copper and silver-lead mineralization continue to be explored. Exploration of the veins by initial mining activities began in April with additional exploration and development activities expected to continue for another year.

The shortage of skilled miners has resulted in an increase in the use of mining contractors. Mining contractors also have difficulty finding skilled miners. This trend of using mining contractors is expected to continue through 2008. At the end of the quarter, over 200 people were employed at the operation as well as approximately 65 contractors. Looking forward, the concern will be the skill levels of employees rather than the total number of employees. The Company will continue to aggressively hire competent people to help achieve the production improvements at the Galena mine complex.

Some of the ore being mined includes development material, which reduces the ore grade through the mill. As these developments are completed and normal mining activities commence, ore grades through the mill will improve. Management also believes a number of initiatives such as the re-activation of the Galena shaft and changing development practices will have a positive impact on the Company's financial position by allowing access to higher grade resources and enable the mine to return closer to the long term historical average ore grade. Ore grades in the silver-copper ores are expected to exceed 20 opt by the end of the year.

The repair of the Galena Shaft continues with excellent results. Sinking through one of the most difficult caved sections has proceeded without interruption. The connection with the 2800 level is expected to be achieved in June and the connection with the 3000 level in August. The rehabilitation of the Galena Shaft began in late 2007. The Galena Shaft had a large section of the shaft (800ft) collapse about 10 years ago resulting in the inability to use the shaft for its full length. The collapsed area should be fully repaired by the 4<sup>th</sup> quarter of 2008 and will allow for hoisting of men, materials, and rock through the shaft and will significantly increase overall hoisting capacity at the mine. Additionally, access to a number of key high silver-lead and silver-copper resources will be enhanced once the Galena Shaft becomes functional.

## **ITEM 4 - Summary of Quarterly Results**

### Quarterly Summary

The following table sets forth for the three-month period ended March 31, 2008 relating to the Company's Revenue, Net Loss, and Loss per common share as prepared under generally accepted accounting principles in Canada.

<b>Quarter Ended</b>	<b>Revenues</b>	<b>Net Income (Loss) Before Tax</b>	<b>Income (Loss)/share: basic and diluted</b>
March 31, 2008	\$ 7,336,136	\$ 1,039,938	\$ 0.00
December 31, 2007	3,970,606	(1,276,253)	(0.01)
September 30, 2007	4,550,216	(1,223,901)	(0.01)
June 30, 2007	5,417,695	(2,715,365)	(0.02)
March 31, 2007	4,181,422	(1,225,686)	(0.01)
December 31, 2006	2,616,401	(1,938,483)	(0.02)

### Quarterly Analysis

During the quarter ended March 31, 2008, U.S. Silver recorded Net Income, before a provision for taxes, of \$1.0 million (vs. Net Loss of \$1.3 million in Q407) as it's continued investment in infrastructure improvements, higher staffing levels, modestly higher production levels and higher metals prices improved revenues versus the period ending December 31, 2007. Mining costs for the quarterly period ending March 31, 2008 and December 31, 2007 were \$6.1 million and \$4.6 million, respectively. Costs were higher due to an increase in production tonnage as well as ongoing repairs to shafts, haulage ways, and stopes. Additionally, high levels of development activity designed to increase production levels later in 2008, increased costs in the quarter.

The Company anticipates the second quarter of 2008 will show further modest improvements in operating results as compared with the fourth quarter of 2007 and with Q108. The Company expects more significant operating improvements in the remaining three quarters of the fiscal year as production volumes of both silver-copper ore and silver-lead ore increase to about 1000 tpd of combined production.

## **ITEM 5 - Liquidity**

As of March 31, 2008, the Company's cash and equivalents were approximately \$19.1 million and working capital was approximately \$28.7 million. Current liabilities as of the quarter-end were \$4.0 million, primarily in accounts payable. The Company requires about \$8 million in working capital at expected production rates, which it currently exceeds.

In the short term, Management believes it has sufficient cash flow to funds its operations, including extraordinary capital projects and acquisitions, which are discussed further in Item 6 – Capital Resources.

As the Galena mine moves to higher production levels, the Company believes that cash flows will be sufficient to not only fund ongoing operations, but also to pay for a significant portion of development and exploration projects.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable. The fair value of these financial instruments approximates their carrying values, unless otherwise noted. The Company is not exposed to significant interest, currency, or credit risk arising from financial instruments. The majority of the funds of the Company are held in interest bearing accounts at major banks in Canada and the United States. The Company has no exposure to asset-backed commercial paper and has incurred no losses or impairment due to such commercial paper.

As of the date of this report, the Company also maintained approximately \$4 million in cash deposits with counter parties to its Financial Instrument activities (See Item 12, below), which deposits constitute margin (approximately \$1.5 million) and excess margin (\$2.5 million) for the Company's performance, with respect to such Instruments, in favour of its counter parties.

## **ITEM 6 - Capital Resources**

The Company currently has sufficient capital to fund its operations. The Company's cash flow is dependent on delivery of its ore concentrate to its two smelter clients in Canada. The Company's first smelter client pays the Company revenues on the twenty-seventh day of the month following the month of delivery of the concentrate, with following and final settling payments received generally within forty five days and 120 days of the initial payment, respectively. The other smelter client makes initial payment on the Thursday of the week following delivery of the shipment of concentrates. The Company has not had any significant receivables problems collecting its payments from its smelter clients and expects no such difficulties. However, this cash flow is dependent on continued mine production which can be subject to interruption for a multitude of reasons (see Item 10 - Risk Factors) including fluctuations in metal prices and concentrate shipment difficulties.

Since the acquisition of the mine, the Company has experienced difficulty obtaining the required skilled labour force it needs to produce ore at the levels it desires. This had a negative impact on the Company's ability to maintain its working capital and liquidity. The Company has experienced some improvement of this situation in the 2<sup>nd</sup> half of 2007 and the first three months of 2008. An intensive training program designed to teach mining skills to newly hired persons continues and skill levels among the workforce continues to improve. The work force has grown substantially compared to Q107.

The Company made significant capital expenditures in 2007 and has invested \$5.7 million (not including exploration) in Q108. Capital expenditures over fiscal year 2008 will total \$14.7 million. Included in this estimated capital expenditure figure is capital development and repair of the Galena Shaft of \$8.7 million, construction of a new sand fill facility of \$1.1 million, new underground mechanized mining equipment of \$2.5 million, a hoist upgrade in the #3 shaft of \$0.7 million and additional capital equipment and repairs estimated at \$1.7 million. Also, the Company is continuing with an aggressive exploration program at the Galena mine totalling \$2.1 million. Finally, expenditures are required on some of its surrounding leased properties to fulfill lease obligations which will require \$0.9 million. The majority of these expenditures will occur in the second and third quarters of 2008.

To execute these programs and to meet the timelines planned by the Company, U.S. Silver has hired an outside mining contractor for the Galena Shaft repair. Additionally, the Company has hired three additional mining contractors to conduct mining, development, and repair activities within the Galena mine. The Company also routinely uses outside drilling contractors to undertake its diamond drilling exploration programs at the Galena mine, and will use outside contractors for work on other exploratory properties. The cost of mining and drilling contractors is accelerating as the demand for these services continues to outpace the supply.

The Company is also considering several strategic acquisitions of additional mining properties in the Coeur d'Alene District of North Idaho as well as evaluating opportunities in other geographic locations. It is expected that these acquisitions will be funded, if they occur, and depending on the size of the acquisition, with current cash available in the treasury, with cash from outside investors through equity placements, or through direct issuances of Company stock to the sellers. As cash flows from the mine may not be sufficient to fund all of the planned capital expenditures, as well as possible acquisitions, the Company may seek and utilize outside capital for these projects. The timing and ability to fulfill these objectives will depend on the liquidity of the financial markets as well as the willingness of investors to finance growth oriented mining companies such as U.S. Silver.

During the fiscal year ended December 31, 2007, U.S. Silver had the following capital transactions:

**1. Private Placement of Units**

The Company raised CA\$ 24.47 million on December 5, 2007 with an issuance of 24,470,000 units of securities of U.S. Silver issued at a price of CA\$1.00 per unit, each consisting of one common share of U.S. Silver and one half of one common share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one share at an exercise price of CA\$1.25 for a period of 24 months following the closing of the financing, expiring on December 5, 2009. The units and underlying securities were subject to a four-month hold period following closing of the Private Placement, which expired on April 6, 2008. For consideration of the Underwriters' services, the Underwriters received cash commission of 7% of the proceeds raised and compensation options to purchase an aggregate of 1,712,900 units (equal to 7% of the aggregate number of units issued exercisable at CA\$1.00 per unit and expiring on December 5, 2009. (Please see Press Release dated December 5, 2007).

**2. Warrant Acceleration Program**

In April of 2007 the Company received stock exchange approval to offer an incentive to its shareholders for an early exercise of outstanding warrants. The warrant exercise program successfully raised CA\$15.3 million. (See Press Release dated May 14, 2007 and Statement of Shareholders Equity in FS2007, the audited, consolidated financial statements).

**During Q108, the Company had no material capital transactions.**

The following table sets out U.S. Silver's contractual obligations, in U.S. dollars:

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Mining Leases <sup>1</sup>	\$ 6,280,454	\$ 1,059,654	\$ 670,750	\$ 1,452,550	\$ 3,097,500
Mine Reclamation <sup>2</sup>	\$ 1,814,331	\$ 0	\$ 0	\$ 1,360,748	\$ 453,583
Pension, Medical Benefits & Defined Contribution Plans <sup>3</sup>	\$ 8,649,227	\$ 1,588,443	\$ 2,823,672	\$ 664,761	\$ 3,572,351
Mine & Office Equipment Leases	\$ 29,142	\$ 14,795	\$ 14,347	\$ 0	\$ 0
<b>Total Contractual Obligations</b>	<b>\$ 16,773,154</b>	<b>\$ 2,662,892</b>	<b>\$ 3,508,769</b>	<b>\$ 3,478,059</b>	<b>\$ 7,123,434</b>

- <sup>1</sup> All mining leases can be cancelled upon proper notice periods by the Company.
- <sup>2</sup> Mine Reclamation obligations are incurred at or near mine shutdown. The above estimate is based upon reclamation beginning in 2012. This obligation may be further extended as the estimated life of the mine increases.
- <sup>3</sup> Certain of these estimates are dependent on market conditions and assumed rates of return on assets. Therefore, the estimated obligation of the Company may vary over time.

## **ITEM 7 - Off-Balance Sheet Arrangement**

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

## **ITEM 8 - Transactions With Related Parties**

Golden Eagle Mining originally borrowed \$90,000 from the Company and the Company paid a further \$90,622 to third parties on its behalf, of which \$7,052 was paid during the 2007. During the period ended March 31, 2007, the Company paid invoices on behalf of Golden Eagle Mining for a total of \$1,552. During the period ended March 31, 2008, \$3,886 in interest accrued on the balance owed to the Company by Golden Eagle Mining. The current balance due is \$198,171 (December 31, 2007 - \$194,286). This amount has been recorded in prepaid expenses and other assets. Golden Eagle Mining and the Company are related by an officer and director in common. It is anticipated that monies owed to the Company will be repaid in full during 2008.

## **ITEM 9 - Proposed Transactions**

As of the date of this report, the Company is not currently a party to any proposed transaction.

## **ITEM 10 - Risk Factors**

### Metal Prices

The market price of silver and other metals are volatile. If U.S. Silver experiences low silver, copper and lead prices it may result in decreased revenues and decreased net income, or losses, and may negatively affect U.S. Silver's business. The majority of U.S. Silver's revenue is derived from the sale of silver ore concentrate and by-products of copper and in the near future, lead. Fluctuations in the prices of these commodities represent one of the most significant factors affecting U.S. Silver's results of operations and profitability. The price of silver and other metals are affected by numerous factors beyond U.S. Silver's control, including:

- levels of supply and demand;
- global or regional consumptive patterns;
- sales by government holders;
- metal stock levels maintained by producers and others;
- increased production due to new mine developments;
- and improved mining and production methods;
- speculative trading activities;
- inventory carrying costs;
- availability and costs of metal substitutes;
- international economic and political conditions;
- interest rates;
- currency values; and
- Inflation.

Declining market prices for silver and other metals could have a material adverse effect on U.S. Silver's results of operations and profitability.

The London Silver Spot price average, in USD per oz., was \$ 7.31 in 2005, \$11.57 in 2006, and \$13.39 in 2007. During Q108 the average price was \$17.67 per oz. The price of silver may decline in the future. If the price of silver is depressed for a sustained period and net losses continue, U.S. Silver may be forced to suspend some or all of its mining until the price increases, and record asset impairment write-downs. Any lost revenues, continued or increased net losses or asset impairment write-downs would adversely affect U.S. Silver's results of operations.

### Ore Reserves and Development

The estimation of ore reserves is imprecise and depends upon subjective factors. Estimated ore reserves may not be realized in actual production. U.S. Silver's operating results may be negatively affected by inaccurate estimates. The ore reserve figures presented in U.S. Silver's financial statements are estimates made by U.S. Silver's technical personnel. Reserve estimates are a function of geological and engineering analyses that require U.S. Silver to make assumptions about production costs and the market price of silver. Reserve estimation is based on available data, which may be incomplete, and subject to engineering and geological interpretation, judgment and experience.

Assumptions about silver market prices are subject to great uncertainty as those prices have fluctuated widely in the past. Declines in the market price of silver may render reserves containing relatively lower grades of ore uneconomic to exploit, and the Company may be required to reduce reserve estimates, discontinue development or mining at one or more of U.S. Silver's properties, or write down assets as

impaired. Should U.S. Silver encounter mineralization or geologic formations at any of its mines different from those predicted adjustments of reserve estimates might occur, which could alter mining plans. Either of these alternatives may adversely affect U.S. Silver's actual production and operating results.

Significant investment risks and operational costs are associated with U.S. Silver's exploration, development and mining activities. These risks and costs may result in lower economic returns and may have a material adverse effect on U.S. Silver's business.

U.S. Silver's ability to sustain or increase present production levels depends in part on successful exploration and development of new ore bodies and/or expansion of existing mining operations. Mineral exploration, particularly for silver, involves many risks and is frequently unproductive. If mineralization is discovered, it may take a number of years until production is possible, during which time the economic viability of the project may change. Substantial expenditures are required to establish ore reserves, extract metals from ores and, in the case of new properties, to construct mining and processing facilities and infrastructure at any site chosen for mining. The economic feasibility of any development project is based upon, among other things, estimates of the size and grade of ore reserves, proximity to infrastructures and other resources (such as water and power), metallurgical recoveries, production rates and capital and operating costs of such development projects, and metals prices. Development projects are also subject to the completion of positive feasibility studies, issuance of necessary permits and receipt of adequate financing, which may be difficult to obtain on terms reasonably acceptable to U.S. Silver.

U.S. Silver's production of silver may decline due to a myriad of unpredictable operating problems, weather related problems, or equipment failures, reducing revenues and having a material adverse effect on its operating results.

U.S. Silver's future silver production may decline as a result of an exhaustion of reserves and possible closure of work areas. It is U.S. Silver's business strategy to conduct silver exploratory activities at U.S. Silver's existing mining operations as well as at new exploratory projects, and to acquire silver mining properties and businesses or reserves that possess mineable ore reserves and are expected to become operational in the near future. However, the Company can provide no assurance that its future silver production will not decline. Accordingly, U.S. Silver's revenues from the sale of silver may decline, which may have a material adverse effect on its results.

#### General Risks of Mining Operations

There are significant hazards associated with U.S. Silver's mining activities, not all of which are fully covered by insurance. To the extent U.S. Silver must pay the costs associated with such risks, U.S. Silver's business may be negatively affected.

The mining business is subject to risks and hazards, including environmental hazards, industrial accidents, the encountering of unusual or unexpected geological formations, cave-ins, flooding, earthquakes and periodic interruptions due to inclement or hazardous weather conditions. These occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, reduced production and delays in mining, asset write downs, monetary losses and possible legal liability. Although U.S. Silver maintains insurance in an amount that U.S. Silver considers to be adequate, liabilities might exceed policy limits, in which event U.S. Silver could incur significant costs that could have a material adverse effect on U.S. Silver's results of operation. Insurance fully covering many environmental risks (including potential liability for pollution or other hazards as a result of disposal of waste products occurring from exploration and production) is not generally available to us or to other companies in the industry. The realization of any significant liabilities in connection with U.S. Silver's mining activities as described above could negatively affect U.S. Silver's results of operations.

### Government Regulation and Environmental Compliance

U.S. Silver is subject to significant governmental regulations, and their related costs and delays may have a material adverse effect on U.S. Silver's business.

U.S. Silver's mining activities are subject to extensive federal, state, local and foreign laws and regulations governing environmental protection, natural resources, prospecting, development, production, post-closure reclamation, taxes, labour standards and occupational health and safety laws and regulations including mine safety, toxic substances and other matters related to U.S. Silver's business. Although these laws and regulations have never required U.S. Silver to close any mine, the costs associated with compliance with such laws and regulations are substantial. Possible future laws and regulations, or more restrictive interpretations of current laws and regulations by governmental authorities could cause additional expense, capital expenditures, restrictions on or suspensions of U.S. Silver's operations and delays in the development of U.S. Silver's properties. Moreover, governmental authorities and private parties may bring lawsuits based upon damage to property and injury to persons resulting from the environmental, health and safety impacts of U.S. Silver's past and current operations, which could lead to the imposition of substantial fines, penalties and other civil and criminal sanctions. Substantial costs and liabilities, including for restoring the environment after the closure of mines, are inherent in U.S. Silver's operations. Although U.S. Silver believes it is in substantial compliance with applicable laws and regulations, U.S. Silver can give no assurance that any such law, regulation, enforcement or private claim will not have a material adverse effect on U.S. Silver's business, financial condition or results of operations.

Some of U.S. Silver's mining wastes are currently exempt to a limited extent from the extensive set of federal Environmental Protection Agency ("EPA") regulations governing hazardous waste under the Resource Conservation and Recovery Act ("RCRA"). If the EPA designates these wastes as hazardous under RCRA, U.S. Silver would be required to expend additional amounts on the handling of such wastes and to make significant expenditures to construct hazardous waste disposal facilities. In addition, if any of these wastes causes contamination in or damage to the environment at a mining facility, such facility may be designated as a "Superfund" site under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"). Under CERCLA, any owner or operator of a Superfund site since the time of its contamination may be held liable and may be forced to undertake extensive remedial cleanup action or to pay for the government's cleanup efforts. Additional regulations or requirements are also imposed upon U.S. Silver's tailings and waste disposal areas in Idaho under the federal Clean Water Act ("CWA"). Airborne emissions are subject to controls under air pollution statutes implementing the Clean Air Act in Idaho. Compliance with CERCLA, the CWA and state environmental laws could entail significant costs, which could have a material adverse effect on U.S. Silver's operations.

In the context of environmental permits, including the approval of reclamation plans, U.S. Silver must comply with standards and regulations, which entail significant costs and can entail significant delays. Such costs and delays could have an adverse impact on U.S. Silver's operations.

In the ordinary course of business, U.S. Silver is required to obtain or renew governmental permits for the operation and expansion of existing mining operations or for the development, construction and commencement of new mining operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions, which often involves public hearings and costly undertakings. The duration and success of U.S. Silver's efforts to obtain or renew permits are contingent upon many variables not within our control including the interpretation of applicable requirements implemented by the permitting authority. U.S. Silver may not be able to obtain or renew permits that are necessary to its operations, or the cost to obtain or renew permits may exceed what U.S. Silver believes it can recover from the property once in production. Any unexpected delays or costs associated with the permitting process could delay the development or impede the operation of a mine, which could have a material adverse effect on U.S. Silver's operations and profitability.

### Employee Recruitment, Retention, and Labour Relations

Recruiting and retaining qualified personnel is critical to U.S. Silver's success. The number of persons skilled in acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As U.S. Silver's business activity grows, U.S. Silver will require additional key executive, financial, operational, administrative and mining personnel. Although U.S. Silver believes that it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If U.S. Silver is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have a material adverse effect on U.S. Silver's results of operations and profitability.

U.S. Silver could experience labour disputes, work stoppages or other disruptions in production that could adversely affect its operations. The current collective bargaining agreement with the Galena workforce expires on March 1, 2011.

### Mining Property and Title Risks

Third parties may dispute U.S. Silver's unpatented mining claims, which could result in losses affecting U.S. Silver's business.

The validity of unpatented mining claims, which constitute a significant portion of U.S. Silver's property holdings in Idaho, is often uncertain and may be contested. Although U.S. Silver has attempted to acquire satisfactory title to undeveloped properties, U.S. Silver, in accordance with mining industry practice, do not generally obtain title opinions until a decision is made to develop a property. As a result, some titles, particularly titles to undeveloped properties, may be defective. Defective title to any of U.S. Silver's mining claims could result in litigation, insurance claims, and potential losses affecting U.S. Silver's business.

The validity of mining or exploration titles or claims, which constitute most of U.S. Silver's property holdings, can be uncertain and may be contested. U.S. Silver has used its reasonable commercial efforts to investigate its title or claims to its various properties and, to the best of its knowledge, except where U.S. Silver has otherwise noted, those titles or claims are in good standing. However no assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining titles or claims and that such exploration and mining titles or claims will not be challenged or impugned by third parties.

U.S. Silver has not conducted surveys of all the claims in which it holds direct or indirect interests and therefore, the precise area and location of such claims may be in doubt. U.S. Silver's properties may be subject to prior unregistered liens, agreements or transfers, native land claims or undetected title defects.

### Competition

Competition in the mining sector is intense. Mines have limited lives and as a result, U.S. Silver may in the future seek to replace and expand its reserves through the acquisition of new properties. In addition, there is a limited supply of desirable mineral lands available in areas where U.S. Silver would consider conducting exploration and/or production activities. Because U.S. Silver faces strong competition for new properties from other mining companies, some of which have greater financial resources than it does, U.S. Silver may be unable to acquire attractive new mining properties on terms that it considers acceptable. Competition in the mining business for limited sources of capital could adversely affect U.S. Silver's ability to acquire and develop suitable silver mines, silver developmental projects, silver producing companies or properties having significant exploration potential. As a result, there can be no assurance that U.S. Silver's acquisition and exploration plans will yield new mineral reserves to replace or expand current mineral reserves.

### Foreign Exchange Rate Fluctuations

Fluctuations in currency exchange rates, particularly the weakening or strengthening of the U.S. dollar (being the currency in which U.S. Silver's products are sold) against the Canadian dollar (used to pay certain corporate costs), could have a significant effect on U.S. Silver's results of operations. U.S. Silver may engage in hedging activities in connection with foreign currency requirements in order to minimize the effect of strengthening of foreign currencies on U.S. Silver's operating results.

### Financing Risks

U.S. Silver has limited financial resources, has limited sources of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under applicable agreements. There can be no assurances that the Company will be able to obtain adequate funding in the future or that the terms of such financing will be favourable. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and development of its projects and the possible loss of such properties. The Company has no history of earnings, has never paid a dividend, and does not anticipate paying dividends in the near future.

## **ITEM 11 - Changes in Accounting Policies**

The Company would like to direct readers to its consolidated Financial Statements, which are incorporated by reference and can be found on the regulator's web site at [www.sedar.com](http://www.sedar.com). **During Q1 08 there were no material changes in Accounting Policies.**

## **ITEM 12 - Financial Instruments and Other Instruments**

The Corporation has entered into financial instruments with a number of financial institutions in order to hedge underlying revenue and fair value exposures arising from certain commodity prices. Financial instruments which subject the Corporation to market risk consist primarily of derivative contracts for base metals and, potentially, certain precious metals. As of the date of this report the Corporation has hedged only the price of lead and has done so on a rolling 12-month basis for a total of approximately 6,000,000 lbs of lead.

The Corporation's risk management policy attempts to mitigate the risks associated with fluctuating metal prices. The Corporation uses both exchange-traded and over-the-counter swaps and forward contracts on metals and, from time to time, foreign exchange ("FX"), to hedge its net revenues from mining operations. These instruments are straightforward contracts and involve limited complexity. The Corporation is exposed to credit risk in the event of non-performance by counterparties in connection with these hedging contracts. The Corporation does not obtain any security to support financial instruments subject to credit risk, but mitigates the risk by dealing with a diverse group of creditworthy counterparties and, accordingly, does not anticipate loss for non-performance by counterparty. The Corporation continually monitors the market risk of its hedging activities, both to ensure that the hedging activities continue to provide the intended metal & FX price risk mitigation, and to monitor the amount of liquid assets the hedge contracts utilize in the form of interest-earning, margin deposits held with the counterparty.

## ITEM 13 - Capital Structure

The Company is authorized to issue an unlimited number of common shares, where each common share provides the holder with one vote. As at December 31, 2007, there were 211,510,827 common shares issued and outstanding and as of March 31, 2008 there were 211,640,827 shares outstanding. As at the date of this Management Discussion and Analysis, there were 214,940,827 common shares issued and outstanding. In addition, the Company shall issue common shares upon the conversion, exercise or exchange of options and warrants which are issued.

Exercise Price CA\$	Options Outstanding	Expiry Date	Outstanding	Weighted Average Price CA\$	Exercisable	
			Weighted Average Remaining Life (Years)		Quantity	Weighted Average Price CA\$
\$ 0.40	9,218,975	Dec. 2011	3.7	\$ 0.40	9,218,975	\$ 0.40
0.56	1,115,000	Jan. 2012	3.7	0.56	1,115,000	0.56
0.73	660,000	Aug. 2012	4.4	0.73	420,000	0.73
0.75	300,000	Mar. 2012	3.9	0.75	300,000	0.75
0.79	680,000	Mar. 2013	4.9	0.79	120,415	0.79
0.81	960,000	Dec. 2012	4.8	0.81	330,000	0.81
1.05	300,000	Jun. 2012	4.2	1.05	300,000	1.05
1.19	1,000,000	Apr. 2012	4.1	1.19	1,000,000	1.19
	<u>14,233,975</u>				<u>12,804,390</u>	

The following table summarizes the warrants issued and outstanding as of March 31, 2008:

Number of Warrants	Exercise Price (CA\$)	Warrant Type	Issuance Date	Expiry Date
300,000	\$ 0.20	Broker	June, 2006	June 27, 2008
2,325,000	0.40	Investor	May, 2006	May 11, 2008
1,261,856	0.40	Investor	June, 2006	December 28, 2008
10,332,463	0.29	Broker Warrants	June, 2006	December 28, 2008
574,818	0.40	Broker Warrants	June, 2006	December 28, 2008
1,717,540	0.40	Broker Warrants	December, 2006	December 28, 2008
12,235,000	1.25	Investor	December 2007	December 5, 2009
1,712,900	1.00	Broker	December 2007	December 5, 2009
856,450	1.25	Broker	December 2007	December 5, 2009

## ITEM 14 - Other MD&A Requirements

The Company is not required to file an Annual Information Form. Reference is made to the Corporation's Filing Statement dated December 18, 2006, prepared in accordance with the requirements of the TSX Venture Exchange, in connection with the Company's Qualifying Transaction reverse takeover, which has been filed with the TSX Venture Exchange and applicable Canadian securities regulators on SEDAR, and is available to be publicly accessed at [www.sedar.com](http://www.sedar.com).

## ITEM 15 - Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (CEO), the Chair of the Audit Committee and the Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure. As of May 29, 2008, the Company's

management, with the participation of the CEO and CFO, has evaluated the effectiveness of the Company's disclosure controls and procedures as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators and has concluded that such controls and procedures are effective.

In connection with the preparation of management discussion and analysis, our management, including our CEO and CFO, has evaluated the effectiveness of the disclosure controls and procedures as they related to the preparation of the annual financial information for the fiscal period ended December 31, 2007 and March 31, 2008. In connection with the preparation of those financial statements, we recorded a small number of adjusting entries. As a result, we have concluded that our disclosure controls and procedures were effective. Although we have concluded that our internal control process is effective, in the course of ordinary business we do make changes to our internal control process and also in our disclosure controls and procedures:

- We have expanded our systems and control procedures surrounding financial reporting by developing enhanced accounting procedures and instituting monthly reviews of the financial statements by the members of the Audit Committee, CEO, CFO and President.
- Our Audit Committee has enhanced its oversight of management by approving and overseeing the application of complex accounting policies.
- We have hired an experienced Chief Financial Officer as of May 2007 who resides at our Toronto, Ontario corporate office. The CFO has been joined by an experienced Director and Audit Committee Chair to review, and strengthen the controls, procedures and documentation thereof. The CFO and Chair are conversant with applicable regulatory requirements and Canadian and US GAAP reporting requirements and provide an additional level of review required of reporting documents. Additionally, the bookkeeping functions of both the parent company in Canada and its US holding company subsidiary have been consolidated in the Toronto office.
- A new, more flexible accounting system has been installed in our Wallace, ID offices and additional, senior level financial reporting staff are being sought to strengthen controls and reporting capabilities.