
U.S. SILVER CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED MARCH 31, 2009

DATED MAY 29, 2009

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.

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 the management of U.S. Silver Corporation presents operating highlights for the three months ending March 31, 2009 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 three month period ended March 31, 2009 ("Q109"). This report should be read in conjunction with the unaudited consolidated financial statements for the period ended March 31, 2009 and the accompanying notes ("FSQ109"). The data on production are 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). Reference is also made to the audited financial statements for the twelve-month period ended December 31, 2008. ("FS2008")

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 production, exploration and development of silver resources in northern Idaho, United States. 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") which 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 adjoining, but non-operating, Coeur Mine and Caladay Project in the Coeur d'Alene Mining District in northern Idaho. These mines have a long mining history with a cumulative production of over 214 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 year-end 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. No significant (i.e. greater than one million dollar) financings occurred in 2008, in Q109 or up to the date of this report.

The Company underwent significant changes in the latter part of 2008 which changes impacted positively the performance of the Company in Q109. The Company's primary operating objective continues to be to return the Galena Mine to its optimal production level of 2.5 to 3.5 million ounces of silver ("Ag") per year along with associated by-product lead and copper, at cash operating costs in line with long-term historical levels, adjusted for inflation. A secondary operating objective is to undertake additional exploration and development in the Galena Mine to maintain reserves at historical norms of approximately three to five years of production, an objective which is now substantially complete, given

the current annual rate of Ag production. To maintain this objective, in part, the Company expects to drill over 20,000 feet of exploratory drilling and undertake over 8,000 feet of development drifting during 2009, having drilled 71,144 feet in 2007 and 68,365 feet in 2008. No exploratory diamond drilling was completed during Q109. An in-house program of short definition drill holes is planned to begin in Q209. The 20,000 foot program of long exploration holes is expected to begin in Q309.

As indicated previously, many significant changes took place in the latter part of 2008. The first nine months of 2008 saw the completion of 12,000 feet of underground development and 64,000 feet of exploration drilling. Also completed in 2008 were 550 of the 800 feet of Galena shaft rehabilitation begun in late 2007. Production during 2008 averaged approximately 136,000 oz. of Ag per month. Continued investment in infrastructure led to over \$15 million in upgrading mining equipment and assets.

However, by the end of the third quarter of 2008, significant changes began with the departure of the Chief Operating Officer, Mr M. Hartmann. In the fourth quarter of 2008, Bobby Cooper assumed the role of Chairman from John Ryan and Tom Parker replaced Bruce Reid as CEO. Mr. Hartmann, Mr. Reid and Mr. Munro resigned from Board and three new, independent Directors, John Brock, Gordon Pridham and Wade Black joined the Board. John Ryan resigned as a Director in Q109.

Following these significant leadership changes, new Strategic and 2009 Operational Mine Plans were created. Implementation of the plans, beginning in the fourth quarter of 2008 and continuing into the first quarter of 2009, led to the restructuring and reduction of the Galena mine workforce, the termination of most contract workers, suspension of most capital projects including Galena Shaft repair, and the cessation of most exploration drilling. Other important cost saving measures included 10% wage and salary cuts for two months, as well as ongoing reduction of director compensation and the consolidation of two mill concentrators into one, more efficient operation. Some new mining equipment was commissioned and non-essential equipment was cancelled or deferred. However, prior to the suspension of the Galena shaft repair, an additional 110 feet of shaft was rehabilitated, leaving 140 feet yet to be done. Further changes in Q109 were modest in comparison to those in late 2008.

ITEM 2 - Selected Financial Information

	December 31, 2008	December 31, 2007
Net income (loss)	\$ (1,409,905)	\$ (6,441,205)
Comprehensive income (loss)	(14,411,323)	(2,188,247)
Net income (loss) per common share basic and diluted	(0.01)	(0.04)
Comprehensive income (loss) per common share basic and diluted	(0.07)	(0.01)
Total assets	54,933,001	67,683,803
Total liabilities	11,258,929	11,165,002
Cash and cash equivalents	2,655,458	28,540,280
Marketable securities	2,123,684	3,598,520
Mining assets	35,131,508	23,616,962

Analysis of Fiscal 2008

The Company's net loss decreased \$5.0 million from \$6.4 million in 2007 to \$1.4 million in 2008. The \$5.0 million decrease resulted from 58.6% higher revenues as a result of selling 42.1% more silver ounces at a 14.5% higher average price per ounce, an \$8.3 million increase in foreign exchange gain from greater changes in United States dollar-Canadian dollar exchange rates, \$4.1 million of derivative income from lead hedging agreements; which collectively were partly offset by 61.5% higher operating expenses and higher costs related to infrastructure repairs, shortages of skilled mining and professional labour, and a \$2.4 million decrease in assumed tax benefits related to lower net income. The realized gain in foreign exchange of \$7.3 million was more than offset by the increase in unrealized loss on foreign exchange which is included in Other Comprehensive Income as detailed below. On balance, the Company's operations have only a limited exposure to Foreign Exchange rates in that essentially all Revenue, and nearly all costs, are denominated in USD. However, since the Company is a Canadian corporation listed on the TSXV, its Shareholders Equity is denominated in CAD and Generally Accepted Accounting Policy requires that changes in the CAD/USD exchange rate, which did change significantly in 2008, are reflected separately in Net Loss and Comprehensive Loss and that average exchange rates are used for the profit calculations versus year-end exchanges rates for balance sheet items.

The Comprehensive Loss was \$14.4 million in 2008 compared to \$2.2 million in 2007, an increase of \$12.2 million. The \$12.2 million difference was due to an \$11.3 million negative change in unrealized foreign exchange, the 2008 realization of a loss on derivatives designated as cash flow hedges which was unrealized in 2007 (a \$4.9 million change) and an increase in the unrealized loss on available for sale financial assets of \$1.1 million. The outlook for the first 3 months of 2009 is for a significant improvement in operating and net results as result of the significant changes in the Company as outlined in Item 1-Overview.

Since the outstanding shares at December 31, 2008 only increased 1.5% from December 31, 2007, the changes in Net Loss per common share (basic and diluted) and in Comprehensive Loss per common share (basic and diluted) were primarily attributable to changes in net loss and comprehensive loss.

Total assets decreased 18.8% from \$67.7 million at December 31, 2007 to \$54.9 million at December 31, 2008. The \$12.8 million decrease was primarily due to decreases in cash and cash equivalents of \$25.9 million and marketable securities of \$1.5 million; partly offset by an increase in mining assets of \$11.5 million and property, plant and equipment of \$3.7 million. In 2008, cash was deployed in productive assets when \$21.6 million of cash was used for investing activities, primarily made at the Galena mine and mill. The Company expects that mining assets and property will grow at a lower rate in 2009 than 2008 as it focuses more attention on: decreases in cost per ounce and increases in production.

Total liabilities increased 0.8% or \$0.1 million from \$11.2 million to \$11.3 million due to normal working capital fluctuations. The Company does not expect total liabilities to change significantly in 2009.

Reserve and Resource Estimates

The tables on the following page summarize the reserve and resource information as at December 31, 2008. This is compared to the December 31, 2007 estimate. There was a 20% increase in total proven and probable reserve ounces outlined in the new estimate for December 2008 compared to 2007. There was an increase of 61% in proven and probable silver reserves in 2007 compared to 2006. The Company has released an updated internal estimate of reserves and resources in a new NI 43-101 compliant Technical Report, "Galena Mine, Shoshone County, Idaho, Technical Report, April 9, 2009".

December 2008 Estimate

Copper-Silver Ore	Tons	Ag Grade (oz/t)	Contained Ounces	% Cu
Proven & Probable Reserves	722,500	23.41	16,912,100	0.70%
Measured & Indicated Resources ¹	458,700	18.32	8,403,200	0.61%
Inferred Resource	557,900	19.49	10,874,200	0.58%

Lead-Silver Ore	Tons	Ag Grade (oz/t)	Contained Ounces	% Pb
Proven & Probable Reserves	426,300	9.53	4,064,600	10.16%
Measured & Indicated Resources ¹	75,000	10.69	801,500	10.87%
Inferred Resource	689,100	8.94	6,158,600	9.45%

Note ¹, Measured & Indicated Resources do not include Proven & Probable Reserves

December 2007 Estimate

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

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

ITEM 3 - Results of Operations**Analysis of First Quarter, 2009**

The Company recorded revenues of \$11.1 million (vs. \$7.3 million for the first quarter of 2008 (Q108")) for the period ended March 31, 2009 ("Q109"). Revenues for Q109 were 51% higher than Q108 because of 118% higher silver production. The increase in production was directly attributable to the success of the operational initiatives which started in the fourth quarter of 2008 as well as 2008 investments in infrastructure, employee training and recruitment success. Net income increased from \$0.7 million in Q108 to \$1.4 million in Q109 due to positive impacts of various cost savings which started in the fourth quarter of 2008 and higher silver production.

Operating expenses for the quarter ended March 31, 2009 were \$10.6 million (vs. \$7.3 million in Q108). Expenses were higher vs. the previous year's period due to the production of over 115% more ounces of silver than in Q108. The much greater production led to Cost of Mining increases related to higher wages, recruiting and benefits costs and increased consumable materials costs. Q109 operating expenses consisted of \$9.75 million in mining costs of which approximately \$ 1.1 million is depreciation and depletion, \$0.9 million in general and administrative expenses (only slightly higher than in Q108), continued minimal selling and marketing expenditures (only \$0.005 million) and much lower exploration costs of \$0.02 million vs. \$0.5 million in Q108. Depreciation and Depletion costs rose from \$0.4 million in Q108 to \$1.1 million due to the increased investment in mining related assets over the course of the period as well as the higher rate of production in Q109. The exploration costs cannot be expected to continue to drop to even lower levels, as the Company seeks to maintain its reserves and resources while controlling costs and yet still maintain the currently higher production levels. Depreciation remained minimal, as the majority of depreciation and depletion are included in the Cost of Mining.

Financing expense for the period was minimal, as it was in Q108, since the Company began to utilize its Revolving Advances Facility late in the period for minimal amounts and at relatively low rates of interest. Please see the Company's Press Release dated February 26, 2009 at: www.us-silver.com.

Investment income was \$0.4 million mainly as a result of the sale of share investments as well as realized gains on maturing hedges of planned 2009 lead production. Favourable impacts from foreign exchange movements resulted in \$0.8 million of income. Interest income dropped sharply from \$0.3 million to almost nil as both the level of interest rates and the Company's cash resources were significantly lower in Q109 vs. Q108.

The Net Income, after tax provisions of \$0.3 million in Q109 versus \$ 0.4 tax provisions in Q108, was \$1.4 million versus \$0.7 million in Q108.

Comparing Q109 with Q108 shows that Other Comprehensive Loss related to maturing lead hedges and foreign exchange impacts on the assets and liabilities of the Company showed improvement of \$ 1.7 million and \$0.7 million, respectively. These, combined with lower gains on Available For Sale assets (lower by \$1.2 million), led to a reduction in Other Comprehensive Loss from \$ 1.7 million to \$0.7 million.

Therefore, Comprehensive Income was a much improved \$0.8 million vs. a Comprehensive Loss of \$ 1.0 million in Q108.

Based on the weighted average common shares outstanding of 214,723,827 the Net Income per share was \$0.01 and Comprehensive Income per share was \$0.00 (\$0.00 and \$0.00 in Q108, respectively).

Cash flow provided by operating activities was essentially unchanged from Q108. Depreciation and depletion, which were increased by 2007 and 2008 capital additions and increased production, resulted in \$1.6 million in non-cash expense in Q109.

Cash flow provided by financing activities increased by \$2.2 million to \$1.8 million in Q109 compared to cash flow used by financing activities of \$0.4 million in Q108. This result was primarily due to advances under the Revolving Advances Facility of \$1.4 million. Please see Item 5, below.

Cash flows used in investing activities decreased to \$0.8 million in Q109 from \$8.3 million in Q108 due to lower investment in mine development as most mining investments were made in 2008 (\$2.6 million), reduced purchases of marketable securities (\$2.5 million), lower investment in purchases of equipment (\$1.4 million), and the receipt of proceeds from the sale of marketable securities in Q109 (\$1.0 million).

The Company previously invested heavily in capital improvements with purchases of fixed assets and investments in mining assets at the Galena mine. Investment in Q109 was approximately \$ 1.7 million, a significant reduction from \$5.3 million in Q108 because the Company focused on maximizing production and cash generation in Q109. Those investment reductions were related to the cancellation or deferral of

capital projects including the rehabilitation of the Galena Shaft, non-essential exploration activities, and rehabilitation and development activities in multiple underground working areas.

In 2008 an effort to reduce operating costs resulted in returning the Coeur mill to care and maintenance and milling the silver-lead ore at the Galena mill. Increasing ore head grades and a maintenance issue with the smaller of the two ball mills led to operational difficulties in the Galena circuit. Consequently, in early April 2009, the Coeur mill was restarted and once again began milling silver-lead ore at a rate of 200 to 300 tons per day. Management expects lead-silver production to achieve approximately 300 to 400 tons per day consistently throughout 2009.

Development of silver-copper ores continues on many levels, with the primary focus being on the 2400, 3700, 4600, and 4900 levels. Production began in areas of new discovery on the 4600 level during 2008 and has commenced from new discoveries on the 2400, 3700, and 4900 levels during the first quarter of 2009.

Development of silver-lead ores has primarily been on the 2400, 3000 and 5200 levels. Initial production has been started on all three levels. On the 5200 level a strike length exceeding 800 feet of the 174 vein has been developed and drifting continues. Vein widths of 6 to 22 feet have been exposed with average grades of approximately 9 ounces of silver per ton and 9% lead.

The output of ore has been maintained at between 820 and 850 tons per day through the first quarter of 2009. Management is expecting this production level to increase to over 900 tons per day for the remainder of 2009. Average monthly silver production is now approximately 210,000 oz per month vs. 143,000 oz. per month in 2008. Silver production is expected to increase to an average of 240,000 oz per month by the end of 2009.

The Company sold 718,998 ounces of silver in Q109, a 144% increase over Q108 (294,473 ounces). This resulted in an increase in sales of 51% from \$7.4 million in Q108 to \$11.1 million in Q109 despite lower average silver prices

Production Statistics	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09
Total tonnage	35,724	42,791	51,607	63,439	52,593
Tons per day	558	669	806	1,007	835
Total ounces of Ag	291,203	416,972	518,058	496,041	634,791
Ounces per day	4,550	6,515	8,095	7,874	10,076
Total copper production - lbs	178,269	212,178	234,545	249,182	301,120
Total lead production - lbs	822,634	1,037,045	858,282	1,462,899	1,057,647
Estimated cash costs	\$14.88	\$13.88	\$12.67	\$16.27	\$10.59

Staffing levels increased in 2008 until late in the year when falling metals prices forced significant cost cutting, including staff layoffs. In January 2008, the Galena operations employed a total of 190 people, including surface staff and contractors. As of the date of this report, there are 208 full time employees as well as approximately 26 contractors. Current staffing levels are considered adequate for achieving production levels forecasted for this year. The Company will continue to selectively hire highly competent people to help achieve the successful turnaround of the Galena Mine complex that was begun in December, 2008.

Company management has also focused on improving grade control at the Galena Mine. The long-term historical silver grades for the Galena Mine silver-copper ores were over 22 ounces per ton. These grades

had declined significantly in the several years prior to mid 2006 to below 12 ounces per ton. This was mostly a result of excessive dilution caused by less than optimal mining practices, development of replacement production headings and depletion of high quality reserves. Through a series of initiatives, the mined grades of the silver-copper ore have now improved to approximately 65% of the reserve grade or approximately 15 oz/ton. Management believes that the number of initiatives such as the future 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.

The rehabilitation of the Galena Shaft began in late 2007 and continued throughout 2008, albeit at reduced levels in the last two months of the year. The Galena Shaft had a large section of the shaft (800ft) collapse about 11 years ago resulting in the inability to use the shaft for its full length. The repairs were completely halted in January 2009 in order to conserve financial resources. Repairs may recommence later in 2009 and, if so, should be completed about 5 months after commencement. A fully operational Galena shaft will: allow for hoisting of men and materials, significantly increase overall hoisting capacity at the mine, significantly reduce travel time to certain areas of the mine, allow substantially more shaft maintenance time in the #3 Shaft, provide access to a number of key silver-lead and silver-copper resources on upper levels of the mine, and substantially help with the ventilation of the lower working areas of the mine.

ITEM 4 - Summary of Quarterly Results

Quarterly Summary

The following table sets forth the Company's Revenue, Net Loss, and Net Loss per common share for the previous eight quarters ending with March 31, 2009 as prepared under generally accepted accounting principles in Canada.

Quarter Ended	Revenues	Net Income (Loss)	Income (Loss) per share: basic and diluted
March 31, 2009	\$ 11,110,973	\$ 1,380,785	\$ 0.01
December 31, 2008	1,611,191	(1,078,792)	0.00
September 30, 2008	9,645,290	(94,143)	0.00
June 30, 2008	10,074,197	(890,000)	(0.01)
March 31, 2008	7,336,136	653,030	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)

Quarterly Analysis

During the quarter ended March 31, 2009, U.S. Silver recorded operating income of \$0.4 million as it significantly increased production of silver vs. the previous quarter and the first quarter of 2008.

Metals prices were lower than in Q108 but showed some increase vs. Q408. Production volumes increased with a total of 634,791 ounces of silver produced. Mining costs for the quarterly period ending March 31, 2009 and March 31, 2008 were \$9.75 million and \$6.1 million, respectively. Costs were higher primarily due to increased production. Additionally, high levels of development activity designed to insure continued increased production levels throughout 2009, led to increased on-going costs in the quarter.

The Company anticipates the second quarter of 2009 will show continued improvements in operating results as compared with the 2008 due to higher metals prices, significantly higher silver production and the aforementioned cost reductions as well as revised mine planning, all of which began in the fourth quarter of 2008. The Company expects the improved operating results to continue throughout 2009, depending on the market prices for silver.

ITEM 5 - Liquidity

As of March 31, 2009, the Company's cash and equivalents were \$3.2 million and working capital was \$9.1 million. Current liabilities as of March 31, 2009 were \$4.4 million. The Company requires about \$8 million in working capital at expected production rates, which it currently maintains. The Company's liquidity had been greatly reduced over the course of 2008 and significant steps were taken to maintain necessary liquidity in the fourth quarter of 2008 and subsequently, in the first quarter of 2009.

In the short term, Management believes it has sufficient cash flow to fund its operations, given the recent deferral or cancellation of capital projects (see Item 6 - Capital Resources). In the longer term, as the Galena Mine returns to full production and additional production is undertaken from the lead-silver ore bodies, the Company believes that cash flows will be sufficient to fund ongoing operations.

The Company raised no additional capital in Q109. However, most new capital projects will require either external funding or a combination of higher metals prices and/or production such that cash flow from operations increases substantially.

All of the Company's leased mineral properties, which it wishes to retain, are currently in good standing with work planned on those where required. Some work commitments on non-core properties are in arrears at the date of this report.

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 held no cash deposits with counter parties to its Financial Instrument activities (See Item 12 below).

The Company's liquidity has been, and will continue to be, somewhat constrained by pension funding commitments as required by the terms of the defined benefit pension plans offered to both its hourly and salaried workers (See Note 7 in the FS2008). Although both pension plans are under-funded, as of the date of this report, the Company intends to fund to the minimum levels required by applicable law the hourly employee's pension plan. The Company currently estimates total annual funding requirements for

both pension plans to be approximately \$1.2 million per year for each of the next 5 years. The size and timing of the future funding requirements are such that, as of the date of this report, the Company is considering changes to the salaried employees' pension plan such that further pension benefits will cease to accrue with each additional month of employee service. This "freezing" action has not been decided upon at this time and if such a decision was made, the implementation of this action would require approval of the Internal Revenue Service of the United States, a probable increase to the 401k defined contribution retirement plans of salaried employees and a 15 day notification period to salaried employees. Furthermore, such freezing of future pension benefit accruals, should it be implemented, does not relieve the Company of its existing obligation to fund past service requirement earned by salaried employees up until the effective of the freezing action currently under consideration. Please see Item 10 for further information on the defined benefit pension plans, the funding obligations of the Company and the Risks inherent in such matters.

In February 2009, the Company improved its liquidity position by means of an inventory and receivable monetization facility (shown as the Revolving Advances Facility on FSQ109) with Auramet LLC of Fort Lee, N.J., a precious metals trading and lending firm. This facility, which has a maximum potential usage of USD \$5 million, greatly reduces the time between shipping concentrate inventories and receipt of payment for such inventories, thereby making the Company's working capital more liquid. Please see the Company's press release dated February 26, 2009 at: www.us-silver.com. As at March 31, 2009, the balance outstanding on this facility was \$1,448,593, (Nil as at December 31, 2008) equal to approximately 175,000 ounces of silver produced by the Corporation but not as yet paid for by its smelter client.

ITEM 6 - Capital Resources

The Company currently has sufficient capital to fund its operations but is constrained with respect to certain capital projects. For example, the repair of the Galena shaft was temporarily halted in January 2009 in order to extend cash resources. 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 provider remits payment to the Company on the 27th day of the month following the month of delivery of the concentrate, with following and final settling payments received generally within 45 days and 120 days of the initial payment, respectively. The other smelter provider makes initial payment twice a month. Shipments delivered between the 1st and 15th of the month are paid the following week and shipments delivered between the 16th and end of the month are made the following week. The Company has not had any significant receivables problems collecting its payments from its smelter providers in a reliable and timely manner and expects no such difficulties in the foreseeable future. However, this cash flow is dependent on continued mine production which can be subject to interruption for various reasons (see Item 10 - Risk Factors) including fluctuations in metal prices and concentrate shipment difficulties. Additionally, unforeseen cessation in smelter provider capabilities could severely impact the Company's capital resources. In this regard, the largest smelter utilized by the Company delivered in the first quarter of 2009 a "Force Majeure" notice to the Company in response to a notice it had received from its buyer of sulphuric acid. Notwithstanding the formal notice received relating to the very soft market conditions for sulphuric acid (a smelting by-product), the Company has, as of the date of this report, suffered no interruption in smelting services or payments and currently anticipates no such disruptions, viewing the notice as precautionary measure.

During 2007 and much of 2008, the Company experienced difficulty obtaining the required skilled labour force it needed to produce ore at the levels it desired. This negative impact on the Company's ability to maintain its working capital and liquidity has been reduced due to improved labour market conditions and more effective management/labour relations.

The Company made significant capital expenditures in both 2007 and 2008 and is planning much reduced capital expenditures during fiscal years 2009 and 2010. Included in the desired capital expenditures for 2009 are six projects costing a total of \$3.8 million. These projects are: completion of the Galena Shaft repair, upgrade of the #3 hoist electrical system, two new air compressors to replace an obsolete compressor, installation of larger diameter compressed air line in both shafts, replacement of a drill jumbo and LHD loader and rebuild of the rail on the 4600 and 4900 levels. The Company is using cash flow from operations to purchase the two new air compressors, the drill jumbo and the LHD loader. Furthermore, the four remaining projects are dependent upon the Company attaining an improved capital position. In addition, the Company has begun developing a plan to produce sufficient ore from the Galena mine to fill both the Coeur and Galena mills. This will require an increase to a total of approximately 1,400 tons per day of mine production. Such an increase will require an estimated \$6-8 million in addition to the \$3.8 million discussed above. Such an expansion would clearly require additional capital to be raised. The Company plans to continue an underground exploration plan utilizing diamond core drilling. Capital expenditures are required on some of its surrounding leased properties to fulfill lease obligations. The Company expects to spend less than \$1 million in 2009 through the following approaches: dropping some leases, renegotiating other leases or finding a joint venture partner to share lease and exploration costs.

As cash flows from the mine may not be sufficient to fund all of the planned capital expenditures' 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.

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

Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Mining Leases ¹	\$5,709,904	\$1,200,204	\$895,250	\$1,052,950	\$2,561,500
Mine Reclamation ²	\$2,172,530	\$0	\$0	\$0	\$2,172,530
Pension, Medical Benefits & Defined Contribution Plans ³	\$9,880,750	\$1,330,818	\$4,128,511	\$2,880,119	\$1,541,302
Mine & Office Equipment Leases	\$81,735	\$35,702	\$46,033	\$0	\$0
Total Contractual Obligations	\$17,844,919	\$2,566,724	\$5,069,794	\$3,933,069	\$6,275,332

¹ All mining leases can be cancelled upon proper notice periods by the Company.

² Mine Reclamation obligations are incurred at or near mine shutdown. The above estimate is based upon reclamation beginning in 2013. This obligation may be further extended as the estimated life of the mine increases.

³ 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 Arrangements

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

In 2007 Golden Eagle Mining borrowed \$90,000 from the Company and the Company paid a further \$91,485 to third parties on behalf of Golden Eagle Mining. On these amounts, the Company accrued interest of \$12,801 during 2007 and \$2,741 during 2008. The total amount due at December 31, 2008 and December 31 2007 was \$209,828 and \$194,286, respectively. These amounts are included on the balance sheet in prepaid expenses and other assets. As of December 31, 2008 it was determined that it was then doubtful that the Company would receive full repayment, the Company recorded an allowance for doubtful accounts in 2008. Golden Eagle Mining was no longer a Related Party at December 31, 2008 and continues to be an unrelated party as of the date of this report. Although the balance was reserved, the Company continues to pursue its right to full repayment of all funds due to the Company and is undertaking negotiations with Golden Eagle management in this respect. As of the date of this report, progress has been achieved in the negotiations and the balance due is the same as at the end of 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 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 ounce, was \$7.31 in 2005, \$11.57 in 2006, \$13.39 in 2007, \$14.99 in 2008 and \$12.48 in Q109. The year to date average so far in 2009 is approximately \$12.70. The price of silver may decline in the future and recent activity has shown silver, lead and copper to be unusually volatile. 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, 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 market prices of silver and other metals are subject to great uncertainty as those prices have fluctuated widely in the past. Declines in the market price of silver and other metals 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 wide range 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 of operations.

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 costs and delays related to such regulations 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 could be 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, Pension Funding 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.

The recent sharp declines in the equity markets and other financial impacts have affected the Company's costs and liquidity through increased requirements to fund the Company's defined benefit pension plans for its employees. Although it is expected that financial markets will recover in the future and have recovered somewhat over the course of Q109, thereby reducing future pension funding requirements, there can be no assurance that such recovery and reduced funding requirements will happen in the foreseeable future. Furthermore, although the pension funding requirements are calculated by professional actuaries, there can be no assurance that unforeseen changes in pensioner longevity, government regulation or other financial market uncertainties will not further increase pension funding requirements. The Company intends to fund, at least up to the minimum level required by relevant law, the pension plan for hourly employees of the Company. However, at this time the Company is still considering whether it will continue with salaried employee's pension funding in exactly the same manner as it has done in the past. As of the date of this report, no decision has been made other than to continue to abide by all

applicable laws while balancing the cash flow needs of the Company against the recruitment and retention consequences of changes to the retirement compensation offered to existing and future salaried employees. Please see Item 5.

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, does 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 a limited 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 Audited Financial Statements for the period ended December 31, 2008 and the unaudited Financial Statements dated March 31, 2009, both of which are incorporated by reference and can be found on the regulator's web site at www.sedar.com.

ITEM 12 - Financial Instruments and Other Instruments

The Company has in the past 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 Company to market risk consist primarily of derivative contracts for base metals and, potentially, certain precious metals. In the year and a half preceding the date of this report the Company had hedged for future periods exceeding three months only the price of lead and has done so in the past on a rolling 12-month basis for a total of approximately 6,000,000 lbs of lead. However, no open lead hedge contracts are outstanding as of the date of this report. During Q109 the Company began to utilize the inventory and receivable monetization facility described in the Press Release February 26, 2009 (the "Facility"). The Facility includes the sale of the silver contained in the inventory and receivables that are monetized via the Facility. These sales of silver, conducted with the Facility counterparty, lock in the prices of most, but not necessarily all, of the silver that is financed for periods with a maximum tenor of three months. Hence, the forward sale of silver does not exceed four months and is tied to financing activity under the Facility.

The Company's risk management policy attempts to mitigate the risks associated with fluctuating metal prices. The Company 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 Company can be exposed to credit risk in the event of non-performance by counterparties in connection with these hedging contracts. The Company 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 Company 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 March 31, 2009, there were 214,723,827 common shares issued and outstanding. As at the date of this Management Discussion and Analysis, there were 214,723,827 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. The table that follows summarizes the outstanding and exercisable stock options at March 31, 2009:

Exercise Price CA\$	Options Outstanding	Expiry Date	Outstanding		Exercisable	
			Weighted Average Remaining Life (Years)	Weighted Average Price CA\$	Quantity	Weighted Average Price CA\$
\$0.10	66,667	Oct. 2013	4.5	\$0.10	66,667	\$0.10
0.10	2,850,000	Nov. 2013	4.6	0.10	1,305,000	0.10
0.13	400,000	Feb. 2014	4.8	0.13	200,000	0.13
0.15	1,505,000	Feb. 2014	4.9	0.15	2,500	0.15
0.19	100,000	Oct. 2013	4.5	0.19	100,000	0.19
0.40	5,669,475	Dec. 2011	2.7	0.40	5,669,475	0.40
0.40	750,000	Jul. 2013	4.3	0.40	450,000	0.40
0.73	660,000	Aug. 2012	3.4	0.73	540,000	0.73
0.75	300,000	Mar. 2012	2.9	0.75	300,000	0.75
0.79	300,000	Mar. 2013	3.9	0.79	300,000	0.79
0.81	960,000	Nov. 2012	3.6	0.81	960,000	0.81
1.19	1,000,000	Apr. 2012	3.1	1.19	1,000,000	1.19
	<u>14,561,142</u>				<u>10,893,642</u>	<u>0.42</u>

The following table summarizes the warrants issued and outstanding as of March 31, 2009.

Number of Warrants	Exercise Price (CA\$)	Warrant Type	Issuance Date	Expiry Date	Fair Value
12,235,00	1.25	Investor	December 2007	December 2009	\$ 2,096,334
1,712,900	1.00	Broker	December 2007	December 2009	333,518
856,450	1.25	Broker	December 2007	December 2009	123,637

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.

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, 2009, 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 financial information for the fiscal period ended March 31, 2009. 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 as of March 31, 2009. 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 will expand 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 Controller.
- Our Audit Committee and management will enhance the oversight from the Audit Committee and management by approving and overseeing the application of complex accounting policies.
- We have an experienced Chief Financial Officer 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 highly experienced Controller, licensed as a C.P.A. in the state of Washington, has been hired in Wallace, Idaho to strengthen reporting and control capabilities at the Company's main operation.
- In 2008, a new, more flexible accounting system was installed in our Wallace, Idaho offices leading to enhanced reporting and financial control capabilities.