MAG SILVER CORP.

Management's Discussion & Analysis
For the three and nine months ended
September 30, 2012

Dated: November 13, 2012

A copy of this report will be provided to any shareholder who requests it.

VANCOUVER OFFICE
Suite 770
800 W. Pender Street
Vancouver, BC V6C 2V6

604 630 1399 phone
866 630 1399 toll free
604 681-0894 fax

TSX: MAG
NYSE MKT: MVG
www.magsilver.com
info@magsilver.com

OVERVIEW

MAG Silver Corp. ("MAG" or the "Company") is a mineral exploration and predevelopment company focused on the acquisition, exploration and development of district scale projects located within the Mexican silver belt. The Company is based in Vancouver, British Columbia, Canada, and its common shares trade on the Toronto Stock Exchange under the symbol MAG and on the NYSE MKT (formerly NYSE Amex) under the symbol MVG. The Company is a "reporting issuer" in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador and is a reporting "foreign issuer" in the United States of America.

The following Management's Discussion and Analysis ("MD&A") of MAG focuses on the financial condition and results of operations of the Company for the three and nine months ended September 30, 2012 and 2011. It is prepared as of November 13, 2012 and should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2012 and the audited consolidated financial statements of the Company for the year ended December 31, 2011, together with the notes thereto.

All dollar amounts referred to in this MD&A are expressed in United States dollars ("US$") except where indicated otherwise. Effective January 1, 2012, the Company changed its presentation currency from the Canadian dollar ("C$") to the US$ on a retrospective basis (see 'Changes in Accounting Policies' below). The change in presentation currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the mining industry.

The Company believes it is a Passive Foreign Investment Company ("PFIC"), as that term is defined in Section 1297 of the U.S. Internal Revenue Code of 1986, as amended, and believes it will be a PFIC for the foreseeable future. Consequently, this classification may result in adverse tax consequences for U.S. holders of the Company's common shares. For an explanation of these effects on taxation, U.S. shareholders and prospective U.S. holders of the Company's common shares are encouraged to consult their own tax advisers.

Except for historical information contained in this MD&A, the disclosures contained herein are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 or are future oriented financial information and as such are based on an assumed set of economic conditions and courses of action. These may include estimates of future production levels, expectations regarding mine production and development programs and capital costs, expected trends in mineral prices and statements that describe future plans, objectives or goals. There is significant risk that actual results will vary, perhaps materially, from results projected depending on such factors as discussed under "Risks and Uncertainties" in this MD&A and other risk factors and forward-looking statements listed in the Company's most recently filed Annual Information Form ("AIF"). More information about the Company including its AIF and recent financial reports are available on SEDAR at www.sedar.com and on the SEC's EDGAR website at www.sec.gov.

Unless otherwise specifically noted herein, all scientific or technical information in this MD&A, including reserve estimates was based upon information prepared by or under the supervision of Dr. Peter Megaw, Ph.D., C.P.G., a certified professional geologist who is a "Qualified Person" for purposes of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("National Instrument 43-101" or "NI 43-101") and/or are prepared by or under the supervision of Dan MacInnis P. Geo., a certified professional geologist who is a "Qualified Person" for purposes of NI 43-101.

Cautionary Note to Investors Concerning Estimates of Indicated and Inferred Mineral Resources

This MD&A uses the terms "Inferred Resources" and "Indicated Resources." MAG advises investors that although these terms are recognized and required by Canadian regulations (under NI 43-101), the U.S. Securities and Exchange Commission ("SEC") does not recognize these terms. Investors are cautioned that "inferred resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or prefeasibility studies. **Investors are cautioned not to assume that part or all of an inferred resource exists, or is**

economically or legally mineable. Investors are further cautioned not to assume that any part or all of an indicated mineral resource will be converted into reserves.

FINANCIAL PERFORMANCE

As at September 30, 2012, the Company had working capital of $43,685,026 (compared to $29,785,446 at September 30, 2011), including cash on hand of $44,081,885 (compared to $28,977,983 at September 30, 2011). The Company's reserves of cash originate from financings. The increase in cash over the prior period is a result of a private placement financing that closed on September 5, 2012 for net proceeds of $31,325,931 (see "Liquidity and Capital Resources" below).

Three Months Ended September 30, 2012

The Company's net loss for the three months ended September 30, 2012 amounted to $3,609,463 (2011: $3,049,184). The increased loss compared to the prior period is a direct result of costs incurred in the current quarter dealing and negotiating with a dissident group of MAG shareholders, Mining Investors for Shareholder Value ("MISV"). MISV, which collectively held approximately 9.76% of MAG's outstanding shares, and the Company ultimately reached an agreement on September 4, 2012 whereby MAG agreed to nominate Richard Clark and Peter Barnes for election at the annual and special meeting ("Annual Meeting") of shareholders held on October 5, 2012. Under the terms of the agreement with MISV, MAG presented a slate of nine directors to shareholders at the Annual Meeting, comprised of Mr. Clark and Mr. Barnes along with seven existing members of MAG's board. Subsequent to the quarter end, the shareholders overwhelmingly elected all nine directors standing for election.

For the three months ended September 30, 2012, legal fees of $727,857 (2011: $145,894), general office expenses of $641,936 (2011:$264,137) which include all Annual Meeting related fees, and shareholder relations expenses of $155,340 (2011: $54,308), all increased due to the MISV dealings and negotiations. In addition to legal advice on the matter, specific costs included additional proxy solicitation fees, an independent compensation report (prepared to dispel MISV claims of excessive overheads), and the reimbursement to MISV of all fees incurred by them, as agreed to in the MAG/MISV settlement agreement.

During the three months ended September 30, 2012, the Company granted 760,000 stock options (2011: 750,000) and recorded $1,556,295 (2011: $1,739,440) of share based payment expense relating to stock options vesting to employees and consultants in the period. The fair value of all share-based payment compensation is estimated using the Black-Scholes-Merton option valuation model.

In the three months ended September 30, 2012, accounting and audit fees decreased to $94,485 (2011: $181,500) as in the prior period the Company incurred additional professional fees related to the internal restructuring of its Mexican property holdings. Other expenses in the three months ended September 30, 2012 including amortization of $11,003 (2011: $13,995), filing and transfer agent fees of $5,326 (2011: $28,048), management and consulting fees of $438,294 (2011: $548,965), and travel expense of $68,255 (2011: $49,253) were all either comparable to prior year's expenses or not significant to the overall operations of the quarter. There was a foreign exchange gain for the three months ended September 30, 2012 of $60,807 (2011: loss of $121,806), impacted by fluctuations in the Mexican Peso relative to the United States dollar ("US$").

During the three months ended September 30, 2012, interest income earned of $28,521 (2011: $98,672) was less than in the prior period due to lower average cash balances on hand through the period.

In the three months ended September 30, 2012, the Company recorded an unrealized gain of $72,545 (2011: loss of $218,953) in Other Comprehensive Income ("OCI") on marketable securities held and designated as available-for-sale instruments. A currency translation gain of $763,891 (2011: loss of $2,705,039) was also recorded in OCI, resulting from the translation from C$ to US$ of the Company's parent entity, which has a C$ functional currency. The C$ as measured against the US$ was 1.0171 at September 30, 2012, compared to 0.9822 US$/C$ at June 30, 2012.

Nine Months Ended September 30, 2012

The Company's net loss for the nine months ended September 30, 2012 amounted to $6,167,196 (2011: $4,463,335). The current period's net loss increased due to additional costs incurred leading up to the settlement agreement with the dissident MISV shareholder group (see above). Specifically, legal fees increased to $1,156,039 (2011: $1,032,500), and general office expenses increased to $998,581 (2011: $591,393). The prior period's net loss was also reduced by the receipt of an arbitration award in the amount of $1,858,120 from the Company's Juanicipio Joint Venture partner Fresnillo Plc. ("Fresnillo").

Accounting and audit fees of $371,559 (2011: $467,005) decreased in the nine months ended September 30, 2012, as the prior period reflected additional professional fees related to the internal restructuring of its Mexican property holdings. Travel and shareholder relations expenses of $266,887 (2011: $185,434) and $556,379 (2011: $157,114), respectively, increased as a result of increased local and foreign marketing activities to broaden investor awareness about the Company. Other expenses incurred in the nine months ended September 30, 2012 included amortization of $32,783 (2011: $42,102), filing and transfer agent fees of $140,434 (2011: $172,506), management and consulting fees of $1,219,564 (2011: $1,386,667), and a foreign exchange gain of $11,726 (2011: loss of $53,601), were all either comparable to prior year's expenses or not significant to the overall operations of the period.

During the nine months ended September 30, 2012, the Company granted 860,000 stock options (2011: 750,000) and recorded $2,428,600 (2011: $2,538,908) of share based payment expense relating to stock options vesting to employees and consultants in the period. The fair value of all share-based payment compensation is estimated using the Black-Scholes-Merton option valuation model.

There were no property impairments or write-offs in the nine months ended September 30, 2012 (2011: Nil).

Interest income earned for the nine months ended September 30, 2012 decreased to $151,852 (2011: $311,604), reflecting lower cash balances on hand during the current period. Interest earned correlates directly to the amount of cash on hand during the period and the prevailing interest rates.

In the nine months ended September 30, 2012, the Company also recorded a deferred income tax recovery of $840,052 (2011: Nil). The recovery represents a reversal of a deferred tax liability of $840,052 that was set up at December 31, 2011 in relation to temporary differences between the book and tax base of its Mexican non-monetary assets. The tax base of these non-monetary assets is determined in a different currency (Mexican Peso) than the functional currency (US$), and changes in the exchange rate can give rise to temporary differences that result in a deferred tax liability in accordance with IAS 12 *Income Taxes*. With the strengthening of the Mexican Peso against the US$ from 13.98 Pesos/US$ on December 31, 2011 to 12.85 Pesos/US$ on September 30, 2012, the previously recognized deferred tax liability was entirely reversed in the current period.

During the nine months ended September 30, 2012, there was an unrealized loss of $130,978 (2011: $452,711) recorded in OCI on marketable securities held and designated as held for trading instruments. A currency translation gain of $841,608 (2011: loss of $1,531,316) was also recorded in OCI in the nine months ended September 30, 2012, resulting from the translation from C$ to US$ of the Company's parent entity which has a C$ functional currency. The C$ as measured against the US$ was 1.0171 at September 30, 2012, compared to 0.9833 US$/C$ at December 31, 2011.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected quarterly financial information for each of the last eight quarters (as determined under International Financial Reporting Standards as issued by the IASB):

Quarter Ending	Revenue(1)	Net (Loss) Income(2)	Net Loss per share
September 30, 2012	$28,521	$(3,609,463)	$(0.06)
June 30, 2012	$52,151	$(1,803,362)	$(0.03)

Quarter Ending	Revenue[1]	Net (Loss) Income[2]	Net Loss per share
March 31, 2012	$71,180	$(754,371)	$(0.01)
December 31, 2011	$200,791	$(3,787,408)	($0.07)
September 30, 2011	$98,672	$(3,049,184)	$(0.05)
June 30, 2011	$105,561	$37,430 [3]	$0.00
March 31, 2011	$107,370	$(1,451,582)	$(0.03)
December 31, 2010	$127,021	$(4,725,155)	$(0.09)

Notes:

(1) The Company's only source of revenue during the quarters listed above was interest earned on cash balances. The amount of interest revenue earned correlates directly to the amount of cash on hand during the period referenced and prevailing interest rates. The Company has no operating revenues.

(2) Net losses by quarter are often materially affected by the timing and recognition of large non-cash expenses (specifically share based payments and property write-offs) as described above in "Financial Performance".

(3) The results for the quarter ended June 30, 2011include an arbitration award of $1,858,120 received from Fresnillo plc.

RESULTS OF OPERATIONS

During the three and nine months ended September 30, 2012, the Company's independently incurred joint venture expenditures on the Juanicipio property amounted to $76,936 and $783,074 respectively (2011: 101,637 and $265,650 respectively), and its joint venture advances amounted to $748,000 and $2,420,000 respectively (2011: $743,600 and $1,579,600 respectively). Exploration and evaluation on the Juanicipio property is being conducted by the project operator, Fresnillo and the Company's share of costs is funded through its 44% interest in Minera Juanicipio S.A. de C.V. ("Minera Juanicipio") (see Juanicipio Property below) along with the Company's own direct oversight expenditures. The Company's own exploration activity was focused on its 100% owned Cinco de Mayo property, where $1,609,627 and $7,600,358 was expended in the three and nine months ended September 30, 2012, respectively (2011: $1,749,824 and $5,435,340 respectively), and 33,067 metres (2011: 23,771) were drilled in the nine months ended September 30, 2012 (see Cinco de Mayo Property below).

The following property discussions are a summary of, and an update to, disclosure and documentation filed with regulatory agencies and available for viewing under MAG's profile on the SEDAR website at www.sedar.com and on SEC's EDGAR website at www.sec.gov.

Juanicipio Property

The Company owns 44% of Minera Juanicipio, a Mexican incorporated joint venture company, which owns and operates the Juanicipio property located in the Fresnillo District, Zacatecas State, Mexico. Fresnillo holds the remaining 56% interest in the joint venture and is the project operator. The Juanicipio Property hosts, at this time, three significantly identified high grade silver (gold, lead and zinc) veins: the Valdecañas Vein, with its footwall offshoot the Desprendido Vein and the Juanicipio Vein.

Exploration of the Juanicipio Property is designed by the Minera Juanicipio Technical Committee, approved by the Minera Juanicipio Board of Directors and executed by the project operator Fresnillo. The Company's share of costs is funded primarily through its 44% interest in Minera Juanicipio, and to a lesser extent directly incurred by the Company to cover expenses related to parallel technical studies and analyses commissioned by the Company, as well as direct oversight of the drilling programs executed on the property. For the three months ended September 30, 2012, the Company's total expenditures on the Juanicipio property amounted to $824,936 (2011: $845,237), and included $748,000 (2011: $743,600) for its 44% share of cash advances, and a further $76,936 (2011: $101,637) accrued or expended directly by the Company on project oversight. For the nine months ended September 30, 2012, the Company's expenditures on the Juanicipio property amounted to $3,203,074 (2011: $1,845,250), and included

$2,420,000 (2011: $1,579,600) for its 44% share of cash advances, and a further $783,074 (2011: $265,650) accrued or expended directly by the Company on project oversight. Cumulatively to September 30, 2012, the Company has spent on its own account and advanced Minera Juanicipio a total of $18,135,122 (2011: $14,154,606) for its 44% of acquisition and exploration costs.

Evaluation and exploration expenditures directly incurred by Minera Juanicipio for the nine months ended September 30, 2012 amounted to $3,978,626 (2011: $3,288,026) including $1,156,258 (2011: $1,234,821) in the three months ended September 30, 2012. Minera Juanicipio has completed 19,545 metres of drilling on the property in the nine months ended September 30, 2012, representing approximately 54% of the drilling budget proposed for the year. Drilling has been designed to convert inferred mineral resources to indicated mineral resources on the Valdecañas Vein and delineate the high grade ore shoot emerging on the Juanicipio Vein. Additional drilling was also targeted on the Las Venadas vein and on searching for the next vein.

Currently, seven drills continue in operation on the property.

Updated Preliminary Economic Assessment ("UPEA")

A National Instrument 43-101 ("NI 43-101") compliant Updated Preliminary Economic Assessment for the Juanicipio Project carried out by AMC Mining Consultants (Canada) Ltd. (the "AMC Study") was announced on June 14, 2012 and filed on SEDAR on July 16, 2012, (see News Release dated June 14, 2012).

The AMC Study was commissioned as one of the studies necessary to evaluate the manner in which the Juanicipio Property might be developed on a 'stand-alone' basis. The AMC Study defines the Juanicipio Project as an economically robust, high-grade underground silver project exhibiting minimal financial or development risks that will produce an average of 15.1 million payable ounces of silver over the first full six years of commercial production and 10.3 million payable ounces per year over a 14.8 year total mine life.

AMC STUDY BASE CASE HIGHLIGHTS [1]

- **Pre-tax Net Present Value ("NPV") at a 5% discount rate of $1.762 billion and an Internal Rate of Return ("IRR") of 54%;**
- **After-tax NPV at a 5% discount rate of $1.233 billion and IRR of 43%;**
- **Payback of 3 years after plant start-up;**
- **Initial capital cost of $302 million over a 3.5 year (42 months) pre-development period;**
- **Sustaining capital of $267 million over life of mine, to be funded out of operating cash flows;**
- **A 14.8 year mine life from mining and processing 13.3 million tonnes, averaging 416 grams per tonne ("g/t") silver, 1.3 g/t gold, 1.4% lead and 2.7% zinc;**
- **Life-of-Mine ("LOM") payable production of 153 million ounces silver, 430,000 ounces gold, 361 million pounds lead and 584 million pounds zinc from the production of lead, zinc and pyrite concentrates;**
- **Annual payable silver production averages 10.3 million ounces at a total cash cost of (negative) ($0.03) per ounce silver, net of by-product credits (MAG's 44% annual share of payable silver ounces is 4.5 million ounces);**
- **For the first full six years of commercial production, payable silver production averages 15.1 million ounces per year at a cash cost of $0.27 per ounce silver, net of by-product credits (MAG's 44% annual share is 6.6 million ounces) and;**
- **The AMC Study does not take into account any potential mining, processing or infrastructure synergies from any association with the adjoining property owned by Fresnillo.**

[1] The AMC Base Case utilizes a discount rate of 5% and three year trailing average metal prices for silver ($23.39 per ounce), gold ($1,257 per ounce), lead ($0.95 per pound) and zinc ($0.91 per pound) to December 31, 2011.

Table 1 below illustrates the effect of silver and gold prices on key economic measures. Note that the gold price varies with the silver price at a constant ratio of approximately 53.7:1.

Table 1: Silver Price Sensitivity Analysis

Discount Rate (5%)		**Base Case**					
Au ($/oz)	$1,075	**$1,257**	$1,342	$1,476	$1,612	$1,746	$1,881
Ag ($/oz)	$20.00	**$23.39**	$25.00	$27.50	$30.00	$32.50	$35.00
Pre-Tax NPV ($000's)	$1,407	**$1,762**	$1,930	$2,192	$2,455	$2,717	$2,979
After-Tax NPV ($000's)	$976	**$1,233**	$1,355	$1,544	$1,734	$1,923	$2,113
Pre-Tax IRR	47%	**54%**	57%	61%	65%	69%	73%
After-Tax IRR	37%	**43%**	46%	50%	53%	57%	60%
Cash cost $/oz. Ag (net of credits)	0.36	**(0.03)**	(0.21)	(0.49)	(0.79)	(1.07)	(1.36)
Cash cost $/AgEq oz. [2]	6.33	**6.61**	6.73	6.89	7.05	7.20	7.33
Payback (Years) From Plant Start up	4	**3**	3	3	3	2	2

[2] *Cash costs include smelter, refining and transportation.*

As indicated, project economics are robust across all modeled silver and gold price scenarios, and improve materially as the silver price exceeds the Base Case pricing. For example, at a $30.00 per ounce silver price and a 5% discount rate, the pre-tax NPV and IRR respectively increase to $2,455 million and 65% and $1,734 million and 53% on an after-tax basis. MAG's 44% pre and post tax interest under this scenario equates to $1,080 million (and 65% IRR) and $763 million (and 53% IRR) respectively.

Qualified Person: The estimate of the tonnage and grade of material to be mined and processed that form the basis for the economic assessment, and the financial analysis, disclosed in this MD&A for the Juanicipio Project are derived from the NI 43-101 compliant technical report entitled "Minera Juanicipio Property, Zacatecas State, Mexico, Technical Report for Minera Juanicipio S.A de C.V", authored by AMC Mining Consultants (Canada) Ltd. and dated 1 July 2012, which is filed on SEDAR. Mr. Michael Petrina, P.Eng, a "Qualified Person" for the purpose of National Instrument 43-101 and MAG's Vice President, Operations, has read and approved the contents of this MD&A as it pertains to the disclosed financial analysis.

The mineral resources used for the estimate in the NI 43-101 Technical Report for Minera Juanicipio S.A. de C.V. are derived from the NI 43-101 compliant technical report entitled "Mineral Resource Estimate, Minera Juanicipio, S.A. de C.V., Zacatecas, Mexico", authored by Strathcona Minera Services Limited and dated November 2011 which is filed on SEDAR. Mr. Michael Petrina, P.Eng, a "Qualified Person" for the purpose of National Instrument 43-101 and MAG's Vice President, Operations, has read and approved the contents of this MD&A as it pertains to the disclosed mineral resource estimate.

While the results of the AMC Study are promising, the AMC Study constitutes an updated preliminary economic assessment which by definition is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. There can therefore be no certainty that the updated preliminary economic assessment in the AMC Study will be realized. It is also important to note that mineral resources that are not mineral reserves do not have demonstrated economic viability.

Inferred Mineral Resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves.

Approval of Underground Development Program

With the completion of the AMC Study, MAG and Fresnillo now have a framework on which the joint venture Technical Committee can build upon for the continued advancement of the Juanicipio Project. On August 15, 2012, the Company announced that the board of directors of Minera Juanicipio (based on the recommendation of the Minera Juanicipio Technical Committee) had approved an 18 month mine permitting and underground development budget of $25 million ($10.0 million for 2012 with the remaining $15 million earmarked for 2013).

The budgeted program covers mine permitting, surface preparation and the commencement of the first 2,500 metres of underground decline development. The Joint Venture has begun the permitting process and anticipates receipt of all necessary permits by early 2013, with the underground decline ground breaking expected to follow shortly thereafter.

The proposed work plan is based on recommendations provided to Minera Juanicipio in the AMC Study (see UPEA above). The development program will be managed by Fresnillo, as operators of the Joint Venture. Currently, in addition to the permitting process, various recommended studies have begun. A hydrogeology (water management) study has been commenced. A geotechnical study is being undertaken with the assistance of Peñoles' (a related party of Fresnillo) Geotechnical & Construction Group, which has included a visit to the nearby Fresnillo Saucito operation in order to analyze rock quality in anticipation of stope preparation and development at Juanicipio. As well, a division of Peñoles has been contracted to run the recommended metallurgical tests, with results expected in early 2013.

The previously approved 2012 exploration program primarily targeted on finding other veins continues as planned.

Cinco de Mayo Property

The Cinco de Mayo Project is a 25,000 hectare district-scale project owned 100% by the Company. Cinco de Mayo is located approximately 190 kilometres northwest of the city of Chihuahua, in northern Chihuahua State, Mexico, within a regional geological belt where some of the world's largest Carbonate Replacement Deposits ("CRD") are located and mined. Cinco de Mayo is the most advanced of MAG's four CRD project areas in this belt and work over the last few years has revealed Cinco de Mayo as a major new CRD district. The Cinco de Mayo project consists of four major parts: the Jose Manto-Bridge Zone ("Upper Manto") silver-lead-zinc body; the newly discovered Pegaso Zone that lies beneath the Upper Manto; the Pozo Seco high grade molybdenum-gold resource area; and the surrounding Cinco de Mayo exploration area.

In the three and nine months ended September 30, 2012, the Company incurred exploration and evaluation costs of $1,609,627 and $7,600,358 respectively (2011: $1,749,824 and $5,435,340, respectively) at Cinco de Mayo where drilling totaled approximately 33,067 metres (2011: 23,771) for the nine months ended September 30, 2012.

Upper Manto (Jose Manto - Bridge Zone)

The 2012 drilling program was largely focused on delineation drilling to determine the width and continuity of new high grade silver / lead / zinc mineralization intercepts discovered in 2011 in what is called the "Bridge Zone". The "Bridge Zone" spans the gap between mineralization in the long-known Jose Manto and Cinco Ridge areas.

Definition drilling in the Bridge Zone proceeded on a series of sections spaced approximately 250 metres apart. Each section was tested with a fence of holes designed to intercept the mineralization every 50 metres downdip. Most holes were drilled at -70 degrees inclination and intercepts appear to be close to true width. The best intercepts were: Hole 430, on the 383 Section at the northwest end of the Bridge Zone, which reported 84 g/t (2.4 ounces per ton ("opt")) silver with 1.6% lead and 11.0% zinc over 11.79 metres; including: 160 g/t (4.7 opt) silver with 3.2% lead and 12% zinc over 5.87 metres; including: 2.54 metres that grades 258 g/t (7.5 opt) silver with 7.1% lead and 25.9% zinc; and Hole 418, on the 382 Section at the southeast end of the Bridge Zone which reported 131 g/t (3.8 opt) silver with 4.6% lead and 6.8% zinc over 9.17 metres; including: 2.70 metres that grades 256 g/t (7.5 opt) silver with 6.8% lead and 8.0% zinc (see press release dated September 6, 2012).

On October 3, 2012, MAG announced that Roscoe Postle Associates Inc. ("RPA") had completed the first independent mineral resource estimate for the Upper Manto zone (see press release dated October 3, 2012). Inferred Mineral Resources are estimated to be 12.45 million tonnes at 132 g/t (3.9 opt) silver, 0.24 g/t gold, 2.86% lead, and 6.47% zinc (9.33% lead plus zinc) (see Table 2).

An economic cut-off grade set at a net smelter return ("NSR") of US$100 per tonne was applied as the base case for this initial resource estimate.

Table 2: Mineral Resource Estimates for the Upper Manto, Cinco de Mayo as of September 1, 2012

Resource Category (NSR $100/tonne Cut off)	Tonnage Mt	Gold g/t	Silver g/t	Lead %	Zinc %	Lead + Zinc %	Silver Ounces M	Lead M lbs	Zinc M lbs
Inferred	**12.45**	**0.24**	**132**	**2.86**	**6.47**	**9.33**	**52.7**	**785**	**1,777**

Footnotes:
1. CIM Definition Standards have been followed for classification of mineral resources.
2. Mineral resources are reported at a NSR cut-off value of US$100/tonne.
3. NSR values are calculated in US$ using factors of $0.60 per g/t Ag, $12.32 per g/t Au, $18.63 per % Pb and $14.83 per % Zn. These factors are based on metal prices of US$27.00/oz Ag, US$1,500/oz Au, $1.15/lb Pb and $1.20/lb Zn and estimated recoveries and smelter terms.
4. A minimum mining width of two metres was used.
5. Totals may not add correctly due to rounding.

No data from recent drill hole CM12-431 in the newly discovered deep Pegaso Zone (see below) **was used in this estimate.**

Sensitivity analysis of the new resource to higher NSR cut-offs reveals significant higher grade portions. This is demonstrated by the $150 NSR cut-off case which gives a total of 9.4 million tonnes of 151 g/t (4.4 opt) silver, 0.26 g/t gold, 3.37% lead, and 7.35% zinc (see Table 3).

Table 3: Resource Sensitivity to Various NSR Cut –Off Values

NSR CUT-OFF ($/t)	Tonnage Mt	Gold g/t	Silver g/t	Lead %	Zinc %	Pb + Zn %	Silver Ounces M	Lead M lbs	Zinc M lbs
$50.00	14.93	0.23	117	2.55	5.77	8.32	56.1	839	1,899
$ 75.00	14.03	0.23	122	2.67	6.04	8.71	54.9	826	1,867
$ 100.00	**12.45**	**0.24**	**132**	**2.86**	**6.47**	**9.33**	**52.7**	**785**	**1,777**
$ 125.00	11.19	0.25	139	3.06	6.80	9.86	50.1	754	1,679
$ 150.00	9.36	0.26	151	3.37	7.35	10.72	45.3	695	1,517

Footnotes: As per Table 2 above, with exception of footnote 2 (mineral resources are reported at NSR cut-off values as indicated.)

Qualified Person – Resource: The Mineral Resources for the Cinco de Mayo Property disclosed in this press release have been estimated by Mr. David Ross, P.Geo., an employee of Roscoe Postle Associates and independent of MAG. By virtue of his education and relevant experience Mr. Ross is a "Qualified Person" for the purpose of National Instrument 43-101. The Mineral Resources have been classified in accordance with CIM Definition Standards for Mineral Resources and Mineral Reserves, (November 2010). Mr. Ross, P.Geo. has read and approved the contents of this MD&A as it pertains to the disclosed mineral resource estimate.

Hole CM12-431: The Pegaso Zone

In mid-June, exploration hole CM12- 431 drilled deep beneath the overlap zone between the Bridge Zone and the Jose Manto, cut four significant sulphide intervals within a 300 metre wide skarn and marble zone (see press release dated July 18, 2012). The largest and deepest interval was 61 metres of high-grade massive sulphides that lies behind (to the southwest of) the structures that host the Upper Manto mineralization. This is an entirely new mineralization zone named the "Pegaso Zone", which shows all of the hallmarks of being a near-source part of the CRD system that MAG has been systematically seeking at Cinco de Mayo. The mineralization in the upper intercepts of hole CM12-431 are likely connected to the high-grade silver-lead-zinc mineralization in the 4 kilometre long Upper Manto, simultaneously undergoing delineation drilling, indicating that continuous mineralization exists from 125 to 900 metres vertical depth.

These new mineralized intercepts in hole CM12-431 start at 730 metres down hole and continue to nearly 1,000 metres depth down hole (approximately 900 metres vertical depth). The Pegaso Zone is the thickest and deepest intercept, beginning at 927 metres down hole and continuing for 61.6 metres with an average grade of 89 g/t (2.6 opt) silver, 0.78 g/t gold, 0.13% copper with 2.1% lead and 7.3% zinc; including: 31.9 metres that grades 117 g/t (3.4 opt) silver, 1.13 g/t gold, 0.16% copper with 2.7% lead and 9.3% zinc. The Pegaso Zone lies behind (southwest of) the structures that host the Upper Manto, and appears to be a totally new mineralization zone. The three additional intercepts (see Table 4) ranging from 3.12 to 20.15 metres thick lie above this, between 817 and 900 metres depth. The best is the 10 metre intercept (817.22 - 827.22 metres down hole) which returned 1.38 g/t gold, 139 g/t (4.1 opt) silver, 0.11% copper, 2.62% lead and 11.8% zinc. This intercept is believed to be the down-dip extension of the Bridge Zone. The gold and copper grades in all four intercepts are the highest and most consistent yet encountered on the project. Significantly, broad zones of coarse marble and pervasive tungsten-bearing garnet skarn occur above, between and below the massive sulphide zones, but no intrusions were seen in hole CM12-431 and very little of the sulphides encountered to date in the Pegaso Zone appear to be replacing skarn silicates. These results suggest both that the near-intrusion source zone is nearby but has not yet been reached.

Table 4: Pegaso Zone

Hole ID	From (metres)	To (metres)	Interval (metres)	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)	Pb+ Zn (%)
CM12-431	730.15	731.40	1.25	0.42	75	0.029	0.54	4.42	4.96
and	817.55	827.55	10.00	1.38	139	0.113	2.62	11.80	14.43
including	821.10	823.00	1.90	2.35	203	0.124	4.44	15.02	19.46
including	824.37	827.55	3.18	1.12	194	0.172	3.25	13.01	16.25
and	856.78	859.90	3.12	2.42	332	0.149	6.65	2.48	9.13
and	877.00	897.15	20.15	1.31	45	0.073	0.76	4.98	5.74
and	899.45	902.90	3.45	0.30	188	0.052	5.64	5.31	10.95
including +	901.23	901.63	0.40	0.45	914	0.047	30.00	5.02	35.02
and*	927.50	989.10	61.60	0.78	89	0.127	2.05	7.32	9.37
including *	938.35	970.25	31.90	1.13	117	0.155	2.72	9.31	12.03
including *	939.05	953.25	14.20	0.94	141	0.152	2.57	13.95	16.53
including	958.30	964.43	6.13	3.16	196	0.328	5.91	6.19	12.10
+ Contains Pb overlimit (>30 wt%)									
*** Contains Zn overlimit (>30 wt%)**									

Summary of combined Upper Manto-Pegaso Zone results

Combining hole CM12-431 with holes CM12-392 and CM12-399, plus shallower drilling throughout the Upper Manto area (See press releases of March 22, May 17 and July 18, 2012), indicates that mineralization is continuous from 125 metres to 900 metres vertical depth, with a significant broadening in the Pegaso Zone between 800 and 900 metres depth. This broadening coincides with an increase in skarn alteration and increasing zinc, gold and copper grades – consistent with what MAG's Carbonate Replacement Deposit ("CRD") zoning model predicts as a source zone is approached. Overall, near-surface Upper Manto mineralization appears higher in silver and lead than deeper Pegaso Zone mineralization which is richer in zinc, copper and gold. The combined vertical metals and alteration zoning and broadening of mineralization is typical in CRD systems worldwide and strongly indicates that the source intrusion is being approached. The overall strength and style of mineralization and alteration further indicate that this source zone may be very large. The strongest mineralization has been found within the overlap zone between the fault slices that host the shallow Jose Manto and the Bridge Zone, suggesting that this structurally complex zone acted as a major conduit for mineralizing fluids and perhaps intrusive emplacement. The degree of mineralization seen so far indicates that the source intrusion could be surrounded by very large-scale mineralization (see press release of May 17, 2012).

Because of the expense of drilling at these depths, MAG has contracted for the execution of an orientation 2 and 3 Dimensional Seismic survey to determine if the system can be better defined in this area before further deep drilling is undertaken. This work is scheduled to commence early in the first quarter of 2013. Definition and exploration drilling will resume immediately thereafter pending completion of the seismic survey and permit renewal. As of May, 2012, exploration drilling permits require a "Soil Use Change Permit," reflecting conversion of land from agricultural to industrial use. These permits incorporate surface access permissions, verification of mining concession title, and compliance with environmental norms. The Company is in the process assembling the information required in order to submit the application; final permit approval is expected in the first quarter of 2013.

Quality Assurance and Control – Cinco de Mayo: The Company has in place a quality control program to ensure best practices in sampling and analysis. Samples were collected by employees of consulting firm Minera Cascabel S.A. de C.V. on behalf of MAG Silver Corp. The diamond drill core samples are shipped directly in security sealed bags to ALS-Chemex Laboratories preparation facilities in Hermosillo, Sonora or Chihuahua City (Certification ISO 9001). Sample pulps are shipped from there to ALS-Chemex Laboratories in North Vancouver, Canada for analysis. All samples were assayed for gold by standard fire assay-ICP finish with a 50 gram charge. Gold values in excess of 3.00 g/t were re-analyzed by fire assay with gravimetric finish for greater accuracy. Silver, zinc, copper and lead values in excess of 100 ppm, 1%, 1% and 1% respectively are also repeated by fire assay and atomic absorption analysis.

Pozo Seco Molybdenum-Gold Zone – Mineral Resource Estimate

In late 2009 the Company announced the discovery of a new zone of high grade molybdenum and gold mineralization named "Pozo Seco" in the western part of the Cinco de Mayo project area, and in 2010 the Company released an independently prepared first Mineral Resource estimate for the Pozo Seco deposit based on drill results available to July 12, 2010. Since that time, the Company has worked with three different respected metallurgical laboratories in order to find the best technical solution and associated flow sheet for recovering both oxidized molybdenum and free-milling gold from the Pozo Seco resource.

Metallurgical test work to date indicates that recoveries of both molybdenum and gold are sufficient to warrant the commencement of a PEA, and MAG has engaged Roscoe Postle Associates Inc. ("RPA") and Samuel Engineering to carry out a Preliminary Economic Assessment which is expected to be completed in the fourth quarter of 2012.

Pozo Seco's molybdenum mineralization is comparable in style to molybdenum-bearing mineralization that occurs in the proximal parts of several of the largest Mexican CRD systems, but is many times more extensive than the largest known occurrence in the San Martin-Sabinas skarn-CRD system in Zacatecas. Further, Pozo Seco style gold-bearing silicified limestone breccias (jasperoids) are also common in Mexican CRD systems, but again the Pozo Seco gold mineralized jasperoid is substantially larger than the largest known occurrence in the Santa Eulalia CRD-skarn system in central Chihuahua. This is taken as additional evidence that a very large scale CRD system exists at Cinco de Mayo.

Lagartos Properties

The Company owns a combined 135,000 hectare land package along the Fresnillo Silver Trend, a large regional structural zone that hosts the Guanajuato, Zacatecas and Fresnillo epithermal silver-gold vein districts. The package has two major claim groups: Lagartos NW and Lagartos SE. The Lagartos SE claims surround the Zacatecas Silver District, where a series of six major vein swarms have produced over a billion ounces of silver since 1546. Lagartos NW covers the immediate northwestern projection of the geology and structure of the Fresnillo Mining District into a broad alluvial valley punctuated by volcanic outcrops showing high-level alteration styles and mercury showings virtually identical to those that led to the Juanicipio discovery.

During the three and nine months ended September 30, 2012, the Company expended $436,319 and $1,017,618, respectively, in exploration and evaluation on the combined Lagartos properties (2011: $418,074 and $753,620 respectively), primarily on the Lagartos SE claims in the first quarter of the year where drilling on the ‘LAG V’ claim totaled 619 metres in one hole testing the El Orito Structure. More holes will be required to investigate the structure at depth, and further drilling is contemplated for 2013. Field mapping and sampling was initiated during the third quarter on the Lagartos V claim, near the town of Sombrerete, Zacatacas within Lagartos NW. Sample results are pending.

Mojina

The Mojina Property is located in northern Chihuahua State 5 kilometres from the town of Ricardo Flores Magon and 40 kilometres south of the Company’s Cinco de Mayo property. Mojina is easily accessed from a paved highway and unpaved roads and tracks. Mojina lies along the main strand of the Mexican CRD Belt along the same structure and in the same stratigraphic section as Cinco de Mayo. A small former mine is located on the property which reported limited but high grade past production, estimated at 125,000 tonnes grading 80-330 g/t (2.3 - 10 opt) silver, 2-4 g/t gold and 8-10% lead from oxidized manto ores between 1954 and 1972.

On March 30, 2010, the Company entered into an option agreement to earn a 100% interest in the Mojina Property, subject to a 2.5% net smelter returns royalty, half of which can be purchased at any time for $1,250,000. Under the terms of the agreement, the Company paid $35,000 upon signing the agreement and an additional $65,000 in 2010, an additional $61,181 in 2011, and an additional $81,131 in January 2012. To earn its 100% interest, the Company is required to make additional scheduled cash payments totaling C$805,000 through 2015, and incur cumulative qualifying exploration expenditures totaling $2,500,000 over five years to 2015, including expenditures of $800,000 by March 31, 2013. To September 30, 2012, the Company had incurred $1,423,338 in exploration and evaluation costs, including $1,115,087 in qualifying expenditures under the agreement.

On June 25, 2010, the Company acquired by concession an additional claim adjacent to the optioned claims.

During the three and nine months ended September 30, 2012, the Company expended $21,088 and $405,504 respectively, in exploration and evaluation costs on the Mojina Property (2011: $69,535 and $237,983 respectively) where drilling in the first quarter of the year totaled approximately 892 metres in 2 holes testing a large scale magnetic high and further trace the felsic dyke contact. Neither of the holes encountered significant mineralization. Further geophysical and geological work is contemplated for 2013.

Esperanza Joint Venture

During the year ended December 31, 2010, the Company entered into an option agreement with Canasil Resources Inc. (“Canasil”) to earn a 60% interest in certain mineral claims constituting the Esperanza Property, a silver-zinc-lead project covering 17,009 hectares, located 100 km SE of the city of Durango on the border between Durango and Zacatecas States. Pursuant to the agreement, the Company paid $47,315 upon signing the agreement in 2010, $102,070 in 2011, and a further $152,565 in 2012. To earn its 60% interest in the property, the Company must make an additional cash payment of C$200,000 prior to September 1, 2013 and incur cumulative exploration expenditures of C$5,000,000 in stages to September 1, 2014. To September 30, 2012, the Company had incurred $1,885,788 in exploration and evaluation costs.

The Esperanza property hosts epithermal quartz breccia veins with silver, lead and zinc mineralization manifested by argentiferous galena, silver sulfosalts and sphalerite. There has been a history of past mining activity at Esperanza with direct shipments of reportedly high grade ore to local mills and smelters. The mine was last active in 1970, and was reportedly mined on three levels, using a main access shaft down to a depth of approximately 90 metres. There are a number of surface pits and dumps with ore and waste left over from past mining operations around the vein and mine area.

In the three and nine months ended September 30, 2012, exploration expenditures on the property totaled $226,207 and $889,143 respectively (2011: $180,283 and $417,826 respectively).

The wide intercepts of quartz vein and breccia intercepted in the early drilling at Esperanza appeared to reflect a NW-plunging mineralized zone, supporting the premise that the structure may host significant mineralization over favorable widths. Lateral offsets of these holes were undertaken in early 2012 with 8 holes, two of which were lost. No significant vein intercepts were made and geologic interpretation indicates that the drilled segment of the Esperanza Vein lies in an uplifted fault block bounded by NE-SW faults on either end. Drilling beyond the fault block did not encounter the vein where projected, so work is underway to determine direction and magnitude of offset on the faults to determine where to target the vein in drilling later this year. It is likely that if vein is found in the downthrown blocks it will be encountered at a high, silver-rich level with respect to typical epithermal vein zoning.

Current effort on the Esperanza Joint Venture has shifted to the Fatima, Alamitos and San Pascual veins, which straddle the Zacatecas and Durango State borders, and have never been drilled. Soil Use Change Permits were initiated in June, 2012 and obtained in October 2012. On receipt of permits in early October, MAG began mobilizing crews to prepare for the start of the Phase 2 drill program, focused on these three virgin veins. The current planned program includes up to 3,500 metres of diamond drilling to test three silver-lead-zinc veins in the northwest of the project area.

The Don Fippi (Batopilas) Property

The 100%-owned Batopilas project covers 4,800 hectares in the historic Batopilas Silver District in southwestern Chihuahua. Previous work in 2010 included mapping and sampling along a new road being built across the property by the State of Chihuahua. Construction of the road was suspended during the 2011 rainy season and MAG is working with contacts in the state government to get the road work restarted. Until the road is advanced, MAG cannot move forward on drilling the high-quality targets that remain in this high priority area.

The Company expended $42,688 (2011: $49,032) in exploration costs at Batopilas during the nine months ended September 30, 2012. The 2012 exploration expenditures relate primarily to property maintenance and holding costs.

Other Properties

The Company's remaining properties consist of the Nuevo Mundo claims, the Guigui claim options and the Lorena claims.

Nuevo Mundo

The Nuevo Mundo Property abuts the eastern side of Goldcorp's "Camino Rojo" property in northern Zacatecas State. According to public records, Camino Rojo is reported to contain a 2.3 million ounce gold resource. Although Camino Rojo was largely a blind discovery, it is known to have a strong and characteristic Induced Polarization signature. Options for this property are currently under review by the Company.

The Company spent $108,815 in exploration costs at Nuevo Mundo during the period ended September 30, 2012 (2011: $196,473), relating primarily to property maintenance costs.

Guigui

The Guigui project is a 4,500-hectare property in the Santa Eulalia Mining District, home to the world's largest CRD camp. Strong aerial magnetic anomalies remain to be drilled. The Company incurred $49,484 in exploration and holding costs on Guigui during the nine months ended September 30, 2012 (2011: $49,453).

Lorena

The Lorena property is located just north of the Guanajuato Silver Mining District within the Fresnillo Silver Trend and was identified from field work as a Juanicipio look-alike and staked in early 2008. No recent drilling or field work has been carried out and the claim group was reduced during 2010. One drill target has been identified, but surface access needs to be resolved first. Negotiations to access the principal drill target from a different direction are in process.

The Company expended $96,681 in exploration and holding costs at La Lorena during the nine months ended September 30, 2012 (2011: $87,569).

OUTLOOK

The Company continues to explore its properties in Mexico and intends to grow its independent project portfolio through successful exploration and acquisitions. The Company's working capital position remains strong and the Company continues to execute its business plan prudently. The Company reviews and assesses the carrying amount of its exploration and evaluation assets and of its investment in associates for impairment when facts or circumstances suggest that the carrying amount is not recoverable. Assessing the recoverability of these amounts requires considerable professional technical judgment, and is made with reference to the timing of exploration work, work programs proposed, exploration results achieved by the Company and by others in the related area of interest, and an assessment of the likely results to be achieved from performance of further exploration. Based on its analysis, and on current and expected metals prices and cost structures, management has determined that the values of the Company's exploration and evaluation assets and of its investment in associates, have not been impaired at this time. However, should current market conditions deteriorate and commodity prices decline for a prolonged period of time, an impairment of mineral properties may be required.

MAG has drilled over 58,000 metres in 2012 on five separate projects, including the Juanicipio Joint Venture and Cinco de Mayo project areas.

Minera Juanicipio Outlook

The Technical Committee and Board of Directors of Minera Juanicipio, comprised of representatives from both Fresnillo and the Company meet several times per year to discuss the business of Minera Juanicipio and to review and approve plans for the exploration and development of the Juanicipio property. With the completion of the AMC Study which recommended the advancement of the project (see *Results of Operations, Juancipio Property* above), MAG and Fresnillo now have a framework on which the joint venture Technical Committee can build upon for the continued advancement of the Juanicipio Project.

The Technical Committee met in late July to discuss the AMC Study recommendations and the next steps in the development of the Juanicipio property. Various joint recommendations were made by the Technical Committee, based on which, an 18 month mine permitting and underground development budget of $25 million was approved by the board of directors of Minera Juanicipio. This Juanicipio predevelopment budget is estimated at $10.0 million for 2012 with the remaining $15 million for 2013. The original 2012 exploration budget of $8.5 million remains in effect, bringing the Joint Venture total 2012 obligation to $18.5 million for which MAG's 44% share totals $8.14 million (of which $2.42 million has already been funded by MAG). The Company has the resources to fulfill its share of this initial 2012-2013 predevelopment budget (see *Liquidity and Capital Resources* below).

The 2013 underground development plan includes the first 2,500 metres of ramp development and is projected to cost $11.9 million with another $2.3 million dedicated to further drilling, plus $1.2 million for reporting, general and other administrative expenses. MAG's 44% share of the 2013 predevelopment budget is $6.6 million. The Minera Juancipio 2013 exploration budget will be determined in the fourth quarter.

Cinco de Mayo Outlook

As the current year drill results have continued to demonstrate continuity of massive sulphide mineralization in the 'Bridge Zone' along the Jose Manto-Cinco Ridge corridor, and with the recent announcement of an initial resource estimate, the Company is currently negotiating the terms of reference for a PEA on the Upper Manto. In addition, metallurgical test work on the Pozo Seco zone has indicated that recoveries of both molybdenum and gold are sufficient to warrant a PEA, and MAG has engaged RPA and Samuel Engineering to carry out an independent PEA on Pozo Seco which will be completed in the fourth quarter of 2012.

OUTSTANDING SHARE DATA

The Company's authorized capital consists of an unlimited number of common shares without par value. As at November 13, 2012, the following common shares and stock options were outstanding:

	Number of Shares	Exercise Price (Canadian$ / option)	Remaining Life (months/years)
Capital Stock	60,013,835	n/a	n/a
Stock Options	3,973,717	C$5.32 to C$12.91	3 months to 5 years
Fully Diluted	63,987,552	n/a	n/a

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2012, the Company had 59,773,982 common shares issued and outstanding (September 30, 2011: 55,667,139).

As at September 30, 2012, the Company had working capital of $43,685,026 (compared to $29,785,446 at September 30, 2011), including cash on hand of $44,081,885 (compared to $28,977,983 at September 30, 2011).

On September 5, 2012, the Company closed a brokered private placement for 3,526,210 common shares of the Company at a price of C$9.40 per share for gross proceeds of $33,451,321. The Company paid a 5.25% commission of $1,756,194 to the underwriters on this placement, and legal and filing costs totaling an additional $369,196. The common shares issued are subject to a four month hold period. The Company intends to use the net proceeds from the offering ($31,325,931) to fund its share of the recently approved permitting and underground development program for Juanicipio (see *Outlook* above), for the advancement of Cinco de Mayo including continued exploration and the generation of a PEA in 2013, for exploration of its other properties, and for general corporate purposes.

During the three months ended September 30, 2012, 564,548 stock options were exercised for cash proceeds of $3,813,917 (2011: 247,253 stock options were exercised for cash proceeds of $1,156,361). During the nine months ended September 30, 2012, 575,048 stock options were exercised for cash proceeds of $3,869,617 (2011: 505,525 stock options were exercised for cash proceeds of $1,978,173), and an additional 20,000 stock options were exercised under a cashless exercise provision of the plan, whereby the Company paid $13,735 in employee withholding taxes and issued 5,585 shares in settlement of the stock options (September 30, 2011 – nil). In addition, subsequent to September 30, 2012, the Company issued 239,853 common shares pursuant to the exercise of stock options between C$5.32 and C$10.01 per share for aggregate proceeds of C$1,518,230.

In the three and nine months ended September 30, 2012 and 2011 there were no shares issued for mineral properties.

Accounts receivable at September 30, 2012 totaled $1,123,544 (2011: $2,218,162) and was comprised primarily of value added taxes repayable to the Company by the Government of Mexico. Current liabilities at September 30, 2012 amounted to $2,145,298 (2011: $2,069,740) and are attributable primarily to accrued exploration (drilling) and legal expenses.

The primary use of cash during the three and nine months ended September 30, 2012 was for exploration and evaluation expenditures totaling $4,691,045 and $10,481,860 respectively (September 30, 2011: $2,027,446 and $6,344,784 respectively). The Company also expended on its own account and through advances to Minera Juanicipio $824,936 and $3,203,074 respectively in the three and nine months ended September 30, 2012 (September 30, 2011: 813,203 and $1,813,216 respectively) on the Juanicipio property. The Company makes cash deposits to Minera Juanicipio from time to time as cash called by operator Fresnillo. The Company's primary source of capital has been from the sale of equity.

The Company currently has sufficient working capital ($43 million at present) to maintain all of its properties and currently planned programs through 2013. However, the Company will require additional capital in the future to meet its project related expenditures, including its cash calls on the Juanicipio project. It is unlikely that the Company will generate sufficient operating cash flow to meet all of its future expenditure requirements. Future liquidity will therefore depend upon the Company's ability to arrange additional debt or equity financing, as the Company relies on equity financings to fund its exploration and development, and its corporate activities. While the Company has been successful in securing financings in the past, given the Company has incurred losses from inception and does not have any operating cash flow, there can be no assurance that additional capital or financing will be available if needed or that, if available, the terms of such financings will be favourable to the Company.

Contractual Obligations

The following table discloses the contractual obligations of the Company (as at the date of this MD&A) for optional mineral property acquisition payments, optional exploration work and committed lease obligations for office rent and equipment. Based on exploration results, the Company will select at its discretion, only certain properties to complete option and purchase arrangements on.

Option Payments Expenditures	**Total**	**Less than 1 year**	**1-3 Years**	**3-5 Years**	**More than 5 years**
Mojina Property Option (1)	$818,766	$147,480	$671,286	$ -	$ -
Cinco De Mayo (2)	156,032	16,032	90,000	50,000	-
Esperanza Property (3)	203,420	203,420	-	-	-
Subtotal - Option Payments	$1,178,218	$366,932	$761,286	$50,000	$ -
Option Payments -Exploration & Evaluation					
Mojina Property Option (1)	1,384,913	-	1,384,913	-	-
Esperanza Property (3)	3,347,276	1,567,351	1,779,925	-	-
Subtotal - Exploration & Evaluation	$4,732,189	$1,567,351	$3,164,838	$ -	$ -
Option Payments and Exploration Expenditures – Total	**$5,910,407**	**$1,934,283**	**$3,926,124**	**$50,000**	**-**
Office Lease	343,657	164,764	178,893	-	-
Total Obligations	**$6,254,064**	**$2,099,046**	**$4,105,017**	**$50,000**	**$ -**

(1) Mojina Property option consists of $1,384,913 in further exploration commitments and $818,766 in property option payments.

(2) Cinco De Mayo property option payments of $156,032 on auxiliary claims acquired in 2010.

(3) Esperanza Property option consists of $3,347,276 in further exploration commitments and $203,420 in property option payments.

Other contractual obligations include a 2.5% net smelter returns royalty under the terms of an agreement dated February 26, 2004, whereby the Company acquired a 100% interest in the Cinco de Mayo property, and a 4.5% net smelter returns royalty on the interest in the Don Fippi mining concessions located in the Batopilas, and a 2.5% net smelter returns royalty under the terms an agreement dated March 30, 2010, whereby the Company entered into an option agreement to earn a 100% interest in the Mojina Property.

The Company makes cash deposits to Minera Juanicipio from time to time as cash called by operator Fresnillo. The scale and scope of the Juanicipio project will require development capital in the years ahead exceeding the Company's on hand cash resources. It is unlikely that the Company will generate sufficient operating cash flow to meet these ongoing obligations in the foreseeable future. Accordingly the Company will need to raise additional capital by issuance of equity in the future.

Other Items

The Company is unaware of any undisclosed liabilities or legal actions against the Company and the Company has no legal actions or cause against any third party at this time.

The Company is unaware of any condition of default under any debt, regulatory, exchange related or other contractual obligation.

ADDITIONAL DISCLOSURE

Trend Information

Other than the Company's obligations under its property option agreements and the Minera Juanicipio joint venture (see "Contractual Obligations" above), there are no demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the Company's liquidity either increasing or decreasing at present or in the foreseeable future. The nature of the Company's business is demanding of capital for property acquisition costs, exploration commitments and holding costs. The Company's liquidity is affected by the results of its own acquisition, exploration and development activities. The acquisition or discovery of an economic mineral deposit on one of its mineral properties may have a favourable effect on the Company's liquidity, and conversely, the failure to acquire or find one may have a negative effect. The Company will require sufficient capital in the future to meet its acquisition payments and other obligations under property option agreements for those properties it considers worthy to incur continued holding and exploration costs upon (see *Liquidity and Capital Resources* above).

RISKS AND UNCERTAINTIES

The Company's securities should be considered a highly speculative investment and investors should carefully consider all of the information disclosed in the Company's Canadian and U.S. regulatory filings prior to making an investment in the Company, including the risk factors discussed under the heading "Risk Factors" in the Company's most recent Annual Information Form ("AIF") dated March 30, 2012 available on SEDAR at www.sedar.com and www.sec.gov.

The volatile global economic environment has created market uncertainty and volatility in recent years. The Company remains financially strong and will monitor the risks and opportunities of the current environment carefully. These macro-economic events have in the past, and may again, negatively affect the mining and minerals sectors in general. The Company will consider its business plans and options carefully going forward.

In the normal course of business, the Company enters into transactions for the purchase of supplies and services denominated in Canadian dollars, US dollars or Mexican Pesos. The Company also has cash and certain liabilities denominated in Canadian dollars and Mexican Pesos. As a result, the Company is subject to foreign exchange risk from fluctuations in foreign exchange rates (see Note 10(c) in the unaudited condensed interim consolidated financial statements of the Company as at September 30, 2012).

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

The Company does not have offices or direct personnel in Mexico, but rather is party to a Field Services Agreement, whereby it has contracted administrative and exploration services in Mexico with MINERA CASCABEL S.A. de C.V. ("Cascabel") and IMDEX Inc. ("IMDEX"). These companies have a common director with the Company, however, all transactions are incurred in the normal course of business, and are measured at the exchange amount which was the consideration established and agreed to by the noted parties, and represents a fair market value for services rendered. A significant portion of the expenditures which are incurred on the Company's behalf, are charged to Company on a "cost + 10%" basis typical of industry standards.

During the three and nine months ended September 30, 2012, the Company accrued or paid Cascabel and IMDEX consulting, administration and travel fees totaling $79,858 and $242,760 respectively (September 30, 2011: $56,587 and $235,863 respectively) and exploration reimbursements and costs totaling $850,571 and $1,879,871 respectively (September 30, 2011: $645,501 and $1,898,445 respectively) under the Field Services Agreement. Included in trade and other payables at September 30, 2012 is $557,317 related to these services (September 30, 2011: $437,561).

The Company is obligated to a 2.5% net smelter returns royalty to Cascabel under the terms of an option agreement dated February 26, 2004, whereby the Company acquired a 100% interest in the Cinco de Mayo property from Cascabel.

Any amounts due to related parties arising from the above transactions are unsecured, non-interest bearing and are due upon receipt of invoices.

The immediate parent and ultimate controlling party of the consolidated group is MAG Silver Corp. (incorporated in British Columbia, Canada).

The details of the Company's subsidiaries and ownership interests are as follows:

Significant subsidiaries of the Company are as follows:

Name	Country of Incorporation	Principal Activity	MAG' effective interest 2012 (%)	2011 (%)
Minera Los Lagartos, S.A. de C.V.	Mexico	Exploration	100%	100%
Minera Pozo Seco S.A. de C.V.	Mexico	Exploration	100%	100%
Minera Sierra Vieja S.A. de C.V.	Mexico	Exploration	100%	100%

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Minera Juanicipio, S.A. de C.V. ("Minera Juanicipio"), created for the purpose of holding and operating the Juanicipio Property, is held 56% by Fresnillo Plc ("Fresnillo") and 44% by the Company. Minera Juanicipio is currently governed by a shareholders agreement. All costs relating to the project and Minera Juanicipio are required to be shared by the Company and Fresnillo pro-rata based on their ownership interests in Minera Juanicipio (see Note 6).

Compensation of Key Management Personnel including Directors

During the period, compensation of key management personnel was as follows:

	Three months ended September 30		Nine months ended September 30	
	2012	2011	2012	2011
Salaries and other short term employee benefits	$ 260,574	$ 370,883	$ 681,255	$ 851,097
Share based payments	1,183,553	1,410,668	1,867,159	2,118,343
	$ 1,444,127	$ 1,781,552	$ 2,548,413	$ 2,969,440

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and consists of its Directors, the Chief Executive Officer, the Chief Financial Officer and the Vice President of Operations.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with International Financial Reporting Standards(“IFRS”) as issued by the International Accounting Standards Board (“IASB”), requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Management has identified (i) mineral property acquisition and exploration deferred costs (ii) provision for reclamation and closure, (iii) deferred income tax provision and (iv) share based payments as the main estimates for the following discussion. Please refer to Note 2 of the Company’s unaudited condensed interim consolidated financial statements of the Company as at September 30, 2012 for a description of all of the significant accounting policies.

Under IFRS, the Company defers all costs relating to the acquisition and exploration of its mineral properties (“exploration and evaluation” assets). Any revenues received from such properties are credited against the costs of the property. When commercial production commences on any of the Company’s properties, any previously capitalized costs would be charged to operations using a unit-of-production method. The Company reviews when events or changes in circumstances indicate the carrying values of its properties to assess their recoverability and when the carrying value of a property exceeds the estimated net recoverable amount, provision is made for impairment in value. IFRS also allows the reversal of impairments if conditions that gave rise to those impairments no longer exist.

The existence of uncertainties during the exploration stage and the lack of definitive empirical evidence with respect to the feasibility of successful commercial development of any exploration property do create measurement uncertainty concerning the estimate of the amount of impairment to the value of any mineral property. The Company relies on its own or independent estimates of further geological prospects of a particular property and also considers the likely proceeds from a sale or assignment of the rights before determining whether or not impairment in value has occurred.

Reclamation and closure costs have been estimated based on the Company’s interpretation of current regulatory requirements, however changes in regulatory requirements and new information may result in revisions to estimates. The Company recognizes the fair value of liabilities for reclamation and closure costs in the period in which they are incurred. A corresponding increase to the carrying amount of the related assets is generally recorded and depreciated over the life of the asset.

The deferred income tax provision is based on the liability method. Deferred taxes arise from the recognition of the tax consequences of temporary differences by applying enacted or substantively enacted tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of certain assets and liabilities. The Company records only those deferred tax assets that it believes will be probable, that sufficient future taxable profit will be available to recover those assets.

Under IFRS 2 - *Share-based Payments*, stock options are accounted for by the fair value method of accounting. Under this method, the Company is required to recognize a charge to the statement of loss based on an option-pricing model based on certain assumptions including dividends to be paid, historical volatility of the Company's share price, an annual risk free interest rate, forfeiter rates, and expected lives of the options.

CHANGES IN ACCOUNTING POLICIES

The condensed interim consolidated financial statements for the nine months ended September 30, 2012 are prepared under International Accounting Standard ("IAS") 34 *Interim Financial Reporting*, in accordance with IFRS as issued by the IASB. They do not include all of the information required for full annual IFRS financial statements and therefore should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2011.

The accounting policies set out in the condensed interim consolidated financial statements for the nine months ended September 30, 2012 have been applied consistently to all periods presented herein, and with the exception of the change in presentation currency effective January 1, 2012, have not changed from the Company's first interim IFRS condensed consolidated financial statements for the quarter ended March 31, 2011 and the Company's accounting policies as disclosed in Note 2 to the audited consolidated financial statements for the year ended December 31, 2011. The accounting policies have been applied consistently by the Company and its subsidiaries.

Functional currency and change in presentation currency

The functional currency of parent company, MAG, is the Canadian dollar ("C$") and the functional currency of its Mexican subsidiaries and investment in associate is the United States dollar ("US$"). Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Effective January 1, 2012, the Company changed its presentation currency from the C$ to the US$. The change in presentation currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the mining industry. In making this change to the US$ presentation currency, the Company followed the guidance in IAS 21 *The Effects of Changes in Foreign Exchange Rates* and have applied the change retrospectively as if the new presentation currency had always been the Company's presentation currency. In accordance with IAS 21, the financial statements for all years and periods presented have been translated to the new presentation currency as follows:

- All assets and liabilities have been translated from their functional currency into the new presentation currency using the closing current exchange rate at the date of each balance sheet;
- Income and expenses for each statement of comprehensive loss presented have been retranslated at average exchange rates prevailing during each reporting period;
- Equity balances have been retrospectively translated at historical rates prevailing during the period incurred; and
- All resulting exchange differences have been recognized in other comprehensive income and accumulated as a separate component of equity (cumulative translation adjustment).

RECENT ACCOUNTING PRONOUNCEMENTS

The Company has reviewed new accounting pronouncements that have been issued but are not yet effective. These include:

IAS 1, *Presentation of Financial Statements,* retains current IAS 1 presentation standards, but requires disclosure of Other Comprehensive Income (Loss) items distinguishing between those that are recycled to profit and loss and those that are not recycled. Retrospective application is required, and the standard is effective for annual periods beginning on or after July 1, 2012, with early application permitted.

The Company will be required to adopt **IFRS 9 *Financial Instruments***, which replaces the current standard, IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard replaces the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value, and is effective for annual periods beginning on or after January 1, 2015, with early application permitted.

IFRS 10 *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation—Special Purpose Entities* and is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

IFRS 11 *Joint Arrangements* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

IFRS 12 *Disclosure of Involvement with Other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

IFRS 13 *Fair Value Measurement* defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 *Share-based Payment*; leasing transactions within the scope of IAS 17 *Leases*; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets.* This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

IAS 27 *Consolidated and Separate Financial Statements,* as amended in May 2011, provides guidance on the accounting and disclosure requirements for subsidiaries, jointly controlled entities, and associates in separate, or unconsolidated, financial statements. It will have no impact on consolidated financial statements and is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

IAS 28 *Investments in Associates* as amended in May 2011, provides detailed guidance on the application of the equity method to associates, subsidiaries and joint ventures (previously excluded from this standard), and is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

IFRS 10, 11, and 12 and IAS 27 and 28 must be adopted concurrently. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in the reports that it is required to file or submit under applicable securities laws is recorded, processed, summarized and reported in the manner specified by such laws. The Chief Executive Officer and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures through inquiry, review, and testing, as well as by drawing upon their own relevant experience. The Company retained an independent third party specialist in each of the past three years to assist in the assessment of its disclosure controls and procedures. The Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective as at September 30, 2012. There were no material changes in the design and operation of disclosure controls and procedures in the period ended September 30, 2012.

Internal Control Over Financial Reporting

The Company also maintains a system of internal controls over financial reporting, as defined by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* in order to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable and in accordance with International Financial Reporting Standards. The Company retains an independent third party specialist annually to assist in the assessment of its internal control procedures. The Board of Directors approves the financial statements and ensures that management discharges its financial responsibilities. The Board's review is accomplished principally through the audit committee, which is composed of independent non-executive directors. The audit committee meets periodically with management and auditors to review financial reporting and control matters. The Board of Directors has also appointed a compensation committee composed of non-executive directors whose recommendations are followed with regard to executive compensation. From time to time the board may also form special sub-committees, which must investigate and report to the Board on specific topics.

The Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal control over financial reporting and have concluded that the Company's internal control over financial reporting is effective. There have been no changes in internal controls over financial reporting during the period ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

SUBSEQUENT EVENTS

Subsequent to September 30, 2012:

a) The Company issued 239,853 common shares pursuant to the exercise of stock options between C$5.32 and C$10.01 per share for aggregate proceeds of C$1,518,230;

b) The Company granted 300,000 stock options under the Company's Plan to two new directors, exercisable at C$12.19 per share, with a term of five years, and vesting 100,000 immediately, 100,000 after 12 months and 100,000 after 24 months from the date of grant; and,

c) 425,000 stock options with an exercise price of C$14.15 expired unexercised.

MAG SILVER CORP.

Unaudited Condensed Interim Consolidated Financial Statements (expressed in US$)

For the three and nine months ended September 30, 2012

Dated: November 13, 2012

A copy of this report will be provided to any shareholder who requests it.

VANCOUVER OFFICE Suite 770 800 West Pender Street Vancouver, BC V6C 2V6	604 630 1399 phone 866 630 1399 toll free 604 681 0894 fax			TSX:MAG NYSE MKT:MVG www.magsilver.com info@magsilver.com

MAG SILVER CORP.
Condensed Consolidated Statements of Financial Position *(Unaudited)*

(expressed in US$ dollars unless otherwise stated (Note 2(k)))		September 30, 2012		December 31, 2011
ASSETS				
CURRENT				
Cash	$	44,081,885	$	26,217,409
Accounts receivable (Note 3)		1,123,544		805,106
Marketable securities (Note 4)		365,387		496,365
Prepaid expenses		259,508		106,755
TOTAL CURRENT ASSETS		45,830,324		27,625,635
EQUIPMENT AND LEASEHOLD IMPROVEMENTS (Note 5)		114,203		140,195
INVESTMENT IN ASSOCIATE (Note 6)		18,135,122		14,910,985
EXPLORATION AND EVALUATION ASSETS (Note 7)		71,162,631		60,952,340
TOTAL ASSETS	$	135,242,280	$	103,629,155
LIABILITIES				
CURRENT				
Trade and other payables	$	2,145,298	$	1,845,968
COMMITMENTS (Notes 7 and 14)				
DEFERRED INCOME TAXES (Note 15)		-		840,052
TOTAL LIABILITIES		2,145,298		2,686,020
SHAREHOLDERS' EQUITY				
Share capital (Note 8)				
Authorized - unlimited common shares, without par value				
Issued and outstanding common shares at Sept. 30, 2012 - 59,773,982 (Dec.31, 2011 - 55,667,139)		176,194,530		139,021,383
Share option reserve		13,687,378		13,250,112
Accumulated other comprehensive income		3,639,874		2,929,244
Deficit		(60,424,800)		(54,257,604)
TOTAL SHAREHOLDERS' EQUITY		133,096,982		100,943,135
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	135,242,280	$	103,629,155

SUBSEQUENT EVENTS (Note 17)

See accompanying notes to the condensed interim consolidated financial statements.

MAG SILVER CORP.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss *(Unaudited)*

(expressed in US$ dollars unless otherwise stated (Note 2(k))

	For the three month period ended September 30 2012	For the three month period ended September 30 2011	For the nine month period ended September 30 2012	For the nine month period ended September 30 2011
EXPENSES				
Accounting and audit	$ 94,485	$ 181,500	$ 371,559	$ 467,005
Amortization	11,003	13,995	32,783	42,102
Filing and transfer agent fees	5,326	28,048	140,434	172,506
Foreign exchange loss (gain)	(60,807)	121,806	(11,726)	53,601
General office expenses	641,936	264,137	998,581	591,393
Legal	727,857	145,894	1,156,039	1,032,500
Management and consulting fees	438,294	548,965	1,219,564	1,386,667
Share based payment expense (Note 8)	1,556,295	1,739,440	2,428,600	2,538,908
Shareholder relations	155,340	54,308	556,379	157,114
Travel	68,255	49,253	266,887	185,434
	3,637,984	3,147,346	7,159,100	6,627,230
INTEREST INCOME	28,521	98,672	151,852	311,603
ARBITRATION AWARD (Note 16)	-	-	-	1,858,120
LOSS ON WARRANT MARK-TO-MARKET	-	(510)	-	(5,829)
LOSS FOR THE PERIOD BEFORE INCOME TAX	$ (3,609,463)	$ (3,049,184)	$ (7,007,248)	$ (4,463,336)
DEFERRED INCOME TAX RECOVERY (Note 15)	-	-	840,052	-
LOSS FOR THE PERIOD	$ (3,609,463)	$ (3,049,184)	$ (6,167,196)	$ (4,463,336)
OTHER COMPREHENSIVE INCOME (LOSS)				
CURRENCY TRANSLATION ADJUSTMENT	763,891	(2,705,039)	841,608	(1,531,316)
UNREALIZED GAIN (LOSS) ON MARKETABLE SECURITIES, NET OF TAX (Note 4)	72,545	(218,953)	(130,978)	(452,711)
	836,436	(2,923,992)	710,630	(1,984,027)
TOTAL COMPREHENSIVE LOSS	$ (2,773,027)	$ (5,973,176)	$ (5,456,566)	$ (6,447,363)
BASIC AND DILUTED LOSS PER SHARE	$ (0.06)	$ (0.05)	$ (0.11)	$ (0.08)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	57,030,857	55,541,674	56,125,647	55,409,106

See accompanying notes to the condensed interim consolidated financial statements.

MAG SILVER CORP.

Condensed Consolidated Statements of Changes in Shareholders' Equity *(Unaudited)*

(expressed in US$ unless otherwise stated - Note 2(k))

	Common shares without par value		Share Option Reserve	Currency translation adjustment	Unrealized gain (loss) on marketable securities	Accumulated other comprehensive income (loss) ("AOCL")	Deficit	Total shareholders' equity
	Shares	Amount						
Balance, January 1, 2011	55,161,614	$ 136,022,148	$ 11,301,061	$ 3,687,605	$ 366,443	$ 4,054,048	$ (46,006,861)	$ 105,370,396
Stock options exercised (Note 8b)	505,525	2,999,235	(1,021,061)	-	-	-	-	1,978,174
Share based payment expense (Note 8b)	-	-	2,970,112	-	-	-	-	2,970,112
Currency translation adjustment	-	-	-	(643,233)	-	(643,233)	-	(643,233)
Unrealized loss on marketable securities (Note 4)	-	-	-	-	(481,571)	(481,571)	-	(481,571)
Net loss	-	-	-	-	-	-	(8,250,743)	(8,250,743)
Total Comprehensive Loss								(9,375,547)
Balance, December 31, 2011	55,667,139	$ 139,021,383	$ 13,250,112	$ 3,044,372	$ (115,128)	$ 2,929,244	$ (54,257,604)	$ 100,943,135
Stock options exercised (Note 8b)	580,633	5,847,216	(1,991,334)	-	-	-	-	3,855,882
Share based payment expense (Note 8b)	-	-	2,428,600	-	-	-	-	2,428,600
Issued for cash	3,526,210	31,325,931						31,325,931
Currency translation adjustment	-	-	-	841,608	-	841,608	-	841,608
Unrealized gain on marketable securities (Note 4)	-	-	-	-	(130,978)	(130,978)	-	(130,978)
Net loss	-	-	-	-	-	-	(6,167,196)	(6,167,196)
Total Comprehensive Loss								(5,456,566)
Balance, September 30, 2012	59,773,982	$ 176,194,530	$ 13,687,378	$ 3,885,980	$ (246,106)	$ 3,639,874	$ (60,424,800)	$ 133,096,982

Nine Month Comparative:

	Shares	Amount	Share Option Reserve	Currency translation adjustment	Unrealized gain (loss) on marketable securities	AOCL	Deficit	Total shareholders' equity
Balance, January 1, 2011	55,161,614	$ 136,022,148	$ 11,301,061	$ 3,687,605	$ 366,443	$ 4,054,048	$ (46,006,861)	$ 105,370,396
Stock options exercised (Note 8b)	505,525	2,999,235	(1,021,061)	-	-	-	-	1,978,173
Share based payment expense (Note 8b)	-	-	2,538,908	-	-	-	-	2,538,908
Currency translation adjustment	-	-	-	(1,531,316)	-	(1,531,316)	-	(1,531,316)
Unrealized gain on marketable securities (Note 4)	-	-	-	-	(452,711)	(452,711)	-	(452,711)
Net loss	-	-	-	-	-	-	(4,463,336)	(4,463,336)
Total Comprehensive Loss								(6,447,363)
Balance, September 30, 2011	55,667,139	$ 139,021,383	$ 12,818,907	$ 2,156,289	$ (86,268)	$ 2,070,021	$ (50,470,197)	$ 103,440,114

See accompanying notes to the condensed interim consolidated financial statements.

MAG SILVER CORP.
Condensed Interim Consolidated Statements of Cash Flows *(Unaudited)*

(expressed in US dollars unless otherwise stated (Note 2(k)))

	For the three month period ended September 30 2012	For the three month period ended September 30 2011	For the nine month period ended September 30 2012	For the nine month period ended September 30 2011
OPERATING ACTIVITIES				
Loss for the period	$ (3,609,463)	$ (3,049,184)	$ (6,167,196)	$ (4,463,336)
Items not involving cash:				
Amortization (Note 5)	11,003	13,995	32,783	42,102
Loss on warrant mark-to-market	-	510	-	5,829
Deferred income tax recovery (Note 15)	-	-	(840,052)	-
Share based payment expense (Note 8)	1,556,295	1,739,440	2,428,600	2,538,908
Changes in operating assets and liabilities				
Accounts receivable	297,359	164,266	(318,438)	2,592
Prepaid expenses	(33,267)	29,972	(152,753)	(63,194)
Trade and other payables	844,194	(461,334)	570,899	(1,150,215)
Net cash used in operating activities	(933,879)	(1,562,335)	(4,446,157)	(3,087,314)
INVESTING ACTIVITIES				
Investment in associate (Note 6)	(824,936)	(813,203)	(3,203,074)	(1,813,216)
Exploration and evaluation expenditures (Note 7)	(4,691,045)	(2,027,446)	(10,481,860)	(6,344,784)
Purchase of equipment and leasehold improvements (Note 5)	-	-	(2,569)	(3,370)
Purchase of marketable securities	-	-	-	(322,301)
Net cash used in investing activities	(5,515,981)	(2,840,649)	(13,687,503)	(8,483,671)
FINANCING ACTIVITIES				
Issuance of common shares upon exercise of stock options (Note 8)	3,813,917	1,156,361	3,855,882	1,978,173
Issuance of common shares, net of share issue costs	31,325,931	-	31,325,931	-
Net cash from financing activities	35,139,848	1,156,361	35,181,813	1,978,173
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	737,978	(2,580,271)	816,323	(1,469,276)
INCREASE (DECREASE) IN CASH	29,427,966	(5,826,894)	17,864,476	(11,062,088)
CASH, BEGINNING OF PERIOD	14,653,919	34,804,877	26,217,409	40,040,071
CASH, END OF PERIOD	$ 44,081,885	$ 28,977,983	$ 44,081,885	$ 28,977,983

See accompanying notes to the condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS

MAG Silver Corp. (the "Company" or "MAG") was incorporated on April 21, 1999 under the Company Act of the Province of British Columbia and its shares were listed on the TSX Venture Exchange on April 21, 2000 and subsequently moved to the TSX on October 5, 2007.

The Company is an exploration and predevelopment company working on mineral properties in Mexico that it has staked or acquired by way of option agreement. The Company has not yet determined whether these mineral properties contain any economically recoverable ore reserves. The Company defers all acquisition, exploration and development costs related to the properties on which it is conducting exploration. The recoverability of these amounts is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of the interests, and future profitable production, or alternatively, upon the Company's ability to dispose of its interests on a profitable basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Address of registered offices of the Company:
1600 – 925 West Georgia Street
Vancouver, British Columbia,
Canada V6C 3L2

Head office and principal place of business:
770 – 800 West Pender Street
Vancouver, British Columbia,
Canada V6C 2V6

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements are prepared under International Accounting Standard ("IAS") 34 *Interim Financial Reporting*, in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). They do not include all of the information required for full annual IFRS financial statements and therefore should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2011.

The accounting policies set out below have been applied consistently to all periods presented herein, and with the exception of the change in presentation currency effective January 1, 2012 (*Note 2 (k)* below), have not changed from the Company's first interim IFRS condensed consolidated financial statements for the quarter ended March 31, 2011 and the Company's accounting policies as disclosed in Note 2 to the audited consolidated financial statements for the year ended December 31, 2011. The accounting policies have been applied consistently by the Company and its subsidiaries.

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments, which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(a) *Basis of consolidation*

These consolidated financial statements include the accounts of the Company and the entities controlled by the Company (its subsidiaries, including special purpose entities). Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from the entity's activities. Subsidiaries are included in the consolidated financial results of the Company from the effective date that control is obtained up to the effective date of disposal or loss of control. The principal subsidiaries as at September 30, 2012 are Minera Los Lagartos, S.A. de C.V., Minera Pozo Seco S.A. de C.V., and Minera Sierra Vieja S.A. de C.V. All intercompany balances, transactions, revenues and expenses have been eliminated upon consolidation.

These consolidated financial statements also include the Company's 44% interest in the Juanicipio Joint Venture (Note 6), a significant investment in an associate (Note 2(b)) accounted for using the equity method.

A special purpose entity ("SPE"), as defined by SIC 12 – *Consolidation – Special Purpose Entities* ("SIC 12"), is consolidated by the Company when the Company controls the SPE. The Company has determined that none of the entities in which it has interests meet the definition of an SPE.

Where necessary, adjustments have been made to the financial statements of the Company's subsidiaries and associates prior to consolidation, to conform the significant accounting policies used in their preparation to those used by the Company.

(b) *Investments in Associates*

The Company conducts a portion of its business through equity interests in associates. An associate is an entity over which the Company has significant influence, and is neither a subsidiary nor a joint venture. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies.

The Company accounts for its investments in associates using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate and for impairment losses after the initial recognition date. The Company's share of earnings and losses of associates are recognized in profit or loss during the period. Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment.

At the end of each reporting period, the Company assesses whether there is any evidence that an investment in associate is impaired. This assessment is generally made with reference to the timing of exploration work, work programs proposed, exploration results achieved, and an assessment of the likely results to be achieved from performance of further exploration by the associate. When there is evidence that an investment in associate is impaired, the carrying amount of such investment is compared to its recoverable amount. If the recoverable amount of an investment in associate is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the period of impairment. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in net earnings in the period the reversal occurs.

(c) *Significant Estimates*

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Significant estimates used in preparation of these financial statements include estimates of the net realizable value and any impairment of exploration and evaluation assets and of investment in associates, recoveries of receivable balances, provisions including closure and reclamation, share based payment expense, and income tax provisions. Actual results may differ from those estimated.

(d) *Critical judgments*

The Company reviews and assesses the carrying amount of exploration and evaluation assets and of its investment in associates for impairment when facts or circumstances suggest that the carrying amount is not recoverable. Assessing the recoverability of these amounts requires considerable professional technical judgement, and is made with reference to the timing of exploration work, work programs proposed, exploration results achieved by the Company and by others in the related area of interest, and an assessment of the likely results to be achieved from performance of further exploration (see notes 2 (b) and 2 (g)).

The Company has performed analysis of the functional currency for each subsidiary, and noted the majority of operating expenditures were either denominated in the United States dollar (“US$”) or determined by the US$. Consequently, the Company concludes that the US$, with the exception of the parent entity which has a Canadian dollar (“C$”) functional currency, is the currency that mainly influences the cost of providing goods and services in each of the Mexican subsidiaries of the Company, and in its Mexican Associate. The Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

(e) *Financial instruments*

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies financial instruments as either held-to-maturity, available-for-sale, fair value through profit or loss (“FVTPL”), loans and receivables, or other financial liabilities. Financial assets held to maturity, loans and receivables and other financial liabilities, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income ("OCI"). Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the statement of comprehensive loss.

The Company has designated its cash as FVTPL, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Trade and other payables are classified as other liabilities, which are measured at amortized cost.

Marketable securities that meet the definition of a derivative are classified as FVTPL and are measured at fair value with unrealized gains and losses recognized in the statement of comprehensive loss. All of the Company's other marketable securities have been designated as available-for-sale, and are reported at fair value. Other comprehensive income includes the gains and losses from available-for-sale securities which are not included in profit or loss until realized, and currency translation adjustments on its net investment in foreign operations.

(f) *Cash*

Due to the low market interest rate on deposits and the need to maintain resources liquid for the Company's ongoing exploration activities, management has maintained the Company's cash in high interest savings accounts.

(g) *Exploration and evaluation assets*

The Company is in the exploration stage with respect to its activities and accordingly follows the practice of capitalizing all costs relating to the acquisition, exploration and evaluation of its mining rights and crediting all revenues received against the cost of the related interests. At such time as commercial production commences, these costs will be depleted on a units-of-production method based on proven and probable reserves. If a mineable ore body is discovered, exploration and evaluation costs are reclassified to mining properties. If no mineable ore body is discovered, such costs are expensed in the period in which it is determined the property has no future economic value.

Exploration and evaluation expenditures include acquisition costs of rights to explore; topographical, geological, geochemical and geophysical studies; exploratory drilling; trenching and sampling; and activities involved in evaluating the technical feasibility and commercial viability of extracting mineral resources. This includes the costs incurred in determining the most appropriate mining/processing methods and developing feasibility studies.

Management reviews the carrying amount of exploration and evaluation assets for impairment when facts or circumstances suggest that the carrying amount is not recoverable. This review is generally made with reference to the timing of exploration work, work programs proposed, exploration results achieved by the Company and by others in the related area of interest, and an assessment of the likely results to be achieved from performance of further exploration. When the results of this review indicate that indicators of impairment exist, the Company estimates the recoverable amount of the deferred exploration costs and related mining rights by reference to the potential for success of further exploration activity and/or the likely proceeds to be received from sale or assignment of the rights. When the carrying amounts of exploration and evaluation assets are estimated to exceed their recoverable amounts, an impairment loss is recorded in the statement of comprehensive loss. The cash-generating unit for assessing impairment is a geographic region and shall be no larger than the operating segment. If conditions that gave rise to the impairment no longer exist, a reversal of impairment may be recognized in a subsequent period, with the carrying amount of the exploration and evaluation asset increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in profit or loss in the period the reversal occurs.

(h) *Equipment and leasehold improvements*

Equipment is recorded at cost less accumulated amortization and impairment losses if any, and is amortized at the following annual rates:

Computer equipment	30% declining balance
Field equipment	30% declining balance
Leasehold improvements	straight line over lease term

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment, and depreciated over their respective useful lives.

(i) *Income taxes*

Deferred income taxes relate to the expected future tax consequences of unused tax losses and unused tax credits and differences between the carrying amount of statement of financial position items and their corresponding tax values. Deferred tax assets, if any, are recognized only to the extent that, in the opinion of management, it is probable that sufficient future taxable profit will be available to recover the asset. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of substantive enactment.

(j) *Provisions*

Provisions are liabilities that are uncertain in timing or amount. The Company records a provision when and only when:

(i) The Company has a present obligation (legal or constructive) as a result of a past event;

(ii) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(iii) A reliable estimate can be made of the amount of the obligation.

Constructive obligations are obligations that derive from the Company’s actions where:

(i) By an established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and

(ii) As a result, the Company has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Provisions are reviewed at the end of each reporting period and adjusted to reflect management's current best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Provisions are reduced by actual expenditures for which the provision was originally recognized. Where discounting has been used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase (accretion expense) is included in profit or loss for the period.

There were no provisions as at September 30, 2012 or December 31, 2011.

Closure and reclamation

The Company records a provision for the present value of the estimated closure obligations, including reclamation costs, when the obligation (legal or constructive) is incurred, with a corresponding increase in the carrying value of the related assets. The carrying value is amortized over the life of the mining asset on a units-of-production basis commencing with initial commercialization of the asset. The liability is accreted to the actual liability on settlement through charges each period to profit or loss.

The provision for closure and reclamation is reviewed at the end of each reporting period for changes in estimates and circumstances. There was no provision for closure and reclamation as at September 30, 2012 or December 31, 2011.

(k) Functional currency and change in presentation currency

The functional currency of MAG is the Canadian dollar ("C$") and the functional currency of its Mexican subsidiaries and investment in associate is the United States dollar ("US$"). Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Effective January 1, 2012, the Company changed its presentation currency from the C$ to the US$. The change in presentation currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the mining industry. In making this change to the US$ presentation currency, the Company followed the guidance in IAS 21 *The Effects of Changes in Foreign Exchange Rates* and have applied the change retrospectively as if the new presentation currency had always been the Company's presentation currency. In accordance with IAS 21, the financial statements for all years and periods presented have been translated to the new US$ presentation currency as follows:

- All assets and liabilities have been translated from their functional currency into the new US$ presentation currency using the closing current exchange rate at the date of each balance sheet;

- Income and expenses for each statement of comprehensive loss presented have been retranslated at average exchange rates prevailing during each reporting period;

- Equity balances have been retrospectively translated at historical rates prevailing during the period incurred; and

- All resulting exchange differences have been recognized in other comprehensive income and accumulated as a separate component of equity (cumulative translation adjustment).

(l) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

(m) Loss per common share

Basic loss per share calculations is based on the weighted average number of common shares outstanding.

The Company uses the treasury stock method for the calculation of diluted earnings per share. Diluted earnings per share are computed using the weighted average number of common and common equivalent shares outstanding during the year. Common equivalent shares consist of the incremental common shares upon the assumed exercise of stock options and warrants, but are excluded from the computation if their effect is anti-dilutive.

As at September 30, 2012, the Company had 4,338,570 (September 30, 2011 – 4,200,181) common share equivalents consisting of the common shares issuable upon the exercise of outstanding exercisable stock options. These common share equivalents were not included for the purpose of calculating diluted earnings per share as their effect would be anti-dilutive.

(n) Share based payments

The fair value of all stock-based compensation and other stock-based payments are estimated as of the date of the grant using the Black-Scholes-Merton option valuation model and are recorded in profit and loss over their vesting periods. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. Changes to the estimated number of awards that will eventually vest are accounted for prospectively.

(o) Changes in Accounting Standards

The Company has reviewed new accounting pronouncements that have been issued but are not yet effective. These include:

IAS 1, *Presentation of Financial Statements,* retains current IAS 1 presentation standards, but requires disclosure of Other Comprehensive Income (Loss) items distinguishing between those that are recycled to profit and loss and those that are not recycled. Retrospective application is required, and the standard is effective for annual periods beginning on or after July 1, 2012, with early application permitted.

The Company will be required to adopt **IFRS 9 *Financial Instruments***, which replaces the current standard, IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard replaces the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value, and is effective for annual periods beginning on or after January 1, 2015, with early application permitted.

IFRS 10 *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation—Special Purpose Entities* and is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

IFRS 11 *Joint Arrangements* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

IFRS 12 *Disclosure of Involvement with Other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

IFRS 13 *Fair Value Measurement* defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 *Share-based Payment*; leasing transactions within the scope of IAS 17 *Leases*; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets.* This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

As at September 30, 2012 (expressed in US dollars unless otherwise stated)

IAS 27 *Consolidated and Separate Financial Statements,* as amended in May 2011, provides guidance on the accounting and disclosure requirements for subsidiaries, jointly controlled entities, and associates in separate, or unconsolidated, financial statements. It will have no impact on consolidated financial statements and is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

IAS 28 *Investments in Associates* as amended in May 2011, provides detailed guidance on the application of the equity method to associates, subsidiaries and joint ventures (previously excluded from this standard), and is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

IFRS 10, 11, and 12 and IAS 27 and 28 must be adopted concurrently. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

3. ACCOUNTS RECEIVABLE

	Sept. 30, 2012	Dec. 31, 2011
Harmonized sales tax ("HST") recoverable	$ 163,381	$ 186,430
Mexican value added tax ("IVA") recoverable	891,829	582,302
Interest receivable	18,937	24,950
Other	49,397	11,424
	$ 1,123,544	$ 805,106

All amounts are current and expected to be recovered within a year.

4. MARKETABLE SECURITIES

At September 30, 2012, the Company holds the following marketable securities:

	September 30, 2012				Dec. 31, 2011
	Number of Shares	Cost	Accumulated Unrealized Gains (losses)	Fair Value	Fair Value
Available-for-sale securities					
Fresnillo PLC [1]	1,000	$ 9,915	$ 19,829	$ 29,744	$ 23,153
Canasil Resources Inc. Common Shares [2]	2,750,000	605,345	(269,702)	335,643	473,212
		615,260	(249,873)	365,387	496,365

[1] In 2008, the Company purchased 1,000 shares of Fresnillo plc, a company which holds a 56% interest in Minera Juanicipio, S.A. De C.V. (Note 6).

As at September 30, 2012 (expressed in US dollars unless otherwise stated)

(2) In 2010, the Company acquired, by way of private placement, 1.5 million units of Canasil Resources Inc. ("Canasil") as required under the Esparanza Option agreement (Note 7d), for total consideration of $139,869. The units were comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitled the holder to purchase one common share of Canasil at a price of C$0.15 until August 27, 2011. On May 16, 2011, the Company exercised the 750,000 warrants at a deemed cost including cash and the fair value of the warrants, totaling $261,758.

In 2011, the Company further subscribed to 500,000 units of Canasil, at a price of C$0.40 per unit for total consideration of $206,820, fulfilling an obligation under the Esparanza Option agreement (Note 7d). The units were comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitled the holder to purchase one common share of Canasil at a price of C$0.60 on or prior to May 6, 2012. The 250,000 warrants expired unexercised.

During the three and nine months ended September 30, 2012, the Company recorded an unrealized gain of $72,545 and unrealized loss of $130,978, net of tax, respectively (September 30, 2011: unrealized loss of $218,953 and $452,711 respectively) in other comprehensive income (loss) on the above marketable securities designated as available-for-sale instruments.

5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Cost	**Computer equipment**	**Field equipment**	**Leasehold improvements**	**Total**
Balance as at January 1, 2011	$ 223,716	$ 162,893	$ 7,707	$ 394,316
Additions	22,623	-	-	22,623
Translation adjustment	(4,919)	(3,581)	(169)	(8,669)
Balance as at December 31, 2011	$ 241,420	$ 159,312	$ 7,538	$ 408,270
Additions	2,569	-	-	2,569
Translation adjustment	8,340	5,476	$ 259	14,075
Balance as at September 30, 2012	**$ 252,329**	**$ 164,788**	**$ 7,797**	**$ 424,914**

Accumulated depreciation	**Computer equipment**	**Field equipment**	**Leasehold improvements**	**Total**
Balance as at January 1, 2011	$ 111,539	$ 99,481	$ 1,926	$ 212,946
Additions	40,694	19,070	1,544	61,308
Translation adjustment	(3,446)	(2,653)	(80)	(6,179)
Balance as at December 31, 2011	$ 148,787	$ 115,898	$ 3,390	$ 268,075
Additions	21,726	9,910	1,147	32,783
Translation adjustment	5,537	4,177	139	9,853
Balance as at September 30, 2012	**$ 176,050**	**$ 129,985**	**$ 4,676**	**$ 310,711**

Carrying amounts	**Computer equipment**	**Field equipment**	**Leasehold improvements**	**Total**
At December 31, 2011	$ 92,633	$ 43,414	$ 4,148	$ 140,195
At September 30, 2012	**$ 76,279**	**$ 34,803**	**$ 3,121**	**114,203**

As at September 30, 2012 (expressed in US dollars unless otherwise stated)

6. INVESTMENT IN ASSOCIATE ("MINERA JUANICIPIO S.A. DE C.V.")

Pursuant to an original option agreement dated July 18, 2002 and subsequent corporate transactions to acquire 100% of the Vendor Corporation, the Company acquired a 100% interest in the Juanicipio property effective July 16, 2003. Pursuant to a letter of intent dated March 17, 2005 and a formal agreement effective July 1, 2005 (the "Agreement") with Industrias Peñoles, S.A. de C.V. ("Peñoles"), the Company granted Peñoles or any of its subsidiaries an option to earn a 56% interest in the Juanicipio Property in Mexico in consideration for Peñoles conducting $5,000,000 of exploration on the property over four years and Peñoles purchasing $1,000,000 of Common Shares of the Company in two tranches for $500,000 each.

In mid 2007, Peñoles met all of the earn-in requirements of the Agreement. In December 2007, the Company and Peñoles created an operating company named Minera Juanicipio, S.A. de C.V. ("Minera Juanicipio") for the purpose of holding and operating the Juanicipio Property. In 2008, MAG was notified that Peñoles had transferred its 56% interest of Minera Juanicipio to Fresnillo plc ("Fresnillo") pursuant to a statutory merger. Minera Juanicipio is held 56% by Fresnillo and 44% by the Company. In December 2007 all mineral rights and surface rights relating to the Juanicipio project held by the Company and Peñoles, respectively, were ceded into Minera Juanicipio. Minera Juanicipio is currently governed by a shareholders agreement. All costs relating to the project and Minera Juanicipio are required to be shared by the Company and Fresnillo pro-rata based on their ownership interests in Minera Juanicipio.

The Company has recorded its investment in Minera Juanicipio using the equity basis of accounting. The cost of the investment includes the carrying value of the deferred exploration and mineral and surface rights costs incurred by the Company on the Juanicipio Property and contributed to Minera Juanicipio plus the required net cash investment to establish and maintain its 44% interest.

The Company's investment relating to its interest in the Juanicipio property and Minera Juanicipio is detailed as follows:

	Nine months ended Sept. 30, 2012	Year ended Dec. 31, 2011
Joint venture oversight expenditures incurred 100% by MAG	783,074	431,767
Cash contributions to Minera Juanicipio (1)	2,420,000	2,151,600
Total for the current period	**3,203,074**	**2,583,367**
Balance, beginning of year (January 1, 2012 and 2011)	14,910,985	12,341,390
	$ 18,114,059	$ 14,924,757
Translation adjustment	21,063	(13,772)
Balance, end of period	**$ 18,135,122**	**$ 14,910,985**

(1) Represents the Company's 44% share of Minera Juanicipio cash contributions for the period.

Summary of the unaudited financial information of Minera Juanicipio:

Evaluation and exploration expenditures incurred directly by Minera Juanicipio for the nine months ended September 30, 2012 amounted to $3,978,626 (2011: $3,288,026), including $1,156,258 in the quarter ended September 30, 2012 (2011: $1,234,821).

At September 30, 2012, the assets of Minera Juanicipio consisted of cash and short term investments in the amount of $1,130,000, value added taxes recoverable and other receivables in the amount of

As at September 30, 2012 (expressed in US dollars unless otherwise stated)

$1,355,000 and mineral, surface rights and exploration expenditures in the amount of $35.3 million. Payables to Peñoles and other vendors for exploration work amounted to $95,000, deferred income taxes of $578,000 and shareholders' equity was $37.1 million. There are no expenses or income in Minera Juanicipio, as all mineral, surface rights and exploration expenditures are capitalized.

7. EXPLORATION AND EVALUATION ASSETS

The Company has the following exploration and evaluation assets:

	Three months ended September 30, 2012						
	(Batopilas) Don Fippi (a)	Lagartos Properties (b)	Cinco de Mayo (c)	Esperanza (d)	Mojina (e)	Other (f)	Total
Exploration and evaluation assets							
Acquisition costs of mineral & surface rights	$ -	$ -	$ 10,000	$ 153,432	$ -	$ -	$ 163,432
Camp costs	-	7,724	130,574	4,834	4,698	1,499	149,329
Drilling	-	-	366,186	-	-	-	366,186
Geochemical	-	2,089	232,039	1,147	-	-	235,275
Geological	3,792	23,350	693,974	22,515	8,218	5,029	756,878
Gov't fees and licenses	11,382	399,765	45,198	42,134	7,946	117,678	624,103
Metallurgical	-	-	8,315	-	-	-	8,315
Site administration	673	1,032	50,920	1,220	101	479	54,425
Transport and shipping	1,359	975	25,236	563	125	75	28,333
Travel	1,586	1,384	47,185	362	-	787	51,304
Total for the period	18,792	436,319	1,609,627	226,207	21,088	125,547	2,437,580
Balance June 30, 2012	6,159,403	12,598,783	41,593,808	1,659,581	1,402,250	5,311,226	68,725,051
Balance, September 30, 2012	$ 6,178,195	$ 13,035,102	$ 43,203,435	$ 1,885,788	$ 1,423,338	$ 5,436,773	$ 71,162,631

	Nine months ended September 30, 2012						
	(Batopilas) Don Fippi (a)	Lagartos Properties (b)	Cinco de Mayo (c)	Esperanza (d)	Mojina (e)	Other (f)	Total
Exploration and evaluation assets							
Acquisition costs of mineral & surface rights	$ -	$ -	$ 10,000	$ 177,833	$ 81,132	$ -	$ 268,965
Camp costs	2,894	23,396	291,785	35,015	54,557	2,139	409,786
Drilling	-	96,509	4,753,124	449,620	107,291	-	5,406,544
Geochemical	-	27,185	822,820	5,895	46,755	-	902,655
Geological	9,009	54,194	1,381,120	121,046	74,639	10,443	1,650,451
Gov't fees and licenses	23,065	805,682	93,520	78,179	21,846	238,467	1,260,759
Metallurgical	-	-	32,172	-	-	-	32,172
Site administration	1,729	2,705	80,844	13,923	8,619	1,212	109,032
Transport and shipping	3,400	5,576	61,331	4,663	7,474	100	82,544
Travel	2,591	2,371	73,642	2,969	3,191	2,619	87,383
Total for the period	42,688	1,017,618	7,600,358	889,143	405,504	254,980	10,210,291
Balance January 1, 2012	6,135,507	12,017,484	35,603,077	996,645	1,017,834	5,181,793	60,952,340
Balance, September 30, 2012	$ 6,178,195	$ 13,035,102	$ 43,203,435	$ 1,885,788	$ 1,423,338	$ 5,436,773	$ 71,162,631

Included in exploration and evaluation assets at September 30, 2012 are trade and other payables of $720,925 (December 31, 2011: $992,494), a non-cash investing activity.

As at September 30, 2012 (expressed in US dollars unless otherwise stated)

	Year ended December 31, 2011						
	(Batopilas) Don Fippi	Lagartos Properties	Cinco de Mayo	Esperanza	Mojina	Other	Total
Exploration and evaluation assets							
Acquisition costs of mineral & surface rights	$ -	$ -	$ 53,906	$ 185,968	$ 83,475	$ -	$ 323,349
Camp costs	10,205	61,724	390,188	40,125	46,948	20,010	569,200
Drilling	-	647,251	3,562,696	88,793	230,537	761	4,530,038
Geochemical	-	12,495	669,300	22,043	9,719	3,640	717,197
Geological	18,311	241,651	1,189,495	194,411	160,782	70,265	1,874,915
Geophysical	-	1,753	9,335	-	16,341	51,244	78,673
Gov't fees and licenses	20,672	440,212	98,187	50,081	15,777	214,405	839,334
Metallurgical	-	-	68,742	-	-	-	68,742
Site administration	3,201	11,058	75,545	9,157	7,463	5,699	112,123
Transport and shipping	3,992	9,602	90,983	4,831	8,170	1,805	119,383
Travel	1,146	12,066	62,695	7,296	4,130	12,916	100,249
Total for the year	57,527	1,437,812	6,271,072	602,705	583,342	380,745	9,333,203
Balance January 1, 2011	6,077,980	10,579,672	29,332,005	393,940	434,493	5,332,562	52,150,652
Less amounts written off	-	-	-	-	-	(531,515)	(531,515)
Balance, December 31, 2011	$ 6,135,507	$ 12,017,484	$ 35,603,077	$ 996,645	$ 1,017,835	$ 5,181,792	$ 60,952,340

(a) *Don Fippi (Batopilas) Property*

The Company has a 100% interest in the Don Fippi mining concessions located in the Batopilas, Chihuahua district of Mexico, subject to a royalty of 4.5% of the net smelter returns obtained from the property. To September 30, 2012, the Company has incurred $6,178,195 on exploration and evaluation costs on the property.

(b) *Lagartos Properties*

The Company has acquired a 100% interest in exploration concessions on mining claims (Lagartos) on the Fresnillo trend to the northwest ("Lagartos NW") and southeast ("Lagartos SE") of the Juanicipio property. To September 30, 2012, the Company has incurred $13,035,102 on exploration and evaluation costs on the Lagartos properties.

(c) *Cinco de Mayo Property*

Under the terms of an agreement dated February 26, 2004, the Company acquired a 100% interest in the Cinco de Mayo property (the "Cinco de Mayo Property"), subject to a 2.5% net smelter returns royalty. During the year ended December 31, 2008, the Company acquired a 100% interest in certain additional mining concessions internal to the Cinco de Mayo Property from two separate vendors. The Company made a one-time payment of $350,000 for these mining concessions. During the year ended December 31, 2009, the Company acquired a 100% interest in certain additional mining concessions internal or adjacent to the Cinco de Mayo property from three separate vendors. The Company made a one-time payment of $362,000 for these mining concessions. During the year ended December 31, 2009, the Company also purchased surface rights in the Cinco de Mayo area for $660,000. During the year ended December 31, 2010, the Company entered into two option agreements to earn a 100% interest in five additional mining concessions adjacent to the Cinco de Mayo property. The Company paid $40,000 upon executing the agreements, and further payments of $24,000 since then, and in order to earn its 100% interest on these additional claims, the Company must pay an additional $156,000 in stages through 2015 (Note 14).

To September 30, 2012, the Company has incurred $43,203,435 on exploration and evaluation costs on the property.

(d) *Esperanza*

During the year ended December 31, 2010, the Company entered into an option agreement with Canasil Resources Inc. ("Canasil") to earn a 60% interest in certain mineral claims constituting the Esperanza Property, a silver-zinc-lead project covering 17,009 hectares, located 100 km SE of the city of Durango on the border between Durango and Zacatecas States. Pursuant to the agreement, the Company paid $47,315 upon signing the agreement in 2010, $102,070 in 2011, and a further $152,565 in 2012. To earn its 60% interest in the property, the Company must make an additional cash payment of C$200,000 on September 1, 2013 and incur cumulative exploration expenditures of C$5,000,000 in stages to September 1, 2014 (Note 14). To September 30, 2012, the Company had incurred $1,885,788 in exploration and evaluation costs.

Under the terms of the agreement, MAG also subscribed to two placements in Canasil shares (see Note 4).

(e) *Mojina Property*

On March 30, 2010, the Company entered into an option agreement to earn a 100% interest in the Mojina Property, subject to a 2.5% net smelter returns royalty, half of which can be purchased at any time for $1,250,000. Under the terms of the agreement, the Company paid $35,000 upon signing the agreement and an additional $65,000 in 2010, an additional $61,181 in 2011, and an additional $81,132 in January 2012. To earn its 100% interest, the Company is required to make additional scheduled cash payments totalling C$805,000 through 2015, and incur cumulative qualifying exploration expenditures totalling $2,500,000 over five years to 2015 (Note 14), including expenditures of $800,000 by March 31, 2013 which have been completed as at September 30, 2012. To September 30, 2012, the Company had incurred $1,423,338 in exploration and evaluation costs, including $1,115,087 in qualifying expenditures under the agreement.

On June 25, 2010, the Company acquired by concession an additional claim adjacent to the optioned claims.

(f) *Other Properties*

Other properties consist of the Lorena claims, the Nuevo Mundo claims, and the Guigui claim options, all in Mexico. To September 30, 2012, the Company had incurred $5,436,773 in exploration and evaluation costs on these remaining other properties.

There were no exploration and evaluation assets written off in the period ended September 30, 2012 (September 30, 2011 – nil). During the year ended December 31, 2011, the Company wrote down exploration and evaluation assets totalling $531,515 relating to the San Ramone claims. After an evaluation of the property's potential against the required exploration expenditures required to keep the San Ramone option in good standing (under the option agreement, a further $1.5 million in expenditures would have been required by July 2012), results did not warrant further work on the property.

8. SHARE CAPITAL

(a) Issued and outstanding

At September 30, 2012 there were 59,773,982 shares outstanding (December 31, 2011 – 55,667,139).

On September 5, 2012, the Company closed a brokered private placement for 3,526,210 common shares of the Company at a price of C$9.40 per share for gross proceeds of $33,451,321. The Company paid a 5.25% commission of $1,756,194 to the underwriters on this placement, and legal and filing costs totaled an additional $369,196.

During the nine months ended September 30, 2012, 575,048 stock options were exercised for cash proceeds of $3,869,617 (for the nine months ended September 30, 2011, 505,525 stock options were exercised for cash proceeds of $1,978,173). During the nine months ended September 30, 2012, 20,000 additional stock options were exercised under a cashless exercise provision of the plan (see Note 8(b) below), whereby the Company paid $13,735 in employee withholding taxes and issued 5,585 shares in settlement of the stock options (September 30, 2011 – nil).

During the year ended December 31, 2011, 505,525 stock options were exercised for cash proceeds of $1,978,173.

(b) Stock options

The Company has entered into Incentive Stock Option Agreements ("Agreements") with directors, officers, employees and consultants. At the Annual General and Special Meeting of the Shareholders held on September 15, 2011 the Shareholders approved an amendment to the Company's Stock Option Plan (the "Plan") to convert it into a rolling stock option plan that sets the number of shares issuable thereunder at a maximum of 8% of the common shares of the Company issued and outstanding at the time of any grant. As at September 30, 2012, 4,138,570 stock options are outstanding under the Plan, 643,349 stock options remain available for grant under the Plan, and 200,000 inducement options are outstanding outside of the Plan.

On May 11, 2012, the board approved an amendment to the stock option plan to allow the board to offer designated option holders an alternative, less dilutive, cashless exercise mechanism. At the discretion of the board, the option holder can choose to receive a net benefit payout in the form of Company stock, equivalent to the amount of benefit the stock options are in the money on the date of exercise, less a provision for required withholding taxes.

The following table summarizes the Company's option activity:

As at September 30, 2012 (expressed in US dollars unless otherwise stated)

		Period ended September 30, 2012	Weighted average exercise price (C$/option)	Year ended December 31, 2011	Weighted average exercise price (C$/option)
Balance outstanding, beginning of year		4,123,618	$ 9.25	3,968,206	$ 8.42
Options granted	(1)	860,000	9.13	750,000	10.44
Options forfeited		(50,000)	8.85	(89,063)	12.79
Options exercised	(2)	(595,048)	6.47	(505,525)	3.84
Balance outstanding, end of period		4,338,570	$ 9.59	4,123,618	$ 9.25

(1) During nine months ended September 30, 2012, 860,000 stock options were granted (September 30, 2011 – 750,000), with a weighted average exercise price of C$9.13 and a fair value of $2,653,505 or $3.09 per option as of the grant date. The fair value was determined for the period ended September 30, 2012 using an option pricing model assuming no dividends are to be paid, a weighted average historical volatility of the Company's share price of 50%, an annual risk free interest rate of 1.2% and expected lives of three years.

During the year ended December 31, 2011, the Company granted 750,000 stock options with a weighted average exercise price of C$10.44 and a fair value of $2,909,109 or $3.88 per option as of the grant date. The fair value was determined for the year ended December 31, 2011 using an option pricing model assuming no dividends are to be paid, a weighted average historical volatility of the Company's share price of 58%, an annual risk free interest rate of 1.9% and expected lives of three years.

Stock option grants are approved, in accordance with the terms of the Plan, by the Compensation Committee consisting of three independent members of the Board of Directors. At the time of a stock option grant, the exercise price of each option is set no lower than the market value of the common shares at the date of grant.

During the nine months ended September 30, 2012, the Company recorded share based payment expense of $2,428,600 (September 30, 2011: $2,538,908) relating to stock options vested to employees and consultants in the period. During the year ended December 31, 2011, the Company recorded share based payment expense of $2,970,112 relating to stock options vested to employees and consultants in the year.

(2) During the nine months ended September 30, 2012, 595,048 stock options were exercised with a weighted average market share price at the time of exercise of C$8.92 per share. During the period ended September 30, 2011 and the year ended December 31, 2011, 505,525 stock options were exercised, with a weighted average market share price at the time of exercise of C$10.51 per share.

The following table summarizes the Company's stock options outstanding and exercisable as at September 30, 2012:

As at September 30, 2012 (expressed in US dollars unless otherwise stated)

	Exercise price ($C/ option)	Number outstanding at September 30 2012	Number exercisable at September 30 2012	Weighted average remaining contractual life (years)	Weighted average exercise price ($C)
	5.32	128,185	128,185	1.73	
	5.54	191,183	191,183	1.56	
	6.32	136,266	136,266	2.21	
	6.87	50,000	50,000	2.42	
	6.95	185,000	185,000	2.90	
	7.42	325,000	325,000	2.49	
(1)	8.15	200,000	200,000	2.90	
	8.95	100,000	66,667	4.71	
	9.15	756,200	316,199	4.99	
	9.92	589,285	409,523	3.23	
	10.01	230,576	230,576	0.75	
	10.44	740,000	546,500	3.92	
	11.89	15,000	15,000	3.24	
	12.91	266,875	266,875	0.37	
	14.15	425,000	425,000	0.04	
		4,338,570	3,491,974	1.84	$ 9.59

(1) Inducement options issued outside the Company's Plan in 2010 as an incentive to attract a senior officer.

9. CAPITAL RISK MANAGEMENT

The Company's objectives in managing its liquidity and capital are to safeguard the Company's ability to continue as a going concern and to provide financial capacity to meet its strategic objectives. The capital structure of the Company consists of its shareholders' equity comprising of share capital, share option reserve, accumulated other comprehensive income and deficit.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. The Company does not pay out dividends.

As at September 30, 2012, the Company does not have any long-term debt and is not subject to any externally imposed capital requirements.

The Company currently has sufficient working capital ($43.7 million) to maintain all of its properties and currently planned programs for a period in excess of the next year. In management's opinion, the Company is able to meet its ongoing current obligations as they become due. However, the Company will likely require additional capital in the future to meet its project related expenditures, as it is unlikely that the Company will generate sufficient operating cash flow to meet all of its future expenditure requirements. Future liquidity will depend upon the Company's ability to arrange additional debt or equity financing, as the Company relies on equity financings to fund its exploration and corporate activities. While the Company has been successful in securing financings in the past, given the Company has incurred losses from inception and does not have any operating cash flow, there can be no assurance that additional capital or financing will be available if needed or that, if available, the terms of such financings will be favourable to the Company.

10. FINANCIAL RISK MANAGEMENT

The Company's operations consist of the acquisition, exploration and development of district scale projects in the Mexican silver belt. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

(a) Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

(i) Trade credit risk
The Company is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Company is not exposed to significant trade credit risk and overall the Company's credit risk has not changed significantly from the prior year.

(ii) Cash
In order to manage credit and liquidity risk the Company's policy is to invest only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

(iii) Mexican value added tax
As at September 30, 2012, the Company had a receivable of $891,829 from the Mexican government for value added tax (Note 3). The balance is all current and a full recovery is expected by management.

The Company's maximum exposure to credit risk as at September 30, 2012 is the carrying value of its cash and accounts receivable, and the value of its 44% proportionate cash and accounts receivable held in Minera Juanicipio (Note 6), as follows:

	Sept. 30, 2012	Dec. 31, 2011
Cash	$ 44,081,885	$ 26,217,409
Accounts receivable	1,123,544	805,106
44% share of Minera Juanicipio cash and receivables	1,093,442	404,915
	$ 46,298,871	$ 27,427,430

(b) *Liquidity risk*

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements, its exploration and development plans, and its various optional property and other commitments (see Notes 6, 7 and 14). The annual budget is approved by the Board of Directors. The Company ensures that there are sufficient cash balances to meet its short-term business requirements.

The Company's overall liquidity risk has not changed significantly from the prior year.

(c) *Currency risk*

The Company is exposed to the financial risks related to the fluctuation of foreign exchange rates, both in the Mexican Peso relative to the US$, and in the US$ relative to the C$. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign exchange rates. The Company is also exposed to inflation risk in Mexico.

Mexican Peso relative to the US$

Although the majority of operating expenses in Mexico are both determined and denominated in US$, an appreciation in the Mexican peso relative to the US$ will slightly increase the Company's cost of operations in Mexico related to those operating costs denominated and determined in Mexican pesos.

A depreciation in the Mexican peso against the US$ will result in a loss to the extent that the Company holds net monetary assets in pesos. Specifically, the Company's foreign currency exposure is comprised of peso denominated cash and value added taxes receivable, net of accounts payable and accrued liabilities. The carrying amount of the Company's net peso denominated monetary assets at September 30, 2012 is 6,725,255 Mexican pesos (December 31, 2011 is 17,874,871 pesos). A 10% depreciation in the peso relative to the US$ would result in an additional loss as at September 30, 2012 of $52,328 (December 31, 2011 of $127,872). A 10% appreciation in the peso against the US$ would result in an equivalent decrease in net loss.

US$ relative to the C$ and the Cumulative Translation Adjustment

Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency, and then translated to the US$ presentation currency. The functional currency of MAG, the parent entity, is the C$ which differs from the US$ presentation currency. It therefore translates its results and financial position into the US$ presentation currency in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, whereby assets and liabilities are translated to the reporting currency using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period), with the resulting exchange differences reported as a cumulative translation adjustment in other comprehensive income.

The sensitivity of the Company's other comprehensive loss for the period ended September 30, 2012 due to changes in the C$ exchange rate in relation to the US$ is summarized as follows: a 10% appreciation in the Canadian dollar against the US$ would decrease the comprehensive loss for the period by $4,568,723 and a 10% depreciation in the Canadian dollar against the US$ would increase the comprehensive loss for the period by $4,568,723.

During the three months ended September 30, 2012, the Company recognized a currency translation gain in other comprehensive income of $763,891 (September 30, 2011 – loss of $2,705,039) resulting from the translation from C$ to US$ of the Company's parent entity, which has a C$ functional currency. The C$ as measured against the US$ was 1.0171 at September 30, 2012, compared to 0.9822 US$/C$ at June 30, 2012.

During the nine months ended September 30, 2012, the Company recognized a currency translation gain in other comprehensive income of $841,608 (September 30, 2011 – loss of $1,531,316) resulting from the translation from C$ to US$ of the Company's parent entity, which has a C$ functional currency. The C$ as measured against the US$ was 1.0171 at September 30, 2012, compared to 0.9833 US$/C$ at December 31, 2011.

(d) *Interest rate risk*

The Company's interest revenue earned on cash is exposed to interest rate risk. A decrease in interest rates would result in lower relative interest income and an increase in interest rates would result in higher relative interest income.

11. FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

The Company's financial instruments include cash, accounts receivable, marketable securities including warrants, and trade and other payables. The carrying values of cash, accounts receivable, interest receivable, and accounts payable and accrued liabilities reported in the consolidated statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

As at September 30, 2012 (expressed in US dollars unless otherwise stated)

The Company's financial assets or liabilities as measured in accordance with the fair value hierarchy described above are:

Fair Value Hierarchy		Sept. 30, 2012	Dec. 31, 2011
Level 1	(1)	$ 365,387	$ 496,365
Level 2	(2)	-	-
Level 3	(3)	-	-
		$ 365,387	$ 496,365

(1) The fair value of available-for-sale marketable securities (Note 4) is determined based on a market approach reflecting the closing price of each particular security as at the statement of financial position date. The closing price is a quoted market price obtained from the exchange that is the principal active market for the particular security, and therefore available-for-sale securities are classified within Level 1 of the fair value hierarchy.

(2) The fair value of FVTPL warrants that are not traded in an active market is determined using a Black-Scholes model based on assumptions that are supported by observable current market conditions and as such are classified within Level 2 of the fair value hierarchy. The use of possible alternative reasonable assumptions would not significantly affect the Company's results.

The Company's 250,000 FVTPL warrants expired unexercised on May 6, 2012.

(3) There were no financial instruments fair valued within Level 3 of the fair value hierarchy as at September 30, 2012 or December 31, 2011.

12. SEGMENTED INFORMATION

The Company operates in one segment, being the exploration of mineral properties in Mexico. Substantially all of the Company's long term assets are located in Mexico and the Company's executive and head office is located in Canada.

13. RELATED PARTY TRANSACTIONS

The Company does not have offices or direct personnel in Mexico, but rather is party to a Field Services Agreement, whereby it has contracted administrative and exploration services in Mexico with MINERA CASCABEL S.A. de C.V. ("Cascabel") and IMDEX Inc. ("IMDEX"). These companies have a common director with the Company, however, all transactions are incurred in the normal course of business, and are measured at the exchange amount which was the consideration established and agreed to by the noted parties, and represents a fair market value for services rendered. A significant portion of the expenditures which are incurred on the Company's behalf, are charged to Company on a "cost + 10%" basis typical of industry standards.

As at September 30, 2012 (expressed in US dollars unless otherwise stated)

During the three and nine months ended September 30, 2012, the Company accrued or paid Cascabel and IMDEX consulting, administration and travel fees totaling $79,858 and $242,760 respectively (September 30, 2011: $56,587 and $235,863 respectively) and exploration reimbursements and costs totaling $850,571 and $1,879,871 respectively (September 30, 2011: $645,501 and $1,898,445 respectively) under the Field Services Agreement. Included in trade and other payables at September 30, 2012 is $557,317 related to these services (September 30, 2011: $437,561).

The Company is obligated to a 2.5% net smelter returns royalty to Cascabel under the terms of an option agreement dated February 26, 2004, whereby the Company acquired a 100% interest in the Cinco de Mayo property from Cascabel.

Any amounts due to related parties arising from the above transactions are unsecured, non-interest bearing and are due upon receipt of invoices.

The immediate parent and ultimate controlling party of the consolidated group is MAG Silver Corp. (incorporated in British Columbia, Canada).

The details of the Company's subsidiaries and ownership interests are as follows:

Significant subsidiaries of the Company are as follows:

			MAG' effective interest	
Name	Country of Incorporation	Principal Activity	2012 (%)	2011 (%)
Minera Los Lagartos, S.A. de C.V.	Mexico	Exploration	100%	100%
Minera Pozo Seco S.A. de C.V.	Mexico	Exploration	100%	100%
Minera Sierra Vieja S.A. de C.V.	Mexico	Exploration	100%	100%

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Minera Juanicipio, S.A. de C.V. ("Minera Juanicipio"), created for the purpose of holding and operating the Juanicipio Property, is held 56% by Fresnillo plc ("Fresnillo") and 44% by the Company. Minera Juanicipio is currently governed by a shareholders agreement. All costs relating to the project and Minera Juanicipio are required to be shared by the Company and Fresnillo pro-rata based on their ownership interests in Minera Juanicipio (see Note 6).

Compensation of Key Management Personnel including Directors

During the period, compensation of key management personnel was as follows:

	Three months ended September 30 2012	Three months ended September 30 2011	Nine months ended September 30 2012	Nine months ended September 30 2011
Salaries and other short term employee benefits	$ 260,574	$ 370,883	$ 681,255	$ 851,097
Share based payments	1,183,553	1,410,668	1,867,159	2,118,343
	$ 1,444,127	$ 1,781,552	$ 2,548,413	$ 2,969,440

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and consists of its Directors, the Chief Executive Officer, the Chief Financial Officer and the Vice President of Operations.

As at September 30, 2012 (expressed in US dollars unless otherwise stated)

14. COMMITMENTS

As at September 30, 2012, the Company's minimum lease payments under its office lease agreement and its contractual obligations for optional mineral property acquisition payments and optional exploration work are as follows:

	Office Lease	Property Option Payments (Note 7)	Exploration Commitments (Note 7)	Total
2012	$ 40,178	$ 10,000	$ 41,701	$ 91,879
2013	165,132	375,985	1,525,650	2,066,767
2014	165,132	223,420	2,164,838	2,553,390
2015	-	577,866	1,000,000	1,577,866
	$ 370,442	$ 1,187,271	$ 4,732,189	$ 6,289,902

As these consolidated financial statements have been prepared using the accrual basis of accounting (except for cash flow information), these commitments are not recorded as liabilities until incurred or until due under the terms of the option agreement.

The Company could be subject to various investigations, claims and legal and tax proceedings covering matters that arise in the ordinary course of business activities. Each of these matters would be subject to various uncertainties and it is possible that some matters may be resolved unfavourably to the Company. Certain conditions may exist as of the date of the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company is not aware of any such claims or investigations, and as such has not recorded any related provisions and does not expect such matters to result in a material impact on the results of operations, cash flows and financial position.

Other contractual obligations include a 2.5% net smelter returns royalty under the terms of an agreement dated February 26, 2004, whereby the Company acquired a 100% interest in the Cinco de Mayo property, and a 4.5% net smelter returns royalty on the interest in the Don Fippi mining concessions located in the Batopilas, and a 2.5% net smelter returns royalty under the terms an agreement dated March 30, 2010, whereby the Company entered into an option agreement to earn a 100% interest in the Mojina Property (Note 7).

The Company makes cash deposits to Minera Juanicipio from time to time as cash called by operator Fresnillo (Note 6). The scale and scope of the Juanicipio project could require development capital in the years ahead exceeding the Company's on hand cash resources. It is unlikely that the Company will generate sufficient operating cash flow to meet these ongoing obligations in the foreseeable future. Accordingly the Company may need to raise additional capital by issuance of equity in the future.

15. INCOME TAXES

The income taxes recognized in profit or loss is as follows:

	For the three month period ended Sept 30, 2012	For the three month period ended Sept 30, 2011	For the nine month period ended Sept 30, 2012	For the nine month period ended Sept 30, 2011
Current tax expense	$ -	$ -	$ -	$ -
Deferred tax recovery	-	-	840,052	-
Total income tax recovery for the period	**$ -**	**$ -**	**$ 840,052**	**$ -**

The Company incurred a loss before tax for the three and nine months ended September 30, 2012 of $3,609,463 and $7,007,248, respectively (September 30, 2011: $3,049,184 and $4,463,336, respectively). As insufficient evidence exists to support current or future realization of the tax benefits associated with this loss, the benefit of certain tax assets have not been recognized in the three and nine months ended September 30, 2012 and 2011.

The $840,052 deferred tax recovery for the nine months ended September 30, 2012 (September 30, 2011 – Nil) relates to the reversal of a deferred tax liability that was set up at December 31, 2011 in relation to temporary differences between the book and tax base of its Mexican non-monetary assets. The tax base of these non-monetary assets is determined in a different currency (Mexican Peso) than the functional currency (US$), and changes in the exchange rate can give rise to temporary differences that result in a deferred tax liability in accordance with IAS 12 *Income Taxes*. With the strengthening of the Mexican Peso against the US$ from 13.98 Pesos/US$ on December 31, 2011 to 12.85 Pesos/US$ on September 30, 2012, the previously recognized deferred tax liability was entirely reversed.

16. ARBITRATION AWARD

In the prior year, in a ruling dated April 28, 2011, the Company was awarded damages of $1.86 million in a favourable unanimous ruling of a three member arbitral panel of the International Court of Arbitration of the International Chamber of Commerce ("ICC") with respect to the arbitration proceedings commenced in Mexico against its joint venture partner, Fresnillo. The ICC upheld MAG's interpretation that Fresnillo breached the standstill provision in the Shareholders Agreement and, in accordance with Mexican law, awarded MAG $1.86 million in damages. The damage award represented MAG's direct costs of defending Fresnillo's improper take-over bid in late 2008 and 2009.

17. SUBSEQUENT EVENTS

Subsequent to September 30, 2012:

a) The Company issued 239,853 common shares pursuant to the exercise of stock options between C$5.32 and C$10.01 per share for aggregate proceeds of C$1,518,230;

b) The Company granted 300,000 stock options under the Company's Plan to two new directors, exercisable at C$12.19 per share, with a term of five years, and vesting 100,000 immediately, 100,000 after 12 months and 100,000 after 24 months from the date of grant; and,

c) 425,000 stock options with an exercise price of C$14.15 expired unexercised.