



MAG SILVER CORP.

(An exploration and predevelopment stage company)

Management Discussion & Analysis
For the three months ended
March 31, 2011

Dated: June 14, 2011

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

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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 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 USA.

The following management discussion and analysis (“MD&A”) of MAG focuses on the financial condition and results of operations of the Company for the three months ended March 31, 2011 and 2010. It is prepared as of June 13, 2011 and should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2011 and the audited consolidated financial statements of the Company for the year ended December 31, 2010, together with the notes thereto. All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

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 AIF. More information about the Company including its AIF and recent financial reports are available on SEDAR at www.sedar.com and on 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”) and or prepared by or under the supervision of Dan MacInnis P. Geo., 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”).

Cautionary Note to Investors Concerning Estimates of Indicated and Inferred 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 National Instrument 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.**

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FINANCIAL PERFORMANCE

At March 31, 2011, the Company had working capital of \$37,688,517 (compared to \$24,218,741 at March 31, 2010), including cash on hand of \$35,456,632 (compared to \$24,251,678 at March 31, 2010). The Company's reserves of cash originate from financings. The increase in cash over the prior period is a result of a completed bought deal financing that closed in the prior year on May 18, 2010 for net proceeds of \$33,148,722.

The Company's net loss for the three months ended March 31, 2011 amounted to \$1,427,461 (2010: \$2,160,888). The decrease in the net loss compared to the prior period is primarily due to the decreased share based payment expense in the current period. During the quarter ended March 31, 2011, the Company granted nil stock options, (March 31, 2010 – 390,000), but still recorded \$493,796 (March 31, 2010 - \$1,159,401) of share based payment expense relating to stock options previously granted, but vesting to employees and consultants in the period ended March 31, 2011. The fair value of all share-based payment compensation is estimated using the Black-Scholes-Merton option valuation model.

Accounting and audit fees for the quarter ended March 31, 2011 of \$144,019 (2010: \$109,623), increased as the Company incurred a spillover of advisory costs on tax and strategic planning related to an internal restructuring of its Mexican property holdings completed in 2010. Legal fees incurred during the period ended March 31, 2011 of \$249,183 (2010: 168,990) continued to be higher than usual as a result of the ongoing costs related to the arbitration proceedings against Fresnillo plc ("Fresnillo") with the ICC in Paris (see "Fresnillo Arbitration" below). Management and consulting fees of \$372,847 (2010: \$249,780) increased over prior period as the Company has strengthened its management team with a full time Chief Financial Officer, and with a Vice President of Operations.

Other expenses incurred during the quarter ended March 31, 2011 including amortization of \$13,726 (2010: \$12,877), filing and transfer agent fees of \$137,367 (2010: \$95,257), general office and property investigation costs of \$177,739 (2010: \$134,853), shareholder relations of \$56,902 (2010: \$134,716), and travel costs of \$59,281 (2010: \$103,264) were all comparable with the prior year's expense.

There was a foreign exchange gain for the period ended March 31, 2011 of \$51,574 (2010: loss of \$16,514), impacted by fluctuations in the Mexican Peso relative to the United States dollar ("US\$") and by fluctuations in the US\$ relative to the Canadian Dollar. There were no property impairments or write-offs during the current period (2010: Nil).

Interest income earned for the period ended March 31, 2010 increased to \$105,825 (2010: \$24,387), reflecting higher 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. Currently, the Company is earning 1.15% on its daily cash balances. During the period ended March 31, 2011, the Company also recognized an unrealized gain of \$120,000 (2010: nil) on marketable securities (Canasil Resources Inc. warrants) held and designated as held for trading instruments.

During quarter ended March 31, 2011 the Company also recognized an unrealized gain of \$238,144 (2010: loss of \$321) in other comprehensive loss ("OCI") on marketable securities held and designated as available-for-sale instruments. The currency translation adjustment of \$(1,677,447) in OCI (2010: \$(1,832,010)) results from the translation to Canadian dollars of the Company's three Mexican subsidiaries and the Company's investment in an associate, all which have a US\$ functional currency. The Company's net investment in these foreign operations is subject to currency risk with respect to the US\$/Canadian dollar exchange rate (see Note 10 (c) in the notes the unaudited condensed consolidated financial statements as at March 31, 2011).

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SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected quarterly financial information for each of the last eight quarters:

Quarter Ending	Revenue ⁽¹⁾	Net Loss ⁽²⁾	Net Loss per share
March 31, 2011	\$105,825	\$(1,427,461)	\$(0.03)
December 31, 2010	\$130,869	\$(4,868,283)	\$(0.09)
September 30, 2010	\$120,698	\$(4,169,838)	\$(0.08)
June 30, 2010	\$46,449	\$(1,393,973)	\$(0.03)
March 31, 2010	\$24,387	\$(2,160,888)	\$(0.04)
December 31, 2009 *	\$42,227	\$(2,659,433)	\$(0.05)
September 30, 2009 *	\$66,949	\$(1,284,316)	\$(0.03)
June 30, 2009 *	\$53,239	\$(4,384,704)	\$(0.09)

* Amounts as reported under Canadian GAAP

Notes:

- (1) The Company's primary source of revenue during the quarters listed above was interest earned on bank 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.
- (2) Net losses by quarter are often materially affected by the timing and recognition of large non-cash expenses or property write-offs. When adjusted for these non-cash charges, the results for the quarters listed above show a more consistent trend, with a general growth in expenses over time that is consistent with the Company's increased exploration and corporate activities over the periods as described above at "Financial Performance".

RESULTS OF OPERATIONS

During the three months ended March 31, 2011, the Company's joint venture expenditures amounted to \$155,887 (2010: \$484,706) on the Juanicipio property, where drilling is 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 below). During the quarter ended March 31, 2011, the Company's exploration activity was focused on its 100% owned Cinco de Mayo property, where \$1,801,643 (2010: \$2,475,086) in exploration and evaluation costs were incurred in the quarter and 8,175 metres (2010: 15,645) were drilled.

The following discussion is a summary of, and an update to, disclosure in 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, S.A. de C.V. ("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 two significantly identified high grade silver (gold/lead and zinc) veins: the Valdecañas 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 to cover expenses

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related to the Company's direct oversight of the field and drilling programs executed on the property. For the three months ended March 31, 2011, the Company's joint venture expenditures amounted to \$155,887 (March 31, 2010 - \$484,706) comprising \$127,987 (March 31, 2010 - \$446,756) as its 44% share of cash advances, and a further \$27,900 (March 31, 2010 - \$37,950) expended directly by the Company on project oversight. Cumulatively to March 31, 2011, the Company has spent on its own account or advanced Minera Juanicipio a total of \$12,137,780 (2010: 10,013,875) for its 44% of acquisition and exploration costs.

In the three months ended March 31, 2011, Minera Juanicipio had completed 3,922 metres of drilling on the property, and an additional 1,889 metres in April, totaling 5,811 metres representing approximately 24% of the drilling budget proposed for the year. Drilling in the three months ended March 31, 2011 was primarily directed to the Valdecañas Vein where 5 holes (totaling 4,500 metres) were approved in continuation of the program started in early 2010 to systematically convert Inferred Resources to Indicated Resource status. Work was also designed to explore along the Juanicipio Vein for a potential bonanza zone and the drilling in "other" areas continued the search for other as yet undiscovered veins elsewhere on the Juanicipio property.

The Company is in receipt of assay results to the end of April 2011, from drilling on the Valdecañas Vein, as provided by the operator Fresnillo. Results for three infill holes designed to convert Inferred Resources to Indicated Resources are as follows:

Hole MI intercepted 7.19 metres (true width) with 1.07 grams per ton ("g/t") gold, 434 g/t silver, 5.09% combined lead and zinc. Hole RE drilled on the East end of the vein returned a very high grade intercept of 10.44 metres (true width) grading 3.77 g/t gold, 1,258 g/t silver, 14.83% combined lead and zinc. Lastly, hole JO9 intersected the Valdecañas Vein at a true width of 5.13 metres with 1.28 g/t gold, 502 g/t silver 3.54 % combined lead and zinc. Hole JO9 also intersected the footwall vein and reports 1.20 metres (true width) of 2.77 g/t gold, 269 g/t silver, 0.01% combined lead and zinc. Results of drilling on the Juanicipio Vein are pending.

In July of 2010, Minera Juanicipio engaged AMC Mining Consultants (Canada) Ltd ("AMC") to undertake a 'prefeasibility study' for the development of a 'standalone' underground silver mine on the Valdecañas Vein. The prefeasibility study was commissioned as one of the studies necessary to evaluate the manner in which the Juanicipio Property might be developed. In order to better serve the objectives of the Juanicipio joint venture, AMC has been mandated by the Technical Committee of Minera Juanicipio to include both Inferred and Indicated Resources in this independent "standalone" mine development study. As a result, the study will not satisfy the requirements of a "pre-feasibility study" under Canadian National Instrument 43-101 compliant (which requires the use of only Indicated Resources). In order to comply with applicable Canadian regulatory requirements, the Company intends to have the study issued as an updated preliminary economic assessment titled a "Scoping Study Update, 2011." The Technical Committee is currently in discussions to arrive at a series of mutually acceptable inputs and trade off studies with the aim of completing this study as expeditiously as possible.

In the meantime, 7 drills continue in operation on the property.

Although progress continues on the Juanicipio property, the Company continues to advise Fresnillo that it supports a faster track development program for the Valdecañas Vein in accordance with industry's best practices in order to ensure the best financial results for the property.

Cinco de Mayo Property

The Cinco de Mayo Project is a 15,000 hectare district scale project owned 100% by the Company. Cinco de Mayo is located approximately 190 kilometres north of the city of Chihuahua, in northern Chihuahua State, Mexico, and is the most advanced of MAG's four Carbonate Replacement Deposit ("CRD") style targets. The project consists of two major parts: The Pozo Seco molybdenum-gold resource area and the surrounding Cinco de Mayo exploration area.

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To date the Company has outlined high grade silver/lead/zinc mineralization along approximately 1,200 metres of strike length of the Jose Manto and high grade molybdenum/gold along approximately 2,500 metres of the Pozo Seco zone.

Drilling at Cinco de Mayo during the quarter ended March 31, 2011, totaled approximately 8,175 metres in 15 holes. To May 31, 2011 the drilling totaled 13,714 metres in 27 holes.

PozoSeco 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 “PozoSeco” in the western part of the Cinco de Mayo project area. In 2010, Pozo Seco quickly developed to a substantial size and grade. Contiguous holes outlined a tabular body approximately 2,500 metres long, averaging 250 to 300 metres wide and 50 to 75 metres thick. Successful in-fill drilling defined the body on roughly 100 metre centres so that a resource calculation could be undertaken. This was initiated in June 2010, and on August 4, 2010 SWRPA delivered a Mineral Resource estimate for the Pozo Seco deposit based on drill results available to July 12, 2010. At a cut-off grade of 0.022% molybdenum, the Indicated Mineral Resources are estimated at 29.1 million tonnes, grading 0.147% molybdenum and 0.25 g/t gold, containing 94.0 million pounds molybdenum and 230,000 ounces gold. The Inferred Mineral Resources are estimated at 23.4 million tonnes grading 0.103% molybdenum and 0.17 g/t gold, containing 53.2 million pounds molybdenum and 129,000 ounces gold.

The mineral resources for the Pozo Seco Deposit disclosed in this MD&A have been estimated by Mr. David Ross, P.Geo., an employee of Scott Wilson RPA 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, (December 2005). Mr. Ross, P.Geo. has read and approved the contents of this MD&A as it pertains to the disclosed mineral resource estimate.

Molybdenum in the Pozo Seco deposit occurs primarily in the form of powellite (CaMoO_4), a molybdenum oxide mineral believed to be primary. Minor amounts of molybdenite (MoS_2) are also present. Gold is native and ranges from very fine-grained to visible.

Metallurgical testing to assess the recoverability of both molybdenum and gold in the Pozo Seco deposit is ongoing with gravitational separation, leaching and flotation techniques being tested. Test work to date indicates that the gold at Pozo Seco is free milling and recoverable using cyanide leaching techniques yielding recoveries over 90% with a whole ore leach. Recovery of molybdenum, in the form of a powellite concentrate is a more challenging recovery process because of the fine grain size of the powellite particles and intimate locking with waste materials, particularly fluorite. The metallurgical test work on these recoveries remains ongoing. The goal is to make a pre-concentrate with grade equal to or higher than 0.5% Mo to feed a molybdenum leach circuit. The objective of the leach circuit would be to achieve a concentrate with molybdenum grade exceeding 50% Mo and recovery exceeding 70% Mo. Further testing with sink/float technology is continuing to assess gravity concentration of a finely crushed ore.

Upon completing all the test work, and subject to achieving positive metallurgical results, the Company will proceed to complete a Preliminary Economic Assessment (“PEA”) during the current year.

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 PozoSeco gold mineralized jasperoid is substantially larger than the largest known occurrence in the Santa Eulalia CRD-skarn system in central Chihuahua.

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On-going Exploration Program

As at March 31, 2011, drilling was advancing with two drill rigs dedicated to tracing mineralized structural zones that may have fed, or been fed from the Pozo Seco mineralization zone. Exploration is currently focused on locating these structures, determining their geometry and attempting to follow their geological and geochemical signatures back towards their source - a process called "vectoring." A comparison with similar CRD systems in the region indicates that the scale of vectoring may range from a few hundred metres to several thousand metres, so a number of holes may be required to trace an individual structure. Many of the structures suitable for vectoring are referred to as "fugitive calcite veins" containing manganese-bearing calcite and/or quartz-barite-calcite fillings carrying varying levels of gold, silver, copper, lead, zinc, and tungsten values. "Fugitive veins" are so named because they are deposited from partially spent ore-fluids that have leaked, or "escaped" from the principal ore-deposition zone. Their degree of mineralization and geochemistry tends to vary systematically as they diminish outwards from their source. Similar veins encountered above and around high grade manto, chimney and skarn zones in most of the world's large CRDs have historically been used as exploration guides and followed for tens to hundreds of metres into ore bodies.

On March 25, 2011, the Company announced high-grade, silver-rich sulphide and skarn-altered intrusion intercepts from on-going exploration drilling in the northwestern part of the Cinco de Mayo property. The first two holes into the previously undrilled "Polaris East" area have hit what appears to be the same set of sheeted sulphide replacement veins. The principal vein in Hole CM11-343 is 2.81 metres wide and grades 483 g/t (14.1 opt) silver, 0.22 g/t gold, 4.52% lead and 11.74% zinc. The same vein is seen in Hole CM11-335 and is 1.42 metres wide reporting 287 g/t (8.3 opt) silver, 0.24 g/t gold, 2.67% lead and 1.40% zinc, with the interval from 527.11 to 527.68 (0.57 metres) carrying 639 g/t (18.6 opt) silver, 0.35 g/t gold, 5.42% lead and 2.35% zinc. The intercepts are approximately 50 metres apart with mineralization in both holes consisting of a series of parallel veins ranging from 0.25 to 3.5 metres in width that occur within an overall zone 20 to 35 metres wide. Both holes cut multiple additional parallel sulphide veins and veinlets and highly altered feldspar and intermediate dykes. Perhaps just as significant, a highly skarn-altered intrusion was cut in Hole CM11-349, drilled 250 metres southwest of Holes CM11-335 and CM11-343. Hole CM11-349 entered highly altered intrusion approximately 280 metres down hole and at about 475 metres down hole the first of a series of structurally controlled multi-stage garnet-pyroxene skarn zones was intercepted. These skarns replace early granodioritic intrusive rocks and contain abundant fine-grained pyrite and arsenopyrite. These holes are the first to hit a significant intrusive body in the ongoing search for large-scale intrusive-contact mineralization that is believed to exist at Cinco de Mayo. All of the important geological signs point to Polaris area, and the Company's immediate exploration efforts on the Cinco De Mayo property in 2011 will focus in this area.

Going forward, exploration of the Polaris area will focus on determining the extent and geometry of the dioritic-granodioritic intrusion and where skarn and sulphide mineralization is best developed along its contacts. Exploration of this area is completely blind with no outcrops as guides. Exploration targets will largely depend on geophysics and drilling results.

The Company's budgeted exploration programs at Cinco de Mayo for 2011 are approximately \$2.8 million which includes drilling, substantial geology, labour and other associated costs (see "Outlook" below). The company incurred \$1,801,643 in exploration and evaluation costs at Cinco de Mayo during the three months ended March 31, 2011 (2010: \$2,475,086).

Lagartos Properties

The Company owns a combined 135,000 hectare land package along the Fresnillo Silver Trend ("FST"), 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.

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During the three months ended March 31, 2011, the Company spent \$262,600 in exploration on the combined Lagartos properties (2010: \$206,862), primarily on the Lagartos SE claims. The Company's budgeted exploration programs for these properties in 2011 are for approximately \$1.6 million, again focusing on the Lagartos SE claims.

Lagartos SE

Lagartos SE exploration has targeted the discovery of extensions to major veins in the historically prolific Zacatecas silver district. The Veta Grande ("Grand" or "Great" Vein) was the second most important vein in the district with significant ore shoots distributed intermittently along its 12 kilometre trace across the north-central part of the district. The vein disappears under alluvium at both ends, but MAG's late 2009 drilling appears to have found its eastern continuation under cover. Holes were targeted along the direct projection of the vein, approximately 500 metres east of its last confirmed outcrop, through roughly 100 metres of alluvium. This discovery shows that this important and historic vein is open along strike from areas of past production, with MAG's wholly owned property covering an additional four kilometres of possible projection to the east. In a second discovery in the same vicinity, holes drilled in the Puerto Rico Vein, which runs parallel to the Veta Grande, have encountered high grade silver mineralization as reported by the Company in 2010. Accompanying low base metal values indicate the vein was likely intersected at a high level. Current work is focusing on following up these significant results with an airborne geophysical survey and subsequent drilling.

Final results of the Geotech Ltd. VTEM Airborne Survey of the Veta Grande and Malanoche Veins flown in 2010 were received in February 2011 and are currently being processed and interpreted. The geophysical surveys equipment consisted of helicopter borne VTEM (versatile time domain electromagnetic system and caesium magnetometer). A total of 1,183 line-kilometres of geophysical data were acquired during the survey. The block was flown at an azimuth of N0°E with a flight lines spacing of 100 metres. Tie lines were flown east-west with a spacing of 1,000 metres.

The information supplied to date indicates that the structures cut in drilling in 2009 can be mapped to the east by the electromagnetic and magnetic surveys, which it is hoped will facilitate drilling. MAG's drilling has identified the eastern extensions of three significant vein sets; namely, the Veta Grande, Mala Noche and Puerto Rico veins. Much of the area to the east is agricultural land and much of the past year has been dedicated to gaining long-term access rights for drilling. Permits to drill several of these targets are in progress with drilling expected to begin in the second or third quarter of 2011 depending on permits and on the onset of the rainy season.

Targets have also been identified in the southwestern part of the Zacatecas District at Lagartos SW. Several very strong vein breccia structures have been identified, mapped and sampled. Drilling to test these structures at depths of 250 to 300 below outcrop exposures is planned for 2011. Permitting is currently underway.

To date, approximately 44 holes have been drilled, all prior to 2010, in four principal areas within and along the projections of major vein systems in Lagartos SE around the historic Zacatecas District.

Lagartos NW

Lagartos NW property covers possible extensions of the Fresnillo district and the Juanicipio vein discoveries towards the northwest. It is host to Cerro Cacalote, an area where SWIR/ASTER satellite imagery has identified a large area 35 kilometres from Juanicipio with alteration signatures similar to those observed at Valdecañas. Narrow intercepts of gold and silver along with elevated arsenic, mercury, antimony and tin values have been recorded in the area.

No work was conducted at Lagartos NW in the 3 months ended March 31, 2011.

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Mojina

The Company previously 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 US\$1,250,000. Under the terms of the agreement, the Company paid US\$100,000 (\$100,738) within 15 days of signing the agreement, and an additional \$50,000 on January 31, 2011. To earn its 100% interest, the Company is required to make additional scheduled cash payments totaling \$910,000 through 2015 and incur cumulative exploration expenditures totaling US\$2,500,000 over five years to 2015. To March 31, 2011, the Company had completed \$527,596 in exploration costs.

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

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 mine is located on the property and reports limited but high grade past production. The Mojina Mine produced an estimated 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.

Final results of the 2010 Geotech Ltd. ZTEM Airborne Survey have been received and interpretation is ongoing and pending. The geophysical surveys consisted of helicopter borne AFMAG Z-axis Tipper electromagnetic (ZTEM) system and aeromagnetics. A total of 1,283 line kilometres of geophysical data were acquired during the survey. The block was flown at an Azimuth of N60°E with a flight lines spacing of 200 metres. The combined geophysical, geochemical and geological data support MAG's exploration model for the project and drill permitting is in progress. Proximity to Cinco de Mayo makes Mojina logistically straightforward and it is expected that drilling can commence during second quarter 2011.

During the three months ended March 31, 2011, the Company expended \$106,312 in exploration on the Mojina Property (2010: \$38,001). The Company's budgeted exploration program for the Mojina Property in 2011 is for approximately \$800,000.

Esperanza Joint Venture

In 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 \$50,000 upon signing the agreement, and to earn its 60% interest the Company must make additional cash payments of \$450,000 in stages to September 1, 2013 and incur exploration expenditures of \$5,000,000 in stages to September 1, 2014, including committed first year drilling of 1,500 metres and expenditures of CAD\$750,000. To March 31, 2011, the Company had incurred \$500,646 in exploration costs, but had not yet commenced drilling on the property, partially due to lack of drilling water stemming from seasonal drought. This should be quickly remedied once the summer rainy season begins.

Under the terms of the agreement, MAG also agreed to acquire 1,500,000 units of Canasil at \$0.10 per unit for a gross cost of \$150,000, which closed on August 27, 2010. Each unit consisted of one common share of Canasil and one-half of one share purchase warrant (a "Warrant"), with each full Warrant entitling MAG to purchase one Canasil common share at a price of \$0.15 prior to August 27, 2011. Subsequent to March 31, 2011, the Company exercised the 750,000 held for trading warrants of Canasil at a total cost of \$112,500.

Subsequent to March 31, 2011, the Company also further subscribed to second private placement of \$200,000 in Canasil, as required under the option agreement (see "Subsequent Events").

The Esperanza property hosts quartz breccia epithermal veins with silver, lead and zinc mineralization associated with argentiferous galena, silver sulfosalts and sphalerite. There has been a history of past mining activity at

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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 left over from past mining operations around the vein and mine area.

Canasil previously drilled nine diamond drill holes on the property for a total of 1,432 metres. This program has outlined a mineralized panel with a strike length of over 150 metres and depth of 100 metres, which is open in all directions, with vein widths of up to 10.30 metres carrying high grade silver mineralization. Seven drill holes intersected the main Esperanza vein (LE) and a hanging wall vein (HW) over significant widths. The weighted average grade of mineralization intersected in the Esperanza vein is 330 g/t (9.62 opt) silver, 0.93% (18.60 lbs/ton) zinc and 1.57% (31.40 lbs/ton) lead over an average width of 4.21 metres. This vein includes several intercepts with very high silver grades of up to 2,144 g/t (62.53 opt) silver over 0.75 metres.

The Esperanza Vein has been traced by mapping of the collapsed workings over a strike length of 260 metres. Significant alteration zones are observed along strike extensions of the Esperanza vein for over four kilometres on a northwest-southeast trend. Additional vein outcrops and mineralized structures are also observed to the northwest of the extended claim area at "Fatima" approximately 15 kilometres northwest of the Esperanza vein, indicating the potential for a large district scale epithermal system.

A 277 square kilometre block was flown in late 2010 using the Geotech Ltd. ZTEM Airborne Survey System consisting of a helicopter borne AFMAG Z-axis Tipper electromagnetic (ZTEM) system and aeromagnetics. A total of 1,330 line kilometres of geophysical data were acquired during the survey. The block was flown at an Azimuth of N50E with a flight lines spacing of 200 metres. Final results were received in February 2011 and are currently being integrated with the field results. Reconnaissance mapping to trace connections between the known vein segments is underway as is drill permitting for targets identified through field work and the geophysical survey.

Due to security issues in the surrounding Esperanza area, field work has been temporarily curtailed and the planned 2011 drill program has been deferred to the second half of the year.

During the three months ended March 31, 2011, the Company expended \$ 109,707 in exploration on the Esperanza Property (2010: Nil). The Company's budgeted exploration program for the Esperanza Property in 2011 is approximately \$1,125,000.

The Batopilas (Don Fippi) Property

The 100%-owned Batopilas project covers 4,800 hectares in the historic Batopilas Silver District in southwestern Chihuahua. 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 is not yet complete and precludes MAG from moving forward in the near term.

The Company expended \$17,599 (2010: \$66,110) in exploration costs at Batopilas during the quarter ended March 31, 2011, and the 2011 budgeted exploration relates primarily to property maintenance costs totaling approximately \$100,000.

Other Properties

The Company's remaining properties consist of the Nuevo Mundo claims, the Guigui claim options, the San Ramone 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

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Camino Rojo was largely a blind discovery, it is known to have a strong and characteristic Induced Polarization signature.

The Company is seeking possible Camino Rojo analogs on the Nuevo Mundo property. Outcrops are very sparse, so exploration needs to be guided by geophysics. A 390 square kilometre block was flown in late 2010 using the Geotech Ltd. ZTEM Airborne Survey System. The block is located 12 kilometres west of Huertecillas, San Luis Potosi. The geophysical surveys consisted of helicopter borne AFMAG Z-axis Tipper electromagnetic (ZTEM) system and aeromagnetics. A total of 1,867 line kilometres of geophysical data were acquired during the survey. The block was flown at an Azimuth of N60°E with a flight lines spacing of 200 metres. Final results were received in February 2011 and are currently being used as the basis for planning an Induced Polarization/Resistivity (IP/Res) survey. The IP survey is expected to be undertaken in second or third quarter of 2011, pending the acquisition of surface access permits.

The Company spent \$68,062 in exploration costs at Nuevo Mundo during the quarter ended March 31, 2011 (2010: \$95,402), and the 2011 budgeted exploration programs at Nuevo Mundo are approximately \$835,000, largely dedicated to Induced Polarization geophysics and drilling.

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 \$23,215 in exploration costs on Guigui during the three months ended March 31, 2011 (2010: \$11,534). The Company's budgeted exploration program at Guigui for 2011 is approximately \$80,000 which will be used primarily to maintain the property.

San Ramone

The San Ramone property lies along the north western continuation of the Las Majadas-Pajarito Hill Vein zone within the important Malanoche Vein system and is flanked to the east by contiguous claims belonging 100% to MAG. The Company has drilled four holes in San Ramone tracing results from earlier vein drilling to the east that showed a progressive northwest thickening of these veins and an increase in lead and zinc sulphide content towards San Ramone. The results show the continuation of the grade trend but thinning of the vein. The area was included in the 2010 AEM survey and follow up work in this area will target three other veins with strong surface expressions.

The Company's budgeted exploration programs at San Ramone for 2011 are approximately \$66,000. The Company incurred \$2,226 in exploration costs on the San Ramone property during the three months ended March 31, 2011 (2010: \$11,534).

Lorena

The La 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 drilling or field work has been carried out in either 2010 or 2011, and the claim group was significantly reduced during 2010. Negotiations to access the principal target area from a different direction are in currently in progress.

The Company expended \$35,517 in exploration costs at La Lorena during the quarter ended March 31, 2011 (2010: \$21,970), and the 2011 budgeted exploration relates primarily to holding costs and surface access acquisition totaling approximately \$100,500.

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Fresnillo Arbitration

In December of 2008, London Stock Exchange listed Fresnillo announced an intention to make a hostile take-over bid for all of the outstanding shares of MAG. Fresnillo, an insider by virtue of its then ownership of 19.8% of MAG (current ownership of MAG is believed to be 17.87%), was in the unique position of also being the majority owner (56%) and operator of the joint venture company Minera Juanicipio, the remaining 44% held by the Company. In 2009, MAG made a formal application to the Ontario Securities Commission (“OSC”) to compel Fresnillo to produce critical information needed to complete the independent valuation report for the non-Fresnillo shareholders of the Company, as required by Multilateral Instrument 61-101. On June 18, 2009, in connection with this application, the OSC ordered Fresnillo to provide discovery of documents and email records that were germane to Fresnillo's repeated assertions that critical documents (concerning Fresnillo's regional development plans incorporating the Juanicipio joint venture property and other information required in connection with the independent valuation of MAG and repeatedly requested by the independent valuator) do not exist. Within two working days of this order Fresnillo withdrew its intention to make a hostile take-over bid, eliminating the need to comply with the OSC order.

During Fresnillo's hostile bid attempt, MAG initiated arbitration proceedings with the International Court of Arbitration of the International Chamber of Commerce (“ICC”) pursuant to the dispute resolution provisions contained in the Minera Juanicipio Shareholders Agreement. It has always been MAG's position that an unsolicited hostile bid by Fresnillo is prohibited by the terms of the Shareholders Agreement. Accordingly, MAG sought a ruling as to whether or not Fresnillo may acquire or attempt to acquire control of MAG without the consent of MAG's board in breach of the standstill provisions contained in the Shareholders Agreement. The Company also sought relief in relation to other alleged violations by Fresnillo as operator under the Shareholders Agreement, including damages and other orders arising from Fresnillo's alleged failure to advance development on the Juanicipio property at an appropriate pace consistent with the standards imposed by the Shareholders Agreement.

On May 5, 2011, MAG announced that it had received the 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 plc (“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 US\$1.86 million in damages. The damage award represents MAG's direct costs of defending Fresnillo's improper take-under bid in late 2008 and 2009. More importantly, by upholding the standstill provision, the ICC has confirmed that MAG and its shareholders are protected from a further lowball and opportunistic take-under bid by Fresnillo. On May 31, 2011, MAG received payment of the US\$1.86 million award from Fresnillo.

OUTLOOK

The Company continues to explore its properties in Mexico and intends to grow its independent project portfolio through successful exploration and acquisitions. Although the Company's working capital position remains strong, the Company continues to execute its business plan prudently. The Company has assessed the carrying values of its mineral properties as a result of current market conditions. Based on current and expected metals prices and cost structures, management has determined that the values of the Company's mineral properties 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.

The Technical Committee and Board of Directors of Minera Juanicipio, comprised of representatives from both Fresnillo and the Company meet several times a year to discuss the business of Minera Juanicipio and to review and approve plans for the exploration and development of the Juanicipio property. In January 2011, Fresnillo and MAG jointly approved an initial 2011 exploration budget based on the recommendation of Minera Juanicipio's Technical Committee totaling US \$4.5 million. It is anticipated that this budget will be reviewed and amended accordingly, to reflect the recommendations of the final ‘Scoping Study Update, 2011’ once completed. Drilling in 2011 will be directed to the Valdecañas Vein in order to continue to move a substantial portion of the inferred resource to an

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indicated resource, and work will also continue to explore along the Juanicipio Vein for a potential bonanza zone and delineation of an emerging ore shoot on the east end of the vein. Exploration will also focus on new areas in the search for other deeply buried veins on the Juanicipio property.

MAG has approved a preliminary 2011 exploration budget totaling \$10.0 million. Of this amount \$2.3 million is allotted for the Company's 44% share of Minera Juanicipio's US\$4.5 million 2011 exploration budget plus other costs related to our direct oversight of the field and drilling program at Juanicipio. The remaining \$7.7 million exploration budget is earmarked for MAG's 100% owned properties including amongst others Cinco de Mayo/Pozo Seco (\$2.8 million) and the Lagartos properties (\$1.6 million), and for the Company's two optioned properties, Esperanza and Mojina (\$1.9 million combined). In addition, the Company expects to approve further expenditures during the year as they arise for various surface right purchases and for the possible initiation of an underground development at Juanicipio.

OUTSTANDING SHARE DATA

The Company's authorized capital consists of an unlimited number of common shares without par value. As at June 13, 2011, the following common shares and stock options were outstanding:

	Number of Shares	Exercise Price (\$)	Remaining Life (mos/years)
Capital Stock	55,419,886		
Stock Options	3,709,934	\$2.46 - \$14.70	3 mos to 5 years
Diluted	59,129,820		

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2011 the Company had 55,345,887 common shares issued and outstanding (2010: 49,888,042).

As at March 31, 2011, the Company had working capital of \$37,688,517 (compared to \$24,218,741 at March 31, 2010), including cash on hand of \$35,456,632 (compared to \$24,251,678 at March 31, 2010). Accounts receivable at March 31, 2011 totaled \$2,332,080 (2010: \$2,069,616) and was comprised primarily of value added taxes repayable to the Company by the Government of Mexico. Current liabilities at March 31, 2011 amounted to \$1,549,528 (2010: \$2,338,710) and are attributable primarily to accrued legal and exploration (drilling) expenses.

The Company's reserves of cash originate from financings. The increase in cash over the prior period is a result of a completed bought deal financing that closed in the prior year on May 18, 2010 for net proceeds of \$33,148,722. With respect to that financing, the Company's intended use of the proceeds, as outlined in the public offering document, has been adhered to in all material respects.

During the quarter ended March 31, 2011, 184,273 stock options were exercised for cash proceeds of \$568,207 (2010: 571,473 for cash proceeds of \$878,911). In the three months ended March 31, 2011 and 2010 there were no shares issued for mineral properties. The primary use of cash during the period was for exploration and evaluation expenditures totaling \$2,003,640 (2010: \$1,659,888). The Company also spent on its own account and through advances to Minera Juanicipio \$155,887 (2010: \$484,706) on the Juanicipio property in the quarter ended March 31, 2011. 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 to maintain all of its properties and planned programs for a period in excess of the next year. The Company also expects to have sufficient working capital to fund its 44% share of initial costs for possible underground development and other accelerated engineering and development programs on the Juanicipio project should they occur within the next year. In management's opinion, the Company is able to meet its ongoing current obligations as they become due. Based on exploration results, the Company will select only certain properties to

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complete option and purchase arrangements on. 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.

In the normal course of business, the Company enters into transactions for the purchase of supplies and services denominated in United States ("US") dollars or Mexican Pesos. The Company also has cash and certain liabilities denominated in US dollars and Mexican Pesos. As a result, the Company is subject to foreign exchange risk from fluctuations in foreign exchange rates.

Contractual Obligations

The following table discloses the contractual obligations of the Company for optional mineral property acquisition payments, optional exploration work and committed lease obligations for office rent and equipment, as of the date of this MD&A:

Option Payments and Exploration Expenditures – US Dollars	Total	Less than 1			More than 5
		year	1-3 Years	3-5 Years	years
San Ramone Property Option ⁽¹⁾	\$3,461,000	\$461,000	\$2,250,000	\$750,000	\$ Nil
Mojina Property Option ⁽²⁾	2,122,958	-	1,122,958	1,000,000	Nil
Cinco De Mayo ⁽³⁾	180,000	10,000	40,000	130,000	Nil
Total US Dollar Obligations	\$5,763,958	\$471,000	\$3,412,958	\$1,880,000	\$ Nil
US dollar obligations converted to Canadian dollars	\$5,588,734	\$456,682	\$3,309,204	\$1,822,848	\$ Nil
Option Payments and Exploration Expenditures – Canadian Dollars					
Mojina Property Option ⁽²⁾	910,000	100,000	350,000	460,000	Nil
Esperanza Property ⁽⁴⁾	5,031,271	431,271	2,850,000	1,750,000	Nil
Office Lease	594,478	156,209	277,713	160,556	Nil
Total Obligations (\$Canadian)	\$12,124,483	\$1,144,162	\$6,786,917	\$4,193,404	Nil

⁽¹⁾ The San Ramone Property option consists of US\$2,711,000 in further exploration commitments and US\$750,000 in a single property option payment in 2014.

⁽²⁾ Mojina Property option consists of US\$2,122,958 in further exploration commitments and \$910,000 in property option payments.

⁽³⁾ Cinco De Mayo property option payments of US\$180,000 on auxiliary claims acquired in 2010.

⁽⁴⁾ Esperanza Property option consists of \$4,581,271 in further exploration commitments and \$450,000 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 2.5% net

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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 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.

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 other than the arbitration referred to above under the heading "Fresnillo Arbitration".

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 Annual Information Form ("AIF") available on SEDAR at www.sedar.com and www.sec.gov.

The volatile global economic environment has created market uncertainty since mid-year 2008. 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.

Included in the IVA receivable at March 31, 2011 is \$150,284 from 2007, \$736,055 from 2008, and \$115,805 from 2009 due from the Mexican government. Although recoveries to date have been slow and intermittent, the Company has discussed its outstanding IVA receivables with the Mexican authorities and there is no reason to believe these amounts will not be recovered.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

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Related Party Transactions

The Company is party to a Field Services Agreement, whereby it has contracted exploration services in Mexico with MINERA CASCABEL S.A. de C.V. ("Cascabel") and IMDEX Inc. ("IMDEX"). As of January 2006, these companies have a common director with the Company. During the quarter ended March 31, 2011, the Company accrued or paid Cascabel and IMDEX consulting, administration and travel fees totaling \$102,829 (March 31, 2010 - \$55,300) and exploration costs totaling \$579,268 (March 31, 2010 - \$609,905) under the Field Services Agreement.

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

The immediate parent and ultimate controlling party of the Company 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	
			2011 (%)	2010 (%)
Minera Los Lagartos, S.A. de C.V.	Mexico	Exploration	100%	100%
Minera Pozo Seco S.A. de C.V. ⁽¹⁾	Mexico	Exploration	100%	100%
Minera Sierra Vieja S.A. de C.V. ⁽¹⁾	Mexico	Exploration	100%	100%

⁽¹⁾ Incorporated in September 2010.

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.

Compensation of Key Management Personnel

	Three months ended March 31,	
	2011	2010
Short term employee benefits	\$ 186,150	\$ 89,327
Share based payments	-	900,764
	<u>\$ 186,150</u>	<u>\$ 990,091</u>

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") requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities and

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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) future 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 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 a valuation allowance against any portion of those deferred tax assets that it believes will be probable, that sufficient future taxable profit will not 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.

CHANGES IN ACCOUNTING POLICIES - CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements for the three months ended March 31, 2011 have been prepared on the basis of IFRS, mandatory for financial years beginning on or after January 1, 2011. Comparative figures in the financial statements and notes have been restated to consistently apply IFRS. The accounting policies have been applied consistently by the Company and its subsidiaries, and are outlined in Note 2 of the unaudited condensed consolidated financial statements for the three months ended March 31, 2011. Detailed disclosures of the effects of transition to IFRS from Canadian GAAP can be found in Note 15 of the unaudited condensed consolidated financial statements for the three months ended March 31, 2011.

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General information about the IFRS transition impact:

In presenting the IFRS financial statements for the quarter ended March 31, 2011, users of the financial statements will notice a change in the following areas:

- Various items and/or transactions have different names under IFRS than under Canadian GAAP, but remain essentially the same in form and substance:

Formerly called under Canadian GAAP:	Now titled under IFRS:
Balance Sheet	Statement of Financial Position
Investment in Minera Juanicipio S.A. de C.V.	Investment in Associate
Mineral Rights and Deferred Exploration Costs	Exploration and evaluation assets
Contributed surplus	Share option reserve
Stock compensation expense	Share based payments

- The Company will no longer report in the notes to the financial statements, the differences between Canadian and United States generally accepted accounting principles; and,
- Certain balances and transactions have been calculated differently under IFRS, which impacted the financial statements (see below and Note 15 of the unaudited condensed consolidated financial statements for the three months ended March 31, 2011).

Comparison of IFRS to Canadian GAAP – Key Differences for the Company

The following are the key differences between the accounting policies that the Company has applied in preparing its first consolidated IFRS financial statements and the accounting policies previously applied in accordance with Canadian GAAP.

1) Functional currencies and foreign currency translations

Under Canadian GAAP, the Company and all of its wholly owned subsidiaries operated with the Canadian dollar as their functional currency, with the Mexican subsidiaries considered as ‘integrated’ subsidiaries and translated accordingly using the temporal method of translation, with foreign exchange gains losses impacting the Statement of Operations. The Mexican subsidiaries were considered to have a Canadian functional currency because of their reliance on the parent company to finance their operations and provide key decision making.

Also under Canadian GAAP, the Company had concluded that the functional currency of Minera Juanicipio (its 44% owned ‘investment in associate’) was the Mexican peso as expenditures in Minera Juanicipio were principally being incurred in pesos and funded by advances from the venturers which were denominated in pesos. MAG translated its net investment in Minera Juanicipio using the current rate method from Peso to Canadian dollars, with translation gains and losses recorded in other comprehensive loss.

IAS 21, “*The effects of changes in foreign exchange rates*” requires that the functional currency of each entity in a consolidated group be determined separately based on the currency of the primary economic environment in which the entity operates. A list of primary and secondary indicators is used under IFRS in this determination, and these differ in content and emphasis to a certain degree from those factors used under Canadian GAAP. IAS 21 sets out a more specific approach to determining the functional currencies of a reporting entity and its subsidiaries, and prioritizes influencing factors. Under Canadian GAAP, no factor is identified as having any greater relative importance.

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Under IFRS, management has concluded that the functional currency of each of the three Mexican subsidiaries, and of Minera Juanicipio is the US dollar (“\$US”). This determination was based on the fact that the \$US is the influencing factor in the primary indicators used in the IFRS evaluation, and that the weight given to the currency of financing under Canadian GAAP is diminished under the IFRS analysis.

As a result, the Mexican subsidiaries and the investment in Minera Juanicipio have a different functional currency than the Company’s reporting and presentation currency of the Canadian dollar (the Company has retained the Canadian dollar as its reporting and presentation currency). Rather than being translated to the Canadian dollar using the temporal method of translation, these subsidiaries and investment have been retrospectively translated and presented in the Canadian dollar using a translation methodology that parallels the current rate method, with foreign exchange differences going through a ‘Cumulative Translation Adjustment’ within shareholders’ equity.

For the Company’s opening balance sheet, the impact of the different foreign currency translation methodology, has impacted the valuation of both the exploration and evaluation assets and the investment in associate (see Note 15 of the unaudited condensed consolidated financial statements). As these balances are now accumulated based on the \$US, looking forward to future reporting periods, users should expect these balances to fluctuate with fluctuations in the \$US/Canadian dollar exchange rate.

2) Share-based payments (formerly ‘stock-based compensation’)

The guidance provided by IFRS 2, “*Share Based Payments*”, is largely consistent with Canadian GAAP, and requires estimates of the fair value of stock options to be made at the date of the grant and recognition of the related expense in income as the options vest. The use of the Black- Scholes model is an acceptable method to estimate the fair value of the options at the date of grant, and is consistent with the Company’s current practice. For share options that vest in installments, IFRS 2 requires the use of the attribution method, which requires that the Company treat each installment as a separate share option grant with a different fair value. Unlike Canadian GAAP, IFRS 2 does not include the straight line method as an alternative to the attribution method for awards with a service condition and graded-vesting features. The Company will need to account for its awards using the attribution method. Previously under GAAP, the Company recorded forfeitures as they occurred, but upon transition to IFRS, the Company now makes an estimate of the forfeiture rates for use in the determination of the total share based payment expense.

Because the Company had no unvested options outstanding as at the date of transition, there were no adjustments to its opening balance sheet under IFRS at January 1, 2010 related to share based payments. The changes in valuation of the stock based awards and timing differences for the recognition of compensation expenses related to options granted in the year ended December 31, 2010, did not result in any significant differences from calculations under GAAP.

3) Provisions related to the initial adoption of IFRS under IFRS 1 (First Time Adoption of IFRS)

IFRS 1 guidance is mandatory for all first-time adopters of IFRS, including the Company, and there is no Canadian GAAP equivalent. It provides the framework for the first-time adoption of IFRS and specifies that an entity shall apply the principles under IFRS retrospectively, meaning the opening statement of financial position as at the date of transition and the opening numbers of IFRS will be determined on the premise that IFRS had always been applied. Certain optional exemptions and mandatory exceptions to retrospective application are provided under IFRS. For the Company the material exemptions relate primarily to cumulative translation differences (IAS 21), share-based payment transactions (IFRS 2), and estimates as at the date of transition.

Cumulative translation adjustments (“CTA”)

Under the IFRS 1 transition rules, the Company took an exemption to make the CTA balance nil as of the transition date, which resulted in \$2,722,291 being transferred to the deficit as of January 1, 2010.

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Share-based payments (stock options and stock-based compensation)

The Company utilized the exemption provision under IFRS 1, First Time Adoption, which allowed the prospective application of IFRS 2 for options granted on or after November 7, 2002, or for grants after November 7, 2002, that vested before the later of: i). the date of transition to IFRS; and ii). January 1, 2005.

Estimates

Estimates used in preparing the Company's opening consolidated IFRS balance sheet as at January 1, 2010 and restating its 2010 comparative periods under IFRS were consistent with estimates previously made for the same date under Canadian GAAP.

Other

IFRS 1 allows for certain other optional exemptions, but such exemptions were either insignificant or not applicable to the Company upon its transition to IFRS.

The above key differences are based on IFRS standards effective as at the date of this document. The governing bodies continue to amend and add to current IFRS, with several projects underway. The Company will continually monitor actual and anticipated changes to IFRS and related rules and regulations and will assess the impact of these changes on the Company and its financial statements, including expected dates of when such impacts are effective.

Comparison of IFRS to Canadian GAAP – Other Considerations

In addition to the impacts of key differences between the Company's accounting policies under IFRS and those under Canadian GAAP as noted above, the Company transition to IFRS also reflects the following:

Accounting for exploration and evaluation assets (previously 'deferred exploration costs and mineral rights')

IFRS 6 "exploration for and evaluation of mineral resources," prescribes the financial reporting for the exploration for and evaluation of mineral resources. IFRS 6 does not require or prohibit any specific accounting policies for the recognition and measurement of exploration and evaluation assets. Under IFRS 6, an entity is permitted to continue to use its existing accounting policies provided that they result in information that is relevant to the economic decision making needs of users and that is reliable. The Company has elected to continue to use its existing accounting policy for exploration and evaluation assets (previously 'deferred exploration costs and mineral rights').

Impairments

In conjunction with IFRS 6, under International Accounting Standard (IAS) 36, "Impairment of Assets," the Company will be required to assess at the end of each reporting period whether there is any indication that the asset may be impaired. IFRS also allows the reversal of impairments if conditions that gave rise to those impairments no longer exist. Canadian GAAP prohibits reversal of impairment losses. Looking forward to future reporting periods, it is therefore expected, that there will be increased volatility in impairment recognition due to increase in frequency of assessment and possibility of reversal of impairments.

IFRS - Other

IFRS had no significant impact on the Company's accounting processes and internal controls (including information technology and data systems), or on its risk management and other business activities. Currently, there are no matters that would be influenced by GAAP measures, such as debt covenants, capital requirements and compensation arrangements that would be impacted by the transition to IFRS.

Management Discussion & Analysis

For the three months ended March 31, 2011

RECENT ACCOUNTING PRONOUNCEMENTS

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective at June 10, 2011:

IFRS 7, *Financial Instruments: Disclosure* introduces enhanced disclosure around transfer of financial assets and associated risks, and is effective July 1, 2011, 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, 2013, 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.

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.

DISCLOSURE CONTROLS AND PROCEDURES

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("National Instrument 52-109") is recorded, processed, summarized and reported in the manner specified by the relevant securities laws applicable to the Company. The consolidated Company operates in both Canada and Mexico and work is ongoing to improve and modernize these controls and to ensure that they remain consistently applied in both jurisdictions. 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 control procedures as of December 31, 2010 through inquiry, review, and testing, as well as by drawing upon their own

Management Discussion & Analysis

For the three months ended March 31, 2011

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 control procedures. The Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure control procedures are effective as at December 31, 2010. There were no material changes in the design and operation of disclosure controls and procedures during the first quarter of 2011.

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 Canadian GAAP. 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 as of December 31, 2010 and have concluded that the Company's internal control over financial reporting is effective. There have been no changes in internal control over financial reporting during the period ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

SUBSEQUENT EVENT INFORMATION

Subsequent to March 31, 2011, the Company:

- a) Issued 73,999 common shares pursuant to the exercise of stock options between \$2.00 and \$6.32 per share for aggregate proceeds of \$237,449.
- b) Upon the closing of a private placement previously subscribed to, received 500,000 units of Canasil, at a price of \$0.40 per unit and paid total consideration of \$200,000, fulfilling its obligation under the Esparanza Option agreement (Note 7d) to further subscribe in a private placement of \$200,000 in Canasil shares prior to August 27, 2011. The units are comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of Canasil at a price of \$0.60 within one year of closing. If, beginning six months following the closing of the private placement, the closing price of Canasil's shares equals or exceeds \$1.40 per share for a period of ten consecutive trading days, Canasil will have the right to accelerate the expiry date of the Warrants with at least 30 days written notice to MAG.
- c) Exercised 750,000 held for trading warrants of Canasil at a total cost of \$112,500.
- d) Received 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 US\$1.86 million in damages. The damage award represents MAG's direct costs of defending Fresnillo's improper take-under bid in late 2008 and 2009. More importantly, by upholding the standstill provision, the ICC has confirmed that MAG and its shareholders are protected from a further lowball and opportunistic take-under bid by Fresnillo. On May 31, 2011, the Company received payment of the US\$1.86 million award from Fresnillo.



MAG SILVER CORP.

(An exploration stage company)

*Unaudited Condensed Interim Consolidated Financial
Statements*

For the three months ended March 31, 2011

Dated: June 14, 2011

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-A:MVG www.magsilver.com info@magsilver.com
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MAG SILVER CORP.

(An exploration stage company)

Condensed Interim Consolidated Statements of Financial Position *(Unaudited)*

(expressed in Canadian dollars)

	March 31, 2011	December 31, 2010 (Note 15)	January 1, 2010 (Note 15)
ASSETS			
CURRENT			
Cash	\$ 35,456,632	\$ 39,825,071	\$ 26,803,652
Accounts receivable (Note 3)	2,332,080	2,208,533	2,042,634
Marketable securities (Note 4)	1,037,020	678,876	13,399
Prepaid expenses	412,313	85,809	91,300
TOTAL CURRENT ASSETS	39,238,045	42,798,289	28,950,985
EQUIPMENT AND LEASEHOLD IMPROVEMENTS (Note 5)	169,936	180,395	149,070
INVESTMENT IN ASSOCIATE (Note 6)	12,137,780	12,274,765	9,837,785
EXPLORATION AND EVALUATION ASSETS (Note 7)	53,001,344	51,869,150	42,847,339
TOTAL ASSETS	\$ 104,547,105	\$ 107,122,599	\$ 81,785,179

LIABILITIES

CURRENT

Trade and other payables	\$ 1,549,528	\$ 2,320,261	\$ 1,076,606
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SHAREHOLDERS' EQUITY

Share capital (Note 8)

Authorized - unlimited common shares,
without par value

Issued and outstanding common shares
at March 31, 2011 - 55,345,887

(Dec 31, 2010 - 55,161,614 and Jan 1, 2010 - 49,316,569)

	146,935,369	146,021,112	107,614,849
Share option reserve	12,558,709	12,410,963	11,177,518
Accumulated other comprehensive (loss) income	(4,389,435)	(2,950,132)	2,829
Deficit	(52,107,066)	(50,679,605)	(38,086,623)
TOTAL SHAREHOLDERS' EQUITY	102,997,577	104,802,338	80,708,573
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 104,547,105	\$ 107,122,599	\$ 81,785,179

CONTINUING OPERATIONS (Note 1)

COMMITMENTS (Notes 7 and 14)

SUBSEQUENT EVENTS (Note 16)

See accompanying notes to the condensed interim consolidated financial statements.

MAG SILVER CORP.**(An exploration stage company)****Condensed Interim Consolidated Statements of Comprehensive Loss (Unaudited)**

(expressed in Canadian dollars)

	For the three month period ended March 31, 2011	For the three month period ended March 31, 2010 (Note 15)
EXPENSES		
Accounting and audit	\$ 144,019	\$ 109,623
Amortization	13,726	12,877
Filing and transfer agent fees	137,367	95,257
Foreign exchange (gain) loss	(51,574)	16,514
General office and property investigation	177,739	134,853
Legal	249,183	168,990
Management and consulting fees	372,847	249,780
Shareholder relations	56,902	134,716
Share based payment expense	493,796	1,159,401
Travel	59,281	103,264
	<u>1,653,286</u>	<u>2,185,275</u>
INTEREST INCOME	105,825	24,387
GAIN ON WARRANT MARK-TO-MARKET (Note 4)	120,000	-
NET LOSS	<u>\$ (1,427,461)</u>	<u>\$ (2,160,888)</u>
OTHER COMPREHENSIVE LOSS		
CURRENCY TRANSLATION ADJUSTMENT	(1,677,447)	(1,832,010)
UNREALIZED GAIN (LOSS) ON MARKETABLE SECURITIES, NET OF TAX	238,144	(321)
	<u>(1,439,303)</u>	<u>(1,832,331)</u>
TOTAL COMPREHENSIVE LOSS	<u>\$ (2,866,764)</u>	<u>\$ (3,993,219)</u>
BASIC AND DILUTED LOSS PER SHARE	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>55,272,754</u>	<u>49,752,514</u>

See accompanying notes to the condensed interim consolidated financial statements.

MAG SILVER CORP.

(An exploration stage company)

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

(expressed in Canadian dollars)

	Common shares without par value		Share Option Reserve	Accumulated other comprehensive loss ("AOCL")	Deficit	Total Deficit and "AOCL"	Total shareholders' equity
	Shares	Amount					
Balance, January 1, 2010	49,316,569	107,614,849	11,177,518	2,829	(38,086,623)	(38,083,794)	80,708,573
Issued for cash (Note 8a)	4,603,500	33,148,722	-	-	-	-	33,148,722
Stock options exercised (Note 8b)	1,241,545	5,257,541	(1,858,550)	-	-	-	3,398,991
Share based payment expense (Note 8b)	-	-	3,091,995	-	-	-	3,091,995
Currency translation adjustment	-	-	-	(3,328,238)	-	(3,328,238)	(3,328,238)
Unrealized gain on marketable securities (Note 4)	-	-	-	375,277	-	375,277	375,277
Net loss	-	-	-	-	(12,592,982)	(12,592,982)	(12,592,982)
Balance, December 31, 2010	55,161,614	\$ 146,021,112	\$ 12,410,963	\$ (2,950,132)	\$ (50,679,605)	\$ (53,629,737)	\$ 104,802,338
Stock options exercised (Note 8b)	184,273	914,257	(346,050)	-	-	-	568,207
Share based payment expense (Note 8b)	-	-	493,796	-	-	-	493,796
Currency translation adjustment	-	-	-	(1,677,447)	-	(1,677,447)	(1,677,447)
Unrealized gain on marketable securities (Note 4)	-	-	-	238,144	-	238,144	238,144
Net loss	-	-	-	-	(1,427,461)	(1,427,461)	(1,427,461)
Balance, March 31, 2011	55,345,887	\$ 146,935,369	\$ 12,558,709	\$ (4,389,435)	\$ (52,107,066)	\$ (56,496,501)	\$ 102,997,577

3 Month Comparative:

Balance, January 1, 2010	49,316,569	107,614,849	11,177,518	2,829	(38,086,623)	(38,083,794)	80,708,573
Stock options exercised	571,473	1,359,447	(480,536)	-	-	-	878,911
Share based payment expense	-	-	1,159,401	-	-	-	1,159,401
Currency translation adjustment	-	-	-	(1,832,010)	-	(1,832,010)	(1,832,010)
Unrealized gain on marketable securities	-	-	-	(321)	-	(321)	(321)
Net loss	-	-	-	-	(2,160,888)	(2,160,888)	(2,160,888)
Balance, March 31, 2010	49,888,042	\$ 108,974,296	\$ 11,856,383	\$ (1,829,502)	\$ (40,247,511)	\$ (42,077,013)	\$ 78,753,666

See accompanying notes to the condensed interim consolidated financial statements.

MAG SILVER CORP.

(An exploration stage company)

Condensed Interim Consolidated Statements of Cash Flows *(Unaudited)*

(expressed in Canadian dollars)

	For the three month Period ended March 31, 2011	For the three month Period ended March 31, 2010
OPERATING ACTIVITIES		
Net loss	\$ (1,427,461)	\$ (2,160,888)
Items not involving cash:		
Amortization	13,726	12,877
Gain on warrant mark-to-market (Note 4)	(120,000)	-
Share based payment expense	493,796	1,159,401
Unrealized Foreign Exchange Gain	(89,889)	(88,509)
Changes in operating assets and liabilities		
Accounts receivable	(123,547)	(26,982)
Prepaid expenses	(326,504)	(131,779)
Trade and other payables	(1,193,973)	(32,896)
	<u>(2,773,852)</u>	<u>(1,268,776)</u>
INVESTING ACTIVITIES		
Purchase of equipment and leasehold improvements	(3,267)	(17,515)
Investment in associate (note 6)	(155,887)	(484,706)
Exploration and evaluation asset acquisitions (Note 7)	(2,003,640)	(1,659,888)
	<u>(2,162,794)</u>	<u>(2,162,109)</u>
FINANCING ACTIVITIES		
Issuance of common shares upon exercise of stock options	568,207	878,911
	<u>568,207</u>	<u>878,911</u>
DECREASE IN CASH	(4,368,439)	(2,551,974)
CASH, BEGINNING OF PERIOD	39,825,071	26,803,652
CASH, END OF PERIOD	<u>\$ 35,456,632</u>	<u>\$ 24,251,678</u>
Non-cash investing and financing activities:		
Deferred exploration costs in accounts payable and accrued liabilities	\$ 1,088,240	\$ 1,465,000

See accompanying notes to the condensed interim consolidated financial statements.

MAG SILVER CORP. (An exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

As at March 31, 2011 (expressed in Canadian dollars)

1. CONTINUING 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. On October 5, 2007, the Company moved to the TSX.

The Company is an exploration and predevelopment company working on mineral properties it has staked or acquired by way of option agreement, principally in Mexico. 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.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses from inception and does not currently have any revenue generating operations. The Company’s ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity to the public, will be sought to finance the operations of the Company.

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

Basis of Presentation and First Time Adoption of International Financial Reporting Standards (“IFRS”)

In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the date that IFRS would replace Canadian generally accepted accounting principles for publicly accountable enterprises, with a transition date of January 1, 2010. These are the Company’s first interim IFRS condensed consolidated financial statements for the first quarter of the period covered

MAG SILVER CORP. (An exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

As at March 31, 2011 (expressed in Canadian dollars)

by the first IFRS consolidated annual financial statements to be presented in accordance with IFRS for the year ending December 31, 2010. The impact of the transition from Canadian Generally Accepted Accounting Principles (Canadian “GAAP”) to IFRS is explained in Note 15.

These IFRS condensed interim consolidated financial statements were prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements. The accounting policies set out below have been applied consistently to all periods presented in preparing the opening statement of financial position at January 1, 2010 (Note 15) for purposes of transition to IFRS. 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 condensed interim 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 March 31, 2011 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 significant intercompany balances, transactions, revenues and expenses have been eliminated upon consolidation.

These condensed interim 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.

MAG SILVER CORP. (An exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

As at March 31, 2011 (expressed in Canadian dollars)

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) *Measurement uncertainty*

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, and income tax provisions. Actual results may differ from those estimated.

(d) *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.

MAG SILVER CORP. (An exploration stage company)
Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
As at March 31, 2011 (expressed in Canadian dollars)

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.

(e) *Cash*

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

(f) *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. The carrying values related to abandoned interests are charged to profit or loss at the time of any abandonment.

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 amount of exploration and evaluation assets are estimated to exceed their recoverable amounts, an impairment loss is recorded in the statement of comprehensive loss. 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

MAG SILVER CORP. (An exploration stage company)
Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
As at March 31, 2011 (expressed in Canadian dollars)

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.

(g) *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 respectful useful lives.

(h) *Income taxes*

Deferred income taxes relate to the expected future tax consequences of 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.

(i) *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.

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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.

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.

(j) *Presentation currency*

The Company's reporting and presentation currency is the Canadian dollar. The functional currency of MAG and its Mexican subsidiaries is the Canadian Dollar and United States Dollar ("US\$"), respectively. These condensed interim consolidated financial statements have been translated to the Canadian dollar in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*. These guidelines require that assets and liabilities be translated using the exchange rate at period end, and income and expenses are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). Subsequent to the adoption of IFRS, the resulting exchange differences are reported as a separate component of shareholders' equity titled "Cumulative Translation Adjustment".

(k) *Foreign currency translation*

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.

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(l) *Earnings (loss) per common share*

Basic earnings (loss) per share calculations are 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 is 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.

For the quarter ended March 31, 2011, the Company had 3,783,933 (2010 – 3,642,118) 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.

(m) *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.

(n) *Changes in Accounting Standards*

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

IFRS 7, *Financial Instruments: Disclosure* introduces enhanced disclosure around transfer of financial assets and associated risks, and is effective July 1, 2011, 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, 2013, 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

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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.

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

	March 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Harmonized sales tax (HST) recoverable	\$ 208,873	\$ 151,402	\$ 45,239
Mexican value added tax ("IVA") recoverable	2,087,934	1,748,754	1,493,337
Interest Receivable	35,273	40,377	9,116
Other	-	268,000	494,942
	<u>\$ 2,332,080</u>	<u>\$ 2,208,533</u>	<u>\$ 2,042,634</u>

Included in the IVA receivable at March 31, 2011 is \$150,284 from 2007, \$736,055 from 2008, and \$115,805 from 2009 (no change from December 31, 2010) due from the Mexican government. Although recoveries to date have been slow and intermittent, the Company has discussed its outstanding IVA receivables with the Mexican authorities and there is no reason to believe these amounts will not be recovered (with interest) within a year.

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4. MARKETABLE SECURITIES

At March 31, 2011, the Company holds the following marketable securities:

	March 31, 2011				Dec. 31,	Jan. 1
	Number of Shares	Cost	Accumulated Unrealized Gains	Fair Value	2010 Fair Value	2010 Fair Value
Available-for-sale securities						
Fresnillo PLC	(1) 1,000	\$ 10,570	\$ 13,450	\$ 24,020	\$ 25,876	\$ 13,399
Canasil Resources Inc. Common Shares	(2) 1,500,000	147,200	602,800	750,000	510,000	-
		157,770	616,250	774,020	535,876	13,399
Fair value through profit or loss						
Canasil Resources Inc. Warrants	(2) 750,000	2,800	260,200	263,000	143,000	-
		2,800	260,200	263,000	143,000	-
		\$ 160,570	\$ 876,450	\$ 1,037,020	\$ 678,876	\$ 13,399

(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).

(2) In 2010, the Company acquired, by way of private placement, 1.5 million units of Canasil Resources Inc. ("Canasil") as required under the Esperanza Option agreement (Note 7), for total consideration of \$150,000. The units are comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of Canasil at a price of \$0.15 until August 27, 2011. Subsequent to March 31, 2011, the Company exercised these 750,000 warrants at a cost of \$112,500. Subsequent to March 31, 2011, the Company further subscribed to a second private placement of \$200,000 in Canasil, fulfilling an obligation under the Esperanza option agreement.

During the quarter ended March 31, 2011, the Company recognized an unrealized gain of \$238,143 (\$375,277 for the year ended December 31, 2010) in other comprehensive loss on the above marketable securities designated as available-for-sale instruments.

During the quarter ended March 31, 2011, the Company recognized an unrealized gain of \$120,000 (\$140,200 for the year ended December 31, 2010) in the statement of loss on the above marketable securities designated as fair value through profit or loss instruments.

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5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	March 31, 2011							Net carrying amount
	Cost		Cost March 31, 2011	Accumulated depreciation		Accumulated depreciation March 31, 2011		
	January 1, 2011	Additions		January 1, 2011	Amortization			
Computer equipment	\$ 222,514	\$ 3,267	\$ 225,781	\$ 110,940	\$ 8,613	\$ 119,553	\$ 106,228	
Field equipment	162,018		162,018	98,947	4,730	103,677	58,341	
Leasehold improvements	7,666		7,666	1,916	383	2,299	5,367	
	\$ 392,198	\$ 3,267	\$ 395,465	\$ 211,803	\$ 13,726	\$ 225,529	\$ 169,936	

	December 31, 2010							Net carrying amount
	Cost		Cost Dec. 31, 2010	Accumulated depreciation		Accumulated depreciation Dec. 31, 2010		
	January 1, 2010	Additions		January 1, 2010	Amortization			
Computer equipment	\$ 133,367	\$ 89,147	\$ 222,514	\$ 63,123	\$ 47,817	\$ 110,940	\$ 111,574	
Field equipment	150,744	11,274	162,018	71,918	27,029	98,947	63,071	
Leasehold improvements	-	7,666	7,666	-	1,916	1,916	5,750	
	\$ 284,111	\$ 108,087	\$ 392,198	\$ 135,041	\$ 76,762	\$ 211,803	\$ 180,395	

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

Pursuant to an original option agreement dated July 18, 2002 and subsequent corporate acquisitions the Company acquired a 100% interest in the Juanicipio Property in exchange for total consideration of \$919,458. Of this amount, \$656,125 was paid in cash and 366,667 common shares of the Company were issued at a value of \$263,333.

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 to Peñoles or any of its subsidiaries an option to earn a 56% interest in the Juanicipio Property in Mexico in consideration for Peñoles conducting US\$5,000,000 of exploration on the property over four years and Peñoles purchasing US\$1,000,000 of Common Shares of the Company in two tranches for US\$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.

To capitalize Minera Juanicipio, the Company invested 63.40 million pesos (\$6.025 million) into Minera Juanicipio while Peñoles invested 80.69 million pesos (\$7.668 million). MAG then received a payout from Minera Juanicipio of 26.41 million pesos (\$2.510 million) against its contribution of the Juanicipio mineral rights while Peñoles received 70.28 million pesos (\$6.679 million) against its

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contribution of surface rights and the Company's 44% share of exploration costs incurred by Peñoles subsequent to the completion of their earn-in and up to December 31, 2007.

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 historical investment relating to its interest in the Juanicipio property and Minera Juanicipio is detailed as follows:

	<u>March 31, 2011</u>	<u>Dec. 31, 2010</u>
Joint venture oversight expenditures incurred 100% by MAG	27,900	163,592
Cash contributions to Minera Juanicipio ⁽¹⁾	127,987	2,767,875
Total for the current period	155,887	2,931,467
Balance, beginning of year (January 1, 2011 and 2010)	12,274,765	9,837,785
	\$ 12,430,652	\$ 12,769,252
Translation adjustment	(292,872)	(494,487)
Balance, end of period	\$ 12,137,780	\$ 12,274,765

⁽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 in Minera Juanicipio for the quarter ended March 31, 2011 amounted to \$US 864,748. At March 31, 2011 the assets of Minera Juanicipio consisted of cash and short term investments in the amount of 6.2 million pesos (\$494,300), value added taxes recoverable and other receivables in the amount of 6.1 million pesos (\$478,000) and mineral, surface rights and exploration expenditures in the amount of 300.4 million pesos (\$24.1 million). Payables to Peñoles and other vendors for exploration work amounted to 1.4 million pesos (\$110,000) while shareholders equity was 311.1 million pesos (\$25.0 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

At March 31, 2011, the Company has the following exploration and evaluation assets:

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	Three months ended March 31, 2011						
	(Batopilas)	Lagartos	Cinco de	Esperanza	Mojina	Other	Total
	Don Fippi	Properties	Mayo				
Exploration and evaluation assets							
Acquisition costs of mineral & surface rights	\$ -	\$ -	\$ -	\$ -	\$ 49,609	\$ -	\$ 49,609
Camp costs	2,046	8,280	98,895	10,727	3,272	4,437	127,657
Drilling	-	-	1,077,018	-	-	-	1,077,018
Geochemical	-	-	213,550	11,907	6,894	1,152	233,503
Geological	4,016	47,447	285,240	55,083	24,495	17,105	433,386
Geophysical	-	-	1,042	-	15,670	-	16,712
Gov't fees and licenses	9,869	202,151	46,030	25,744	4,421	100,395	388,610
Metallurgical	-	-	29,568	-	-	-	29,568
Site administration	703	1,364	17,554	2,347	712	1,365	24,045
Transport and shipping	965	1,068	17,218	1,290	975	582	22,098
Travel	-	2,290	15,528	2,609	264	3,984	24,675
	17,599	262,600	1,801,643	109,707	106,312	129,020	2,426,881
Balance January 1, 2011	6,045,159	10,522,643	29,173,613	391,822	432,146	5,303,767	51,869,150
Less amounts written off	-	-	-	-	-	-	-
Translation adjustment	(151,950)	(264,378)	(733,300)	(883)	(10,862)	(133,314)	(1,294,687)
Balance, March 31, 2011	\$ 5,910,808	\$ 10,520,865	\$ 30,241,956	\$ 500,646	\$ 527,596	\$ 5,299,473	\$ 53,001,344

	Year ended December 31, 2010						
	(Batopilas)	Lagartos	Cinco de	Esperanza	Mojina	Other	Total
	Don Fippi	Properties	Mayo				
Exploration and evaluation assets							
Acquisition costs of mineral & surface rights	\$ -	\$ -	\$ 105,002	\$ 133,544	\$ 163,125	\$ 220,922	\$ 622,593
Camp costs	25,271	39,143	388,249	7,119	2,465	66,146	528,393
Drilling	15,997	504	6,597,368	-	-	363,163	6,977,032
Geochemical	2,888	6,455	1,389,644	249	881	25,913	1,426,030
Geological	86,527	200,379	1,323,661	30,012	22,718	152,701	1,815,998
Geophysical	-	196,462	591	215,489	234,202	294,992	941,736
Gov't fees and licenses	12,814	412,873	80,104	1,910	7,102	186,283	701,086
Metallurgical	-	-	111,145	-	-	-	111,145
Site administration	16,170	6,905	170,578	1,366	976	85,122	281,117
Transport and shipping	10,149	5,874	92,633	735	637	8,303	118,331
Travel	13,188	9,584	83,877	1,398	40	11,662	119,749
	183,004	878,179	10,342,852	391,822	432,146	1,415,207	13,643,210
Balance January 1, 2010	6,194,576	10,191,103	19,898,582	-	-	6,563,078	42,847,339
Less amounts written off	-	-	-	-	-	(2,322,323)	(2,322,323)
Translation adjustment	(332,421)	(546,639)	(1,067,821)	-	-	(352,195)	(2,299,076)
Balance, December 31, 2010	\$ 6,045,159	\$ 10,522,643	\$ 29,173,613	\$ 391,822	\$ 432,146	\$ 5,303,767	\$ 51,869,150

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7. EXPLORATION AND EVALUATION COSTS (continued)

(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 March 31, 2011, the Company has incurred \$5,910,808 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 Juancipio property. To March 31, 2011, the Company has incurred \$10,520,865 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 has 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 US\$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 \$445,198 for these mining concessions. During the year ended December 31, 2009, the Company purchased surface rights in the Cinco de Mayo area for \$789,253. 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 US\$40,000 upon executing the agreements, and in order to earn its 100% interest, the Company must pay an additional US\$180,000 for these mining concessions, in stages through 2015.

(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 \$50,000 upon signing the agreement, and to earn its 60% interest the Company must make additional cash payments of \$450,000 in stages to September 1, 2013 and incur exploration expenditures of \$5,000,000 in stages to September 1, 2014, including committed first year drilling of 1,500 metres and expenditures of CAD\$750,000. To March 31, 2011, excluding acquisition costs, the Company had incurred \$367,104 in exploration costs, but had not yet commenced drilling on the property.

Under the terms of the agreement, MAG also agreed to acquire 1,500,000 units of Canasil at \$0.10 per unit for a gross cost of \$150,000, which closed on August 27, 2010 (see Note 4). Under the terms of the agreement, the Company is required to further subscribe to a second private placement of \$200,000 in Canasil shares prior to August 27, 2011. Subsequent to the year, the Company fulfilled this obligation (see "Subsequent Events").

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(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 US\$1,250,000. Under the terms of the agreement, the Company paid US\$35,000 upon signing the agreement and an additional US\$65,000 on April 14, 2010. To earn its 100% interest, the Company is required to make additional scheduled cash payments totalling \$960,000 through 2015, of which \$50,000 was paid subsequent to the year end, and incur cumulative exploration expenditures totalling \$US 2,500,000 over five years to 2015. To March 31, 2011, the Company had incurred \$US 328,963 in exploration costs. On June 25, 2010, the Company acquired by concession an additional claim adjacent to the optioned properties.

(f) *Other Properties*

Other properties consist of the Lorena claims, the Nuevo Mundo claims, the Guigui claim options, and the San Ramone claims, , all in Mexico. The Company is required to make a cash payment of US\$750,000 in July 2014 and incur another US\$2,750,000 in exploration expenditures on the San Ramone claims by July 14, 2013, in order to maintain its acquisition rights under the San Ramone agreement.

In the previous year ended December 31, 2010 the Company wrote down exploration and evaluation assets totalling \$2,398,754 relating to the Salamex and Camino Duro properties.,

8. SHARE CAPITAL

(a) *Issued and outstanding*

At March 31, 2011, there were 55,345,887 shares outstanding.

During the quarter ended March 31, 2011, 184,273 stock options were exercised for cash proceeds of \$568,207.

During the year ended December 31, 2010, 1,241,545 stock options were exercised for cash proceeds of \$3,398,991.

On May 18, 2010, the Company closed a brokered private placement for 4,603,500 common shares of the Company at a price of \$7.65 per share for gross proceeds of \$35,216,775. The Company paid a 5.0% commission to the underwriters of \$1,760,839, and legal, syndicate, and filing costs totaled an additional \$307,214.

(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 June 22, 2010 the Shareholders approved an amendment to the Company’s Stock Option Plan (the “Plan”) which fixed the maximum number of stock options that may be granted under the Plan to 5,453,839. As at March 31, 2011, 338,085 stock options remain available for grant under the Plan.

The following table summarizes the Company’s options:

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	Period ended March 31, 2011	Weighted average exercise price	Year ended Dec. 31, 2010	Weighted average exercise price
Balance outstanding, beginning of year	3,968,206	\$ 8.42	3,881,341	\$ 6.53
Activity during the period				
Options granted	-	-	1,401,785	8.58
Options forfeited	-	-	(73,375)	7.84
Options exercised	(184,273)	3.08	(1,241,545)	2.74
Balance outstanding, end of period	3,783,933	\$ 8.68	3,968,206	\$ 8.42

The following table summarizes options outstanding and exercisable as at March 31, 2011:

Exercise price	Number outstanding at March 31, 2011	Number exercisable at March 31, 2011	Weighted average remaining contractual life (years)	Weighted average exercise price
2.00	50,000	50,000	0.21	
2.46	90,000	90,000	0.31	
3.56	8,000	8,000	-	
4.04	10,000	10,000	-	
5.32	197,248	197,248	3.23	
5.36	282,500	282,500	0.70	
5.54	306,329	306,329	3.06	
6.32	179,057	179,057	3.71	
6.87	50,000	50,000	3.92	
6.95	185,000	185,000	4.40	
7.42	340,000	340,000	3.99	
7.56	35,000	35,000	0.82	
8.15	200,000	200,000	4.40	
8.80	200,000	200,000	0.90	
9.40	45,000	45,000	1.00	
9.92	611,785	203,928	4.73	
10.01	233,389	233,389	2.25	
11.89	15,000	15,000	4.74	
12.91	270,625	270,625	1.87	
14.15	425,000	425,000	1.54	
14.70	50,000	50,000	1.34	
	3,783,933	3,376,076	2.83	\$ 8.68

At the date the Agreements are entered into, the exercise price of each option is set no lower than the fair value of the common shares at the date of grant.

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During the period ended March 31, 2011, the Company granted nil stock options, (March 31, 2010 – 390,000). The Company has recorded \$493,796 (March 31, 2010 - \$1,159,401) of compensation expense relating to stock options vested to employees and consultants in the period ended March 31, 2011.

During the period ended March 31, 2011 there were no stock options granted. For the period ended March 31, 2010, stock-based compensation expense was determined using an option pricing model assuming no dividends are to be paid, a weighted average volatility of the Company's share price of 57%, an annual risk free interest rate of 2.54% and expected lives of three years.

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 loss 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 March 31, 2011, the Company does not have any long-term debt and is not subject to any externally imposed capital requirements.

The Company expects its current capital resources will be sufficient to carry out its exploration, development plans and operations through 2011 and into 2012.

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

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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 March 31, 2011, the Company had a receivable of \$2,087,934 from the Mexican government for value added tax. Although full recovery is expected by management, recoveries to date have been intermittent.

The Company's maximum exposure to credit risk as at March 31, 2011 is the carrying value of its cash and accounts receivable, as follows:

	March 31, 2011	Dec. 31, 2010	Jan. 1, 2010
Cash	\$ 35,456,632	\$ 39,825,071	\$ 26,803,652
Accounts Receivable	2,332,080	2,208,533	2,042,634
	<u>\$ 37,788,712</u>	<u>\$ 42,033,604</u>	<u>\$ 28,846,286</u>

(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 commitments (see Note 7). 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.

As at March 31, 2011, the Company owned share purchase warrants included in marketable securities that are classified as derivatives and marked-to-market each reporting period. By holding these warrants, the Company is inherently exposed to various risk factors including market price risk and liquidity risk. The Company's overall liquidity risk has not changed significantly from the prior year.

(c) *Currency risk*

The Company's presentation and functional currency is the Canadian dollar, while the functional currency of its Mexican subsidiaries is the \$US. The Company is therefore

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exposed to the financial risk related to the fluctuation of foreign exchange rates, both in the Mexican Peso relative to the \$US, and in the \$US relative to the Canadian dollar.

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 exposures 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 peso net denominated monetary assets at March 31, 2011 is 19,935,600 Mexican pesos (December 31, 2010 – 18,045,500 pesos). A 10% depreciation in the peso relative to the \$US would result in a loss as at March 31, 2011 of \$164,810 (December 31, 2010 - \$150,160). A 10% appreciation in the peso against the \$US would result in a similar decrease in net loss.

\$US relative to the Canadian Dollar

All of the Company's foreign subsidiaries report their operating results in the \$US, and therefore, exchange rate movements in the \$US relative to the Canadian dollar will impact the consolidated results of the Mexican operations in Canadian dollar terms.

Corporately, the Company holds a portion of its cash in \$US (\$US 668,807 at March 31, 2011 and \$US 739,502 at December 31, 2010). A 10% depreciation in the \$US relative to the Canadian dollar would result in a loss as at March 31, 2011 of \$65,000 (December 31, 2010 - \$73,500). A 10% appreciation in the \$US relative to the Canadian dollar would result in a similar decrease in net loss.

The Company's reporting and presentation currency is the Canadian dollar. The functional currency the Company's Mexican subsidiaries and investment in associate is the \$US. In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, 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 separate component of shareholders' equity titled "Cumulative Translation Adjustment." In substance, the Company's foreign currency exposure with respect to the \$US is comprised of its Investment in its associate and in its three Mexican subsidiaries, and the net investment in those foreign operations. The sensitivity of the Company's other comprehensive loss for the period ended March 31, 2011 due to changes in the \$US exchange rate in relation to the Canadian dollar is summarized as follows: a 10% appreciation in the Canadian dollar against the \$US would increase the comprehensive loss for the period by \$6,541,000, and a 10% depreciation in the Canadian dollar against the \$US would decrease the comprehensive loss for the period by \$6,541,000.

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(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, interest receivable, marketable securities including warrants, and accounts payable and accrued liabilities. 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.

The fair value of available-for-sale marketable securities 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.

The fair value of fair value through profit or loss 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.

There were no financial instruments fair valued within Level 3 of the fair value hierarchy as at March 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.

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13. RELATED PARTY TRANSACTIONS

The Company is party to a Field Services Agreement, whereby it has contracted exploration services in Mexico with MINERA CASCABEL S.A. de C.V. (“Cascabel”) and IMDEX Inc. (“IMDEX”). As of January 2006, these companies have a common director with the Company. During the quarter ended March 31, 2011, the Company accrued or paid Cascabel and IMDEX consulting, administration and travel fees totaling \$102,829 (March 31, 2010 - \$55,300) and exploration costs totaling \$579,268 (March 31, 2010 - \$609,905) under the Field Services Agreement.

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

The immediate parent and ultimate controlling party of the Company 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	
			2011 (%)	2010 (%)
Minera Los Lagartos, S.A. de C.V.	Mexico	Exploration	100%	100%
Minera Pozo Seco S.A. de C.V. ⁽¹⁾	Mexico	Exploration	100%	100%
Minera Sierra Vieja S.A. de C.V. ⁽¹⁾	Mexico	Exploration	100%	100%

⁽¹⁾ Incorporated in September 2010.

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.

Compensation of Key Management Personnel

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

	Three months ended March 31,	
	2011	2010
Short term employee benefits	\$ 186,150	\$ 89,327
Share based payments	-	900,764
	\$ 186,150	\$ 990,091

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.

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14. COMMITMENTS

The Company's minimum lease payments under its five year office lease agreement are as follows:

2011	117,157
2012	156,209
2013	160,556
2014	160,556
	<hr/>
	\$ 594,478

The Company is subject to various investigation, claims and legal and tax proceedings covering matters that arise in the ordinary course of business activities. Each of these matters is subject to various uncertainties and it is possible that some of these 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.

15. TRANSITION TO IFRS

As set out in Note 2, these are the Company's first condensed interim consolidated financial statements for the period covered by the first annual consolidated financial statements prepared in accordance with IFRS. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position and financial performance is set out in this note.

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the period ended March 31, 2011, the comparative information presented in these financial statements for the period ended March 31, 2010 and in the preparation of an opening IFRS statement of financial position at 1 January 2010 (the Company's date of transition to IFRS). IFRS has many similarities with Canadian GAAP as it is based on a similar conceptual framework. However, there are important differences with regard to recognition, measurement and disclosure. While adoption of IFRS did not change the Company's actual cash flows, it resulted in changes to the statement of financial position, statement of loss and comprehensive loss, and statement of changes in shareholders' equity as set out below in the reconciliation to previously reported financial statements to IFRS:

- Transitional Consolidated Statement of Financial Position Reconciliation – January 1, 2010
- Consolidated Interim Statement of Financial Position Reconciliation – March 31, 2010
- Consolidated Statement of Financial Position Reconciliation – December 31, 2010

- Consolidated Interim Statement of Comprehensive Loss Reconciliation – March 31, 2010
- Consolidated Statement of Comprehensive Loss Reconciliation – December 31, 2010

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The January 1, 2010 Canadian GAAP transitional consolidated statement of financial position has been reconciled to IFRS as follows:

	Note 15:	January 1, 2010		
		Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current Assets				
Cash		\$ 26,803,652		\$ 26,803,652
Accounts receivable		2,042,634		2,042,634
Marketable securities		13,399		13,399
Prepaid expenses		91,300		91,300
TOTAL CURRENT ASSETS		28,950,985	-	28,950,985
EQUIPMENT				
		149,070		149,070
INVESTMENT IN ASSOCIATE	(a) & (c)	8,610,350	1,227,435	9,837,785
EXPLORATION AND EVALUATION ASSETS	(b) & (c)	44,943,133	(2,095,794)	42,847,339
TOTAL ASSETS		\$ 82,653,538	\$ (868,359)	\$ 81,785,179
CURRENT				
Trade and other payables		\$ 1,076,606	-	\$ 1,076,606
Share Capital				
Share Capital		107,614,849		107,614,849
Share option reserve (formerly contributed surplus)		11,177,518		11,177,518
Accumulated other comprehensive loss	(c), (d), (e)(ii)	(1,790,132)	1,792,961	2,829
Deficit	(c), (d), (e)(ii)	(35,425,303)	(2,661,320)	(38,086,623)
TOTAL SHAREHOLDERS' EQUITY		81,576,932	(868,359)	80,708,573
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 82,653,538	\$ (868,359)	\$ 81,785,179

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The March 31, 2010 Canadian GAAP consolidated interim statement of financial position has been reconciled to IFRS as follows:

		March 31, 2010		
	Note 15:	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current Assets				
Cash		\$ 24,251,678		24,251,678
Accounts receivable		2,069,616		2,069,616
Marketable securities		13,078		13,078
Prepaid expenses		223,079		223,079
TOTAL CURRENT ASSETS		26,557,451		26,557,451
EQUIPMENT		153,708		153,708
INVESTMENT IN ASSOCIATE	(a) & (c)	9,356,326	657,549	10,013,875
EXPLORATION AND EVALUATION ASSETS	(b) & (c)	47,968,329	(3,600,987)	44,367,342
TOTAL ASSETS		\$ 84,035,814	\$ (2,943,438)	\$ 81,092,376
CURRENT				
Trade and other payables		\$ 2,338,710		2,338,710
Share Capital		108,974,296		108,974,296
Share option reserve (formerly contributed surplus)		11,856,383		11,856,383
Accumulated other comprehensive loss	(c), (d), (e)(ii)	(1,540,939)	(288,563)	(1,829,502)
Deficit	(c), (d), (e)(ii)	(37,592,636)	(2,654,875)	(40,247,511)
TOTAL SHAREHOLDERS' EQUITY		81,697,104	(2,943,438)	78,753,666
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 84,035,814	\$ (2,943,438)	\$ 81,092,376

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The December 31, 2010 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

	Note 15:	December 31, 2010		
		Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current Assets				
Cash		\$ 39,825,071		\$ 39,825,071
Accounts receivable		2,208,533		2,208,533
Marketable securities		678,876		678,876
Prepaid expenses		85,809		85,809
TOTAL CURRENT ASSETS		42,798,289		42,798,289
EQUIPMENT				
		180,395		180,395
INVESTMENT IN ASSOCIATE	(a) & (c)	11,654,145	620,620	12,274,765
EXPLORATION AND EVALUATION ASSETS	(b) & (c)	56,466,139	(4,596,989)	51,869,150
TOTAL ASSETS		\$ 111,098,968	\$ (3,976,369)	\$ 107,122,599
CURRENT				
Trade and other payables		\$ 2,320,261		\$ 2,320,261
Share Capital				
Share Capital		146,021,112		146,021,112
Share option reserve (formerly contributed surplus)		12,410,963		12,410,963
Accumulated other comprehensive loss	(c), (d), (e)(ii)	(1,404,695)	(1,545,437)	(2,950,132)
Deficit	(c), (d), (e)(ii)	(48,248,673)	(2,430,932)	(50,679,605)
TOTAL SHAREHOLDERS' EQUITY		108,778,707	(3,976,369)	104,802,338
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 111,098,968	\$ (3,976,369)	\$ 107,122,599

MAG SILVER CORP. (An exploration stage company)**Notes to the Condensed Interim Consolidated Financial Statements** (Unaudited)As at **March 31, 2011** (expressed in Canadian dollars)

The Canadian GAAP consolidated interim statement of comprehensive loss for the three month period ended March 31, 2010 has been reconciled to IFRS as follows:

	Note	Three months ended March 31, 2010		
		Canadian GAAP	Effect of transition to IFRS	IFRS
EXPENSES				
Accounting and audit		\$ 109,623		\$ 109,623
Amortization		12,877		12,877
Filing and transfer agent fees		95,257		95,257
Foreign exchange loss (gain)	(c)	22,959	(6,445)	16,514
General office and property investigation		134,853		134,853
Legal		168,990		168,990
Management and consulting fees		249,780		249,780
Mineral property costs written off		-		-
Shareholder relations		134,716		134,716
Stock compensation expense	(d)	1,159,401	-	1,159,401
Travel		103,264		103,264
		2,191,720	(6,445)	2,185,275
INTEREST INCOME		24,387		24,387
GAIN ON WARRANT MARK-TO-MARKET		-		-
NET LOSS		\$ (2,167,333)	\$ 6,445	\$ (2,160,888)
OTHER COMPREHENSIVE INCOME (LOSS)				
CURRENCY TRANSLATION ADJUSTMENT	(c), (e)(ii)	249,514	(2,081,524)	(1,832,010)
UNREALIZED GAIN (LOSS) ON MARKETABLE SECURITIES		(321)		(321)
		249,193	(2,081,524)	(1,832,331)
COMPREHENSIVE LOSS		\$ (1,918,140)	\$ (2,075,079)	\$ (3,993,219)

MAG SILVER CORP. (An exploration stage company)

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The Canadian GAAP consolidated statement of comprehensive loss for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	Note	Year ended December 31, 2010		
		Canadian GAAP	Effect of transition to IFRS	IFRS
EXPENSES				
Accounting and audit		\$ 687,782		\$ 687,782
Amortization		76,762		76,762
Filing and transfer agent fees		140,048		140,048
Foreign exchange loss (gain)	(c)	173,121	(70,776)	102,345
General office and property investigation		723,449		723,449
Legal		3,196,063		3,196,063
Management and consulting fees		1,990,699		1,990,699
Mineral property costs written off		2,558,366	(159,612)	2,398,754
Shareholder relations		327,265		327,265
Stock compensation expense	(d)	3,091,995	-	3,091,995
Travel		320,423		320,423
		13,285,973	(230,388)	13,055,585
INTEREST INCOME		322,403		322,403
GAIN ON WARRANT MARK-TO-MARKET		140,200		140,200
NET LOSS		\$ (12,823,370)	\$ 230,388	\$ (12,592,982)
OTHER COMPREHENSIVE INCOME (LOSS)				
CURRENCY TRANSLATION ADJUSTMENT	(c), (e)(ii)	10,160	(3,338,398)	(3,328,238)
UNREALIZED GAIN ON MARKETABLE SECURITIES		375,277		375,277
		385,437	(3,338,398)	(2,952,961)
COMPREHENSIVE LOSS		\$ (12,437,933)	\$ (3,108,010)	\$ (15,545,943)

The following paragraphs explain the key differences between the Company's accounting policies under IFRS and those under Canadian GAAP and their impacts on the Company's consolidated statements of financial position and consolidated statements of comprehensive loss:

- a) *Investment in Associate* - Previously under Canadian GAAP, the Company's investment in the Minera Juanicipio Joint Venture was classified as "*Investment in Minera Juanicipio S.A. de C.V.*" Under IAS 28 *Investments in Associates*, the term "associates" is used for investments in entities where the investor has significant influence, and accordingly under IFRS terminology, MAG's 44% interest in the Minera Juanicipio Joint Venture is now classified as an "associate" under IFRS. The investment is still accounted for using the equity method.
- b) Previously the Company classified its property expenditures as either "*mineral rights*" (costs to acquire options to acquire interests in unproven mineral properties) or "*deferred exploration costs*" (direct exploration costs incurred by the Company in its effort to determine the existence of economically mineable ore including the cost of feasibility studies). IFRS 6 "*exploration for and evaluation of mineral resources*," which prescribes the financial reporting for the exploration for and evaluation of mineral resources, defines 'phases of a mine's operations' as either: exploration; evaluation; development; construction; production; and closure (each with their own accounting implications). The

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previously capitalized ‘mineral rights’ and ‘deferred exploration costs’ have been classified as “exploration and evaluation costs” consistent with IFRS terminology.

- c) IAS 21, “*The effects of changes in foreign exchange rates*” requires that each individual entity within a reporting entity (parent, foreign subsidiaries, and associates) must determine its own functional currency. A list of primary and secondary indicators is used under IFRS in this determination, and these differ in content and emphasis to a certain degree from those factors used under Canadian GAAP. IAS 21 sets out a more specific approach to determining the functional currencies of a reporting entity and its subsidiaries, and prioritizes influencing factors. Under Canadian GAAP, no factor is identified as having any greater relative importance.

Under Canadian GAAP, the Company and all of its wholly owned subsidiaries operated with the Canadian dollar as their functional currency, with the Mexican subsidiaries considered as ‘integrated’ subsidiaries and translated accordingly using the temporal method of translation, with foreign exchange gains losses impacting the Statement of Operations. The Mexican subsidiaries were considered to have a Canadian functional currency because of their reliance on the parent company to finance their operations and provide key decision making.

Effective December 31, 2007, under Canadian GAAP, the Company had concluded that the functional currency of its 44% owned Minera Juanicipio was the Mexican peso as expenditures in Minera Juanicipio were principally being incurred in pesos and funded by advances from the venturers which were denominated in pesos. The Company translated its net investment in Minera Juanicipio using the current rate method with translation gains and losses recorded in other comprehensive loss, a component of shareholders’ equity.

In re-assessing the functional currency of each entity under IFRS guidelines, management concluded that the functional currency of each of the three Mexican subsidiaries and of its 44% owned associate, Minera Juanicipio, is the \$US. This determination was based on the fact that the \$US is the influencing factor in the primary indicators used in the IFRS evaluation, and that the weight given to the currency of financing under Canadian GAAP is diminished under the IFRS analysis.

As a result, the Mexican subsidiaries and the associate Minera Juanicipio have a different functional currency (\$US) than the Company’s functional and presentation currency of the Canadian dollar. Rather than being translated to the Canadian dollar using the using the temporal method of translation, the subsidiaries have retrospectively been translated into the Canadian dollar consolidation using a translation methodology that parallels the current rate method, with foreign exchange differences going through a ‘Cumulative Translation Adjustment’ within shareholders’ equity. The net investment in the associate has also been retrospectively recast with a \$US functional currency, prior to the translation to Canadian dollars using the current rate method.

- d) IFRS 2 share based payments

Under Canadian GAAP, the fair value of stock-based awards with graded vesting are calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period, with forfeitures of awards recognized as they occur. Under IFRS, each tranche of an award with different vesting dates is considered a separate grant for the

MAG SILVER CORP. (An exploration stage company)

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calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods. There were no material differences in the calculation of share based payments under IFRS as compared to under Canadian GAAP.

- e) IFRS 1 “*First-time Adoption of International Financial Reporting Standards*” (“IFRS 1”) sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustment to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position dated January 1, 2010:

(i) *Business Combinations*

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken this election and will apply IFRS 3 prospectively to business combinations that occur on or after January 1, 2010.

(ii) *Cumulative translation differences*

IFRS 1 allows a first-time adopter to not comply with the requirements of IAS 21 *The Effects of Changes in Foreign Exchange Rates* for cumulative translation differences that existed as at the date of transition to IFRS. The Company has chosen to apply this election and has eliminated the cumulative translation difference that arose from translating the Company’s Mexican operations prior to January 1, 2010, and adjusted retained earnings by the same amount at the date of transition to IFRS. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal.

(iii) *Share-based payment transactions*

The Company has elected under IFRS 1 to not apply IFRS 2 to equity settled share based payments that were granted on or before November 7, 2002 or to equity settled share based payments that were granted subsequent to November 7, 2002 but vested before the date of transition to IFRS.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guideline to its opening statement of financial position dated January 1, 2010:

(iv) *Estimates*

In accordance with IFRS 1, an entity’s estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company’s IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

MAG SILVER CORP. (An exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

As at March 31, 2011 (expressed in Canadian dollars)

16. SUBSEQUENT EVENTS

Subsequent to March 31, 2011, the Company:

- a) Issued 73,999 common shares pursuant to the exercise of stock options between \$2.00 and \$6.32 per share for aggregate proceeds of \$237,449.
- b) Upon the closing of a private placement previously subscribed to, received 500,000 units of Canasil, at a price of \$0.40 per unit and paid total consideration of \$200,000, fulfilling its obligation under the Esparanza Option agreement (Note 7d) to further subscribe in a private placement of \$200,000 in Canasil shares prior to August 27, 2011. The units are comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of Canasil at a price of \$0.60 within one year of closing. If, beginning six months following the closing of the private placement, the closing price of Canasil's shares equals or exceeds \$1.40 per share for a period of ten consecutive trading days, Canasil will have the right to accelerate the expiry date of the Warrants with at least 30 days written notice to MAG.
- c) Exercised 750,000 held for trading warrants of Canasil at a total cost of \$112,500.
- d) Received 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 US\$1.86 million in damages. The damage award represents MAG's direct costs of defending Fresnillo's improper take-under bid in late 2008 and 2009. More importantly, by upholding the standstill provision, the ICC has confirmed that MAG and its shareholders are protected from a further lowball and opportunistic take-under bid by Fresnillo. On May 31, 2011, the Company received payment of the US\$1.86 million award from Fresnillo.