MAG SILVER CORP.

(An exploration stage company)

Management Discussion & Analysis
For the period ended
June 30, 2009

Dated: August 14, 2009

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

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MAG Silver Corp. (“we”, “MAG” or the “Company”) is a company focused on the acquisition, exploration and development of district scale projects located in the Mexican silver belt. We are based in Vancouver, British Columbia, Canada. Our 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 and Ontario.

The following management discussion and analysis (“MD&A”) of MAG focuses on the financial condition and results of operations of the Company for the six months ended June 30, 2009 and 2008. It is prepared as of August 14, 2009 and should be read in conjunction with the unaudited consolidated financial statements for the six months ended June 30, 2009, together with the notes thereto. All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

The global economic environment has been uncertain since mid-year 2008. Lower commodity prices, currency fluctuations, banking and institutional failures, restricted credit availability and a general reduction in the availability of equity financing create a more uncertain environment for the Company’s securities. The Company remains financially strong and will monitor the risks and opportunities of the current environment carefully. Other risks and uncertainties faced by the Company are listed under “Risks and Uncertainties” below and under “Risk Factors” in the Company’s Annual Information Form (“AIF”).

The Company believes it is a Passive Foreign Investment Company (“PFIC”), as that term is defined in Section 1297 of the 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 following disclosures 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 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 IDEA website at http://idea.sec.gov.

Unless otherwise specifically noted herein, all scientific or technical information in this MD&A, including resource 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”).

Cautionary Note to Investors Concerning Estimates of Indicated Resources

This MD&A uses the term "Indicated Resources". MAG advises investors that although this term is recognized and required by Canadian regulations (under National Instrument 43-101), the U.S. Securities and Exchange Commission does not recognize this term. **Investors are cautioned not to assume that any part or all of mineral deposits in this category will ever be converted into reserves.**

Cautionary Note to Investors Concerning Estimates of Inferred Resources

This MD&A uses the term "Inferred Resources". MAG advises investors that although this term is recognized and required by Canadian regulations (under National Instrument 43-101), the U.S. Securities and Exchange Commission does not recognize this term. Investors are cautioned not to assume that any part or all of the mineral deposits in this category will ever be converted into reserves. In addition, "Inferred Resources" have a great amount of uncertainty as to their existence, and 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 pre-feasibility studies, or economic studies except for Preliminary Assessment as defined under Canadian National Instrument 43-101. **Investors are cautioned not to assume that part or all of an Inferred Resource exists, or is economically or legally mineable.**

FINANCIAL PERFORMANCE

At June 30, 2009, the Company had cash and cash equivalents on hand of $35,423,333 versus $64,815,966 for the period ended June 30, 2008. The Company's cash and cash equivalents are largely due to a financing completed late in 2007 and warrant exercises completed early in 2008. On November 27, 2007, the Company closed a bought deal private placement of 3.0 million common shares of the Company at a price of $15.50 per share for gross proceeds of $46.5 million. In February 2008 all outstanding warrants were exercised for gross proceeds of $11.37 million.

After deducting interest earned for the period ended June 30, 2009 of $190,090 compared to interest earned of $1,204,755 for the period ended June 30, 2008, the loss for the period ended June 30, 2009 was $9,546,461 compared to a loss for the same period in 2008 of $3,881,018. The second quarter loss includes a mineral property write-off (Sierra Ramirez) of $3,641,571 (2008: $1,221,019) and $1,260,945 (2008: $2,399,621) as a non-cash charge for stock compensation expense. Excluding the mineral property write-off and stock compensation expenses, the net loss during the period amounted to $4,643,945 (2008: $260,378).

The fair value of stock-based compensation and the resulting expense amount for the Company is estimated using the Black-Scholes-Merton option valuation model. The expense is then recorded in operations or capitalized against properties over the vesting period of the options. This option pricing model uses various data inputs such as: if dividends are paid, the weighted average volatility of the Company's shares price, an annual risk-free interest rate, an expected term of the option, as well as the market price of the Company's shares.

General and administrative expenses for the period ended June 30, 2009, not including mineral property write-offs or stock compensation expenses, amounted to $4,834,035 compared to $1,465,133 in the same period of 2008. Increases occurred in audit and accounting fees (2009: $164,015 versus 2008: $138,608) due to regulatory compliance work in Canada, the United States and Mexico and as a result of management's decision to implement quarterly review engagements by the Company's auditors. Filing and transfer agent fees increased in the period (2009: $189,591 versus 2008: $134,078) generally as a result of filings relating to takeover bid defense. General office expenses amounted to $611,043 for the period (2008: $310,325) including costs for the 2009 Annual General and Special meeting of $218,684 (2008: $67,823). Of this amount $203,859 was for proxy solicitation services (2008 – nil). Legal fees increased for the six month period to $2,490,158 (2008: $83,865) due to the Company's successful defensive efforts in reaction to Fresnillo plc's intended hostile bid for 100% ownership of the Company. Management and consulting fees increased during the period to $766,761 (2008: $620,638) due to the hiring of additional staff and increased non-executive directors' fees caused by frequent meetings and the establishment of two new committees (Special Committee and Independent Committee) in response to Fresnillo's intended unsolicited takeover bid for the Company. Shareholder relations costs were higher for the period (2009: $458,238 versus 2008: $135,324) due to shareholder communication efforts regarding the intended hostile bid by Fresnillo, including $54,833 (2008: nil) for professional public relations services. Travel costs increased for the quarter (2009: $167,317 versus 2008: $106,970) for travel to Mexico related to both the valuation process for Fresnillo's intended hostile bid and an increased number of technical and corporate meetings related to Minera Juanicipio.

During the period ended December 31, 2008, the Company entered into new or amended employment agreements with three officers, one of who is a director as well, and three key employees. These new or amended agreements include change of control provisions. Should a change of control of the Company occur after June 30, 2009, the change of control compensation for these six employees would amount to an aggregate of approximately $1.59 million. During the year ended December 31, 2008 and the period ended June 30, 2009 the Company entered into retention agreements with six non-executive directors of the Company. These agreements include change of control provisions. Should a change of control of the Company occur after June 30, 2009, the change of control compensation for these six directors would amount to an aggregate of approximately $240,000.

Other smaller items account for the balance of general and administrative costs for the period. The Company occupies office space and receives administrative services on a contract basis.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected quarterly financial information for each of the last eight (8) quarters:

Quarter Ending	Revenue(1)	Net Loss(2)	Net Loss per share
June 30, 2009	$51,365	$(4,384,704)	$(0.09)
March 31, 2009	$138,725	$(5,161,757)	$(0.10)
December 31, 2008	$313,847	$(1,610,743)	$(0.04)
September 30, 2008	$446,078	$(381,128)	$(0.01)
June 30, 2008	$545,586	$(1,091,881)	$(0.02)
March 31, 2008	$659,169	$(2,789,137)	$(0.05)
December 31, 2007	$387,939	$(3,364,017)	$(0.07)
September 30, 2007	$211,108	$(351,375)	$(0.01)

Notes:

(1) The Company's primary source of revenue during the quarters listed above was interest revenue from GIC's held by the Company. The amount of interest revenue earned correlates directly to prevailing interest rates and the amount of cash on hand during the period referenced.

(2) Net losses by quarter are often materially affected by the timing and recognition of large non-cash expenses or write-offs. When adjusting these non-cash charges the results for the quarters listed 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".

REVIEW OF OPERATION AND PROJECTS

During the period ended June 30, 2009, the Company incurred $979,505 in property acquisition costs (2008: $641,989). Exploration expenditures for the same period on MAG's 100% owned properties amounted to $10,883,615 (2008: $6,151,542). The increased exploration expenditures for the period were due to an accelerated 2009 exploration program designed to maximize shareholder value through aggressive drilling and advancement of MAG's 100%-owned properties. Drilling on these properties (Cinco de Mayo, Salamex, Sierra Ramirez, Lagartos SE and Nuevo Mundo) totaled 58,004 metres. A further 9,619 metres of drilling was conducted on the Juanicipio property by project operator Fresnillo plc and the Company's share of these costs was funded through its 44% interest in Minera Juanicipio (see details below).

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 IDEA website at http://idea.sec.gov.

Juanicipio Property

MAG Silver is a 44% partner with Fresnillo plc (56%) in Minera Juanicipio S.A. DE C.V. ("Minera Juanicipio"), the joint venture company that owns and operates the Juanicipio property located in the Fresnillo District, Zacatecas State, Mexico. Since MAG's mineral discovery there in 2003, the Juanicipio property has been advanced by the joint venture partners into a significant silver deposit comprising three principal veins named the Valdecañas, Juanicipio and Encino. The property also has demonstrated potential for further vein discoveries.

During the three month period ended June 30, 2009, the joint venture proceeded on plan with four drills turning, completion of metallurgical work and engineering studies. A total of 4,214 metres was drilled on the Valdecañas, Juanicipio and Encino veins alone. The joint venture technical committee is considering a recommendation for an additional 8,000 metres of drilling on the Valdecañas vein to further upgrade resources from the inferred to an indicated level of confidence. Total metres drilled for the six month period on the joint venture property, including exploratory targets, totaled 9,619 metres.

To July 31, 2009 the Company's 44% share of joint venture expenditures amounted to $1,110,996. The proposed 2009 program for Minera Juanicipio was approximately 58% complete at that time, with both metres drilled and expenditures on budget.

Assay results were received from four recent holes. The most important results were Hole PE2, drilled on the east-central portion of the Valdecañas Vein which returned 8.85 metres of 448 g/t silver (13.1 opt), 5.70 g/t gold (0.17 opt), 1.68% lead and 4.21% zinc. Holes PC and JB were drilled to define the top of the bonanza zone and returned values consistent with expectations for intersections at that elevation.

The fourth hole drilled, Hole 21P, was on the Juanicipio Vein and this hole intersected the vein almost 150 metres east of earlier hole 20P and about 45 metres higher in elevation. Results were consistent with earlier results at this elevation.

Drilling has now tracked the Juanicipio Vein for over 1 kilometre along strike, with textures and metal values indicating that the vein is being cut at a high level, potentially comparable to the irregular uppermost portions of the Valdecañas Vein. Results to date indicate that the "top out" of the Juanicipio Vein lies at an elevation 100 to 150 metres deeper than that seen in the Valdecañas Vein, so the next series of planned holes have been redesigned to explore for a possible Bonanza Zone 100-200 metres deeper.

During the period Wardrop Engineering provided an updated draft report of the Scoping Level Study (43-101) directed at a standalone production scenario for the Valdecañas Vein. The Company will release details of the final report promptly upon receipt from Wardrop. The final report is expected shortly, but in any case should be delivered before the end of the third quarter.

The Company has advanced Minera Juanicipio a cumulative cash total of $9,277,743 for its 44% of acquisition and exploration costs to June 30, 2009 (2008 - $6,905,321). None of these costs or advances discussed herein takes into account subsequent currency translation adjustments.

Cinco de Mayo Property

The Cinco de Mayo property comprises 22,000 hectares located approximately 190 kilometres north of the city of Chihuahua, in northern Chihuahua Sate, Mexico. Cinco de Mayo is the most advanced of MAG's five Carbonate Replacement Deposit ("CRD") style targets.

Drilling at Cinco de Mayo during the three month period ended June 30, 2009 totalled 12,795 metres (year to date is 28,920 metres) focused mainly on geological targets generated by 3-D modeling of the Jose Manto and geophysical targets generated by a previous aerial magnetic (VTEM) survey totalling 2,300 line kilometres. The latest airborne program was designed to overfly surveys from 2006 to confirm previous results, locate the intrusive source of the Jose Manto, and identify new targets for drilling. New drill targets have been identified by the geophysical surveys in areas that have not yet been drilled. Several trends of electromagnetic anomalies are being evaluated and interpreted for future drill targets. One drill rig continues to work at Cinco de Mayo at the present time.

To date, the Company has drilled a cumulative 84,795 metres on the property, in 126 holes, and outlined high grade silver/lead/zinc mineralization along approximately 2,000 metres of strike length which remains open. Results to date have been encouraging but have not yet delineated an economic tonnage of mineralized material. The current drilling and geophysical work is part of a $4.0 million budget for exploration work at Cinco de Mayo in 2009. The

Company incurred $5,157,538 in exploration costs at Cinco de Mayo during the period ended June 30, 2009 (2008 - $2,928,107), and a cumulative total of $15,930,574 to June 30, 2009.

Lagartos Land Package

Flanking the Juanicipio property MAG owns a 135,000 hectare land package called Lagartos. Two claim groups, Lagartos NW and Lagartos SE, lay northwest and southeast of the Juanicipio Joint Venture along the "Fresnillo Silver Trend", a large regional structural zone hosting the world class Guanajuato, Zacatecas and Fresnillo epithermal silver-gold vein districts.

Subsequent to the period end the Company optioned from Castle Resources the 312 hectare San Ramone property adjoining Lagartos SE located in the historic Mala Noche silver vein system. The option agreement calls for a cash advance of US$75,000 and work commitments totaling US$3,250,000 over five years for MAG to acquire a 100% interest subject to a 1.5% Net Smelter Royalty. The San Ramone property, combined with MAG's existing holdings at Lagartos SE, gives MAG control of a significant portion of the eastern part of the Mala Noche system.

Drilling on Lagartos during the three month period ended June 30, 2009, was scaled back and totaled 4,178 metres, bringing the total for the year to date to 15,101 metres. Work on the northwest extension of the Vetagrande vein system was curtailed due to the heavy alluvial cover, with drilling focused on the southeast where the alluvium is less than 75 metres deep. As of June 30, drilling on the lateral extensions of the Malanoche and Vetagrande vein systems was continuing.

To date, twenty eight holes have been drilled in four principal areas within, and along the projections of major vein systems in the historic Zacatecas District, which has produced over 1 billion ounces of silver.

The Company incurred $2,537,403 in exploration costs on Lagartos during the period ended June 30, 2009 (2008 - $1,134,944), and a cumulative total of $9,072,793 to June 30, 2009 in exploration costs. The Company's budgeted exploration programs at Lagartos for 2009 were approximately $1,300,000. The Company accelerated its exploration spending on this project based on results and for the reasons set out below at "Outlook".

Sierra de Ramirez Property

Sierra Ramirez is a large 100%-owned CRD prospect (65 square kilometres) within the Sierra Ramirez District in eastern Durango State, approximately 80 kilometres west of the famous Providencia-Concepcion del Oro, Zacatecas District. Historically, this district has produced high-grade silver ores (1-3 kg/t) from Spanish colonial times to the 1960s.

During the three month period ended June 30, 2009, 1,978 metres were drilled at Sierra Ramirez, bringing the total for the year to date to 7,944 metres. To date sixteen holes have been drilled on a combination of geological and geophysical targets in the San Acacio and El Pavo areas where the bulk of historic high-grade silver production occurred at Sierra Ramirez, Durango. Drilling was primarily focused on seeking feeders to the historic limestone-hosted mantos and possible intrusions. Hole SRPV-05 cut 4,530 g/t (130 opt) silver with 0.86% copper over 1.5 metres at 150 metres depth along the contact between the district's principal limestone host unit and underlying Jurassic volcanic rocks. Minor additional silver, lead and zinc intercepts were made, but surprisingly fresh and unbroken volcanic rocks were found to underlie the projections of strong, well-mineralized high-angle structures that cut the surface limestones. Magnetic anomalies were found to correspond to the volcanic rocks and no intrusions were cut. Results are pending from the final 3 holes.

Geological and assay results received to date indicate the Sierra Ramirez mantos were not fed directly from depth. As a result potential lateral sources for the extensive, high-grade historically mined orebodies are being evaluated. Based on results received after the quarter ended June 30, 2009 it was decided that the exploration results to date do not support the capitalized value of this property and the Company wrote down deferred acquisition and exploration costs of $3,641,571 relating to the Sierra Ramirez property. The Company has not abandoned the property and further exploration work will be undertaken.

The Company incurred $1,627,181 in exploration costs on Sierra Ramirez during the period ended June 30, 2009 (2008 - $72,270), and a cumulative total of $2,192,452 to June 30, 2009.

Salemex Property

The Salemex property comprises three claim blocks optioned in June and November of 2008 covering 8,663 hectares in the state of Chihuahua. Salemex is a vein and CRD prospect located approximately 30 kilometres north of the Santa Eulalia Mining District, the world's leading CRD producer.

Work on the property during the three month period ended June 30, 2009 consisted of 761 metres drilled, bringing the total to 4,895 metres for the year to date. Results to date have been encouraging but time will be needed to review the data collected to date. An additional 6,000 hectare position has been staked and filed for approval on the continuation of the system to the southeast in the direction of the strengthening results.

The property is cut by three major quartz veins ranging from 1 to over 25 metres wide, many of which have seen minor historic mining and prospecting, but no significant drilling. Eight initial holes were drilled in the period by the Company along 2 kilometres of bold vein outcrops at Salemex. The southernmost hole, SM-02, reported 10 grams per tonne (g/t) (0.29 ounces per ton (opt)) gold; 1,735 g/t (50 opt) silver; 3% lead and 1.6% zinc over 0.5 metre vein width. Hole SM-08, drilled 240 metres north of SM-02 reported 4.7 g/t (0.14 opt) gold; 55 g/t (1.6 opt) silver; 0.75% lead and 1% zinc over 2 metres. Significantly both of these intercepts are high-grade sulphide zones within a quartz-filled vein and breccia zone that ranges from 8 to over 25 metres wide.

The Company incurred $991,716 in exploration costs on Salemex during the period ended June 30, 2009 (2008 - $32,713), and a cumulative total of $1,043,784 to June 30, 2009. Budgeted exploration programs for 2009 at Salemex are approximately $885,000. The Company accelerated its exploration spending on this project based on results and for the reasons set out below at "Outlook".

Nuevo Mundo Property

The 11,762 hectare Nuevo Mundo property is in eastern Zacatecas State and geologically located along a structural trend known to host many CRDs and which hosts all of the Company's CRD projects (Sierra Ramirez, Guigui and Cinco de Mayo). The Nuevo Mundo property is not far from Goldcorp's Peñasquito mine and ties onto the eastern boundary of the Camino Rojo gold discovery of Canplats Resources.

No drilling was conducted during the second quarter after results from the first-quarter 1,144-metre program were inconclusive. Five short holes were drilled in isolated limestone exposures cut by strong gossan outcrops up to 8 metres wide and 200 metres long, reporting high mercury values. Three of the holes reported anomalous arsenic, mercury, antimony and zinc values. The majority of Nuevo Mundo is mantled by cover and work is on-going to develop targets in the more poorly exposed parts of this well located property. Additional exploration for Camino Rojo-style mineralization will require substantial field geological and sampling work before any additional drilling is undertaken.

The Company incurred $389,064 in exploration costs on Nuevo Mundo during the period ended June 30, 2009 (2008: $nil), and a cumulative total of $455,233 to June 30, 2009.

Other Properties

MAG Silver wholly owns four other properties which remain in good standing but did not receive any exploration work in the second quarter.

Batopilas
The Company has incurred cumulatively $4,857,783 in exploration costs and $1,422,672 in acquisition costs on this 4,800 hectare property in the historic Batopilas native silver mining district in Chihuahua. The Company incurred $60,186 in exploration costs on Batopilas during the period ended June 30, 2009 (2008 - $1,260,587). The Company has budgeted a $200,000 exploration program at Batopilas for 2009.

La 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. The Company's budgeted exploration programs at La Lorena for 2009 are approximately $140,000. Negotiations to obtain surface drilling access are on-going.

Guigui
The Guigui project is a 4,500-hectare property in the Santa Eulalia Mining District, home to the world's largest CRD camp. The Company has incurred $1,499,275 in exploration costs and $1,576,740 in acquisition costs to date. Strong aerial magnetic anomalies remain to be drilled. The Company incurred $36,346 in exploration costs on Guigui during the period ended June 30, 2009 (2008 - $6,200). The Company's budgeted exploration programs at Guigui for 2009 are approximately $135,000**.**

Camino Duro
This 19,760 hectare property in Zacatecas, approximately 80 kilometres north of Juanicipio, was acquired in July 2008 and has received only limited exploration work to date.

OUTLOOK

a) General - The Company continues to explore its properties in Mexico and the Company's working capital position remains strong. Following the announcement of the intended takeover bid announced by Fresnillo plc in December 2008, the Company pursued an aggressive exploration program in the first quarter of 2009 in an effort to establish as much value as possible in the Company's non-Juanicipio land package. Many results and analysis remain outstanding and assessment of the work completed to date is ongoing. Exploration in the second quarter and onward will return to a normalized pace so that review, analysis and assessment work can be brought up to date.

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 carrying value of the Company's mineral properties at period end have not been impaired. Management reviews the deferred acquisition and exploration costs of its mineral properties regularly. In the event that market conditions and/or exploration results indicate that the carrying value of a mineral property likely exceeds its value in trade or its possible commercial mineral value, an impairment of that mineral property may be required.

b) Fresnillo – In December of 2008 London Stock Exchange listed Fresnillo plc announced an intention to bid for all of the outstanding shares of MAG. Fresnillo, an insider by virtue of its ownership of 19.8% of MAG, was in the unique position of also being the majority interest holder in, and the operator of, the joint venture company Minera Juanicipio.

Fresnillo's intended hostile takeover offered US$4.54 per MAG share, representing a price less than the previous trading day's closing price and a price that remained below MAG's market price for a significant portion of the next seven months. Fresnillo's intended hostile bid was also an "insider bid" as a result of their 19.8% shareholding in the Company, triggering the need for an independent valuation of MAG as required by Canadian securities law under Multilateral Instrument 61-101 ("MI 61-101"). The valuation work began early January 2009 but was suspended by MAG on February 1, 2009, when Fresnillo refused to provide critical information the independent valuator had requested which was critical for a fair and reliable valuation. The independent valuation remained suspended while continued requests for the critical information were denied by Fresnillo.

On May 8, 2009 the Company announced that it had delivered a formal application for a hearing before the Ontario Securities Commission (the "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 under MI 61-101. The Company also asked the OSC to enjoin Fresnillo from proceeding with its intended hostile bid if Fresnillo refused to comply with any document production order from the OSC.

On June 18, 2009 in connection with the OSC proceedings, Fresnillo was ordered to provide to MAG discovery of documents and email records that were germane to Fresnillo's repeated assertions that critical documents required in connection with the independent valuation of MAG and repeatedly requested by the independent valuator do not exist. Rather than cooperate with the discovery order issued by the OSC, on June 22, 2009 Fresnillo chose to withdraw its intended hostile bid, citing "uncertainty" as to when or if the independent valuation of MAG's shares would be completed.

As a result of Fresnillo's intended hostile bid and its aggressive and uncooperative actions before the OSC which resulted in long and protracted proceedings including numerous appearances before the OSC, the Company has incurred substantial additional professional and administrative costs associated with MAG's efforts to protect the rights of MAG's minority shareholders. There were also substantial and ongoing legal costs related to the initiation of arbitration proceedings with the International Chamber of Commerce (ICC) in Paris as prescribed by the terms of the Juanicipio Joint Venture agreement. See more detail under "Other Items" below.

c) Exploration - In January 2009, Fresnillo and MAG approved a 2009 exploration program based on the recommendation of Minera Juanicipio's Technical Committee totaling US $4.0 million and an engineering budget of US $500,000 for Minera Juanicipio. From its inception in late 2007 to August 14, 2009, the Company has advanced a historical total of approximately US $9.3 million to Minera Juanicipio. The engineering budget for 2009 was intended to provide for the completion of a scoping level study by Wardrop Engineering, expected to be delivered shortly, but in any event before the end of the third quarter.

Early in the year MAG approved an exploration budget of approximately $17.5 million for 2009. Of this amount, $1.9 million was allotted for the Company's 44% share of Minera Juanicipio's 2009 exploration budget as described above. A further $2.64 million was budgeted for the Company's share of possible underground development work at Juanicipio. The balance of approximately $13.5 million was earmarked for ten MAG-owned properties in Mexico and general administration and overhead costs. Planned 2009 expenditures include the diamond drilling of almost 30,000 metres of core on five separate 100% owned properties, air and ground based geophysical surveys, trenching, road building, mapping, sampling, geological modeling, surface rights acquisitions, taxes and land payments and overhead costs.

In response to Fresnillo's intended hostile bid, MAG chose to accelerate the 2009 exploration program with the aim of unlocking additional shareholder value from its portfolio of 100% owned exploration properties. To that end MAG essentially completed the full 2009 budgeted exploration program for its own properties during the first 6 months of 2009. Although the program has not yet located a substantial new discovery, a review of the results of the program indicate that Lagartos SE, Cinco de Mayo and Salemex projects are worthy of further exploration work going forward.

Diamond drilling has been ongoing during the year at Cinco de Mayo where MAG is outlining a new and potentially significant sulphide silver/lead/zinc carbonate replacement discovery. Drilling is complete, underway or planned for 2009 at Sierra Ramirez, El Pavo, Lagartos SE, Nuevo Mundo, Lorena, and Salemex. Drilling at Juanicipio by operator Fresnillo plc is expected to continue at roughly the same level in 2009 as it did in 2008 at approximately 25,000 metres. Presently, MAG has one drill operating at Cinco de Mayo and one drill at Lagartos SE. At Juanicipio, four drills in total are operating.

d) Going Forward - At the time of writing the ICC arbitration proceeding described above is ongoing and there will be associated legal and administrative costs going forward. However, these costs are expected to be significantly lower than those experienced in the six month period ended June 30, 2009. At present management is also in the process of preparing a revised exploration budget for the Company's 100% owned properties for the balance of 2009. Once again, the rate of expenditure is expected to be significantly reduced from the pace set in the first six month period of the year.

OUTSTANDING SHARE DATA

The Company's authorized capital consists of an unlimited number of common shares without par value. As at August 12, 2009, the following common shares and stock options were outstanding:

	Number of Shares	Exercise Price ($)	Remaining Life (mos/years)
Capital Stock	49,266,769		
Stock Options	3,722,158	$1.00 - $14.70	6 mos to 5 years
Diluted	52,988,927		

LIQUIDITY AND CAPITAL RESOURCES

At August 12, 2009 the Company had 49,266,769 issued and outstanding common shares. At June 30, 2009 the Company had 49,249,269 common shares issued and outstanding (2008 – 49,153,466 common shares). The Company issued a total of 93,703 common shares during the six month period ended June 30, 2009 for cash proceeds of $252,975 (2008: 2,199,270 for cash proceeds of $12,855,647). In the six months ended June 30, 2009 there were no shares (2008 – Nil) issued for mineral properties. The Company's primary source of capital has been from the sale of equity. At June 30, 2009 the Company had cash and cash equivalents on hand of $35,423,333 (2008: $64,815,966). The primary use of cash during the period was for mineral property acquisition and exploration expenditures of $11,263,120 (2008: $5,632,531), management and consulting fees of $766,761 (2008: $620,638), other general and administrative expenses of $4,067,274 (2008: $844,495) and investment in the Juanicipio Joint Venture of $1,110,996 (2008: $956,960). The Company makes cash deposits to Minera Juanicipio from time to time as cash called by operator Fresnillo plc. In the second quarter $1,016,052 was issued to Minera Juanicipio for the Company's share of approved programs. The Company had $35,938,222 in working capital as at June 30, 2009 compared to $65,178,059 at June 30, 2008. Current liabilities of the Company at June 30, 2009 amounted to $3,165,649 (2008 - $1,503,417), mostly attributable to accrued legal and exploration (drilling) expenses.

The Company currently has sufficient working capital to maintain all of its properties and planned programs for a period in excess of two years. 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 complete option and purchase arrangements on. The Company expects to raise equity capital as it is needed. However, there is no assurance that additional funding will be available to the Company and it may again become dependent upon the efforts and resources of its directors and officers for future working capital. Management refers the reader to Notes 9 and 10 of the annual financial statements for the year ended December 31, 2008.

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

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 as follows.

In November and December 2008 the Company notified Fresnillo of various concerns arising under the Shareholders Agreement dated October 10, 2005 which governs the Minera Juanicipio joint venture (the "Shareholders Agreement"). One such concern related to Fresnillo's acquisition of shares in the Company and

Fresnillo's December 1, 2009 announcement of their intention to launch a hostile bid for all of the outstanding shares of the Company. It has always been the Company's position that an unsolicited hostile bid by Fresnillo is prohibited by the terms of the Shareholders Agreement. In response to Fresnillo's hostile action and certain other alleged violations of the Shareholders Agreement, the Company undertook certain defensive steps, including the activation of the dispute resolution provisions of the Shareholders Agreement. Following unsuccessful attempts to resolve the disputes with Fresnillo through negotiations or mediation, on May 8, 2009 the Company announced that it had filed a formal request for arbitration with the International Court of Arbitration of the International Chamber of Commerce. The Company is seeking a ruling as to whether or not Fresnillo may acquire control of the Company on a hostile basis in breach of the standstill provisions contained in the shareholders agreement governing the Juanicipio joint venture and is also seeking relief in relation to other alleged violations by Fresnillo as operator under the Shareholders Agreement. At this time the matter is proceeding in accordance with the timelines established by the ICC.

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 obligations under the Company's property option agreements, 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 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. The need to make such payments is a "Trend" as it is unlikely that all such obligations will be eliminated from the Company's future business activities. The Company intends to utilize cash on hand in order to meet its obligations under property option agreements until at least December 31, 2010.

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. At this time the Company has no plan or intention to issue any equity or any debt in order to raise capital.

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 available on SEDAR at www.sedar.com and http://idea.sec.gov/idea.

The global economic environment has been uncertain since mid-year 2008. Lower commodity prices, currency fluctuations, banking and institutional failures, restricted credit availability and a general reduction in the availability of equity financing create a more uncertain environment for the Company's securities. The Company remains financially strong and will monitor the risks and opportunities of the current environment carefully. These macro-economic events have negatively affected the mining and minerals sectors in general. The Company's market capitalization has been significantly reduced. Although these circumstances may improve over the longer term, the short term impact upon the Company's liquidity and its ability to raise the capital required to execute its business plans going forward will be negative. As a result the Company will consider its business plans and options carefully going forward. Other risks and uncertainties faced by the Company are listed under "Risks and Uncertainties" above and under "Risk Factors" in the Company's Annual Information Form ("AIF"). The Company's intends to preserve its cash balances where possible.

At June 30, 2009, the Company had a receivable of $2,957,247 from the Mexican government for value added tax ("IVA"). During the period ended June 30, 2009 the Company received $819,338 from the Mexican government for value added tax. Although full recovery is expected by management, recoveries to date have been 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 received.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

The Company paid or accrued non-executive directors fees of $194,472 during the period ended June 30, 2009 (2008 - $102,500).

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 period ended June 30, 2009, the Company accrued or paid Cascabel and Imdex consulting, administration and travel fees totaling $181,671 (2008 - $68,261) and exploration costs totaling $2,025,411 (2008 - $1,119,576) under the Field Services Agreement.

During the year ended December 31, 2003, the Company entered into an office services agreement with Platinum Group Metals Ltd., a company with two common directors and common officer. During the period ended June 30, 2009, the Company accrued or paid Platinum Group Metals Ltd. $68,196 under the office service agreement (2008 - $67,891).

During the year ended December 31, 2007, the Company entered into a new two year office lease agreement with Anthem Works Ltd. ("Anthem"), a company with a common director. During the period ended June 30, 2009, the Company accrued or paid Anthem $43,957 under the office lease agreement (2008 - $41,095).

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.

CRITICAL ACCOUNTING ESTIMATES

The Company's critical accounting policies are set out in the Annual Management Discussion and Analysis for the year ended December 31, 2008.

CHANGES IN ACCOUNTING POLICIES

The Company's changes in accounting policies are set out in Note 2 of the unaudited Consolidated Interim Financial Statements for the quarter ended June 30, 2009.

CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company no later than the quarter ended November 30, 2011, with restatement of comparative information presented. The conversion to IFRS will impact the Company's accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency activities, certain contractual arrangements, capital requirements and compensation arrangements.

The Company is currently evaluating the future impact of IFRS on its financial statements and is in the process of preparing an IFRS transition plan. Based on the work performed to date, management has identified several potential impacts to the Company's financial statements as a result of adopting IFRS, with the major differences being:

i. The overall presentation of the financial statements will change significantly, as the Company complies with increased disclosure requirements under IFRS and differing presentations of the balance sheet and statements of income and cash flows; and

ii. Currently, IFRS rules surrounding mineral property costs and exploration costs are undergoing changes by the standard setters, and the results of changes to IFRS 6 "*Resource Properties*" could have a significant impact to the Company on transition.

Management is also in the process of assessing the impact of IFRS adoption on the Company's internal controls over financial reporting, disclosure controls and procedures, information technology and data systems, financial reporting expertise and other business activities such as foreign currency transactions. Management is currently focusing its efforts on the higher impact areas and has participated in ongoing training sessions provided by external advisors. 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 will continue to invest in training and additional resources to ensure a timely conversion.

CORPORATE GOVERNANCE

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to Multilateral 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, 2007 and December 31, 2008 and quarterly during 2008 through inquiry, review, and testing, as well as by drawing upon their own relevant experience. The Company retained an independent third party specialist in 2008 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.

The Company also maintains a system of internal controls over financial reporting, as defined by Multilateral 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 retained an independent third party specialist in 2006, 2007 and 2008 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 normal control over financial reporting as of June 30, 2009 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 June 30, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Subsequent Information

There have been no subsequent events to report.

MAG SILVER CORP.

(An exploration stage company)

Consolidated Financial Statements
For the six month period ended June 30, 2009

Dated: August 14, 2009

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

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MAG SILVER CORP.

(An exploration stage company)

Consolidated Balance Sheets

(Unaudited)

(expressed in Canadian dollars)

	June 30, 2009	Dec. 31, 2008
ASSETS		
CURRENT		
Cash	$ 35,423,333	$ 52,262,561
Accounts receivable (Note 4)	3,511,195	2,339,204
Interest receivable	10,668	81,934
Marketable securities (Note 5)	9,943	4,116
Prepaid expenses	148,732	110,151
TOTAL CURRENT ASSETS	39,103,871	54,797,966
EQUIPMENT AND LEASEHOLDS (Note 6)	63,606	66,539
INVESTMENT IN MINERA JUANICIPIO S.A. DE C.V. (Note 7)	9,267,347	8,166,747
MINERAL RIGHTS (Note 8)	6,409,446	6,879,060
DEFERRED EXPLORATION COSTS (Note 8)	33,928,361	25,237,198
TOTAL ASSETS	$ 88,772,631	$ 95,147,510
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 3,165,649	$ 1,503,417
SHAREHOLDERS' EQUITY		
Contingencies and commitments (Note 15)		
Share capital (Note 9)		
Authorized - unlimited common shares, without par value		
Issued and outstanding at Jun 30, 2009 - 49,249,269 common shares Jun 30, 2008 - 49,153,466)	107,412,394	107,023,016
Contributed surplus	10,708,401	9,583,860
Accumulated other comprehensive loss	(1,032,259)	(1,027,690)
Deficit	(31,481,554)	(21,935,093)
TOTAL SHAREHOLDERS' EQUITY	85,606,982	93,644,093
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 88,772,631	$ 95,147,510

CONTINUING OPERATIONS (Note 1)

RELATED PARTY TRANSACTIONS (Note 14)

ON BEHALF OF THE BOARD

/s/ "Derek White"

Derek White, Director

/s/ "R. Michael Jones"

R. Michael Jones, Director

See accompanying notes to the consolidated financial statements.

MAG SILVER CORP.

(An exploration stage company)

Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

	For the three month period ended June 30, 2009	For the three month period ended June 30, 2008	For the six month period ended June 30 2009	For the six month period ended June 30 2008
EXPENSES				
Accounting and audit	$ 70,056	$ 93,933	$ 164,015	$ 138,608
Annual general meeting expense	-	29,137	218,684	96,960
Filing and transfer agent fees	84,138	7,721	189,591	134,078
Foreign exchange gain	(122,157)	(1,469)	(13,088)	(64,675)
General office and property investigation	263,979	110,418	392,359	213,365
Legal	1,864,685	12,765	2,490,158	83,865
Management and consulting fees	267,654	251,800	766,761	620,638
Mineral property costs written off (Note 8)	491,316	51,608	3,641,571	1,221,019
Shareholder relations	225,161	56,040	458,238	135,324
Stock compensation expense	1,211,099	953,321	1,260,945	2,399,621
Travel	80,138	72,193	167,317	106,970
	4,436,069	1,637,467	9,736,551	5,085,773
LOSS BEFORE THE FOLLOWING	(4,436,069)	(1,637,467)	(9,736,551)	(5,085,773)
INTEREST INCOME	51,365	545,586	190,090	1,204,755
NET LOSS FOR THE PERIOD	$ (4,384,704)	$ (1,091,881)	$ (9,546,461)	$ (3,881,018)
OTHER COMPREHENSIVE GAIN				
CURRENCY TRANSLATION ADJUSTMENT	(21,944)	146,977	(10,396)	531,412
UNREALIZED GAIN ON MARKETABLE SECURITIES	1,698	(655)	5,827	(655)
COMPREHENSIVE LOSS FOR THE PERIOD	$ (4,404,950)	$ (945,559)	$ (9,551,030)	$ (3,350,261)
BASIC AND DILUTED LOSS PER SHARE	$ (0.09)	$ (0.02)	$ (0.19)	$ (0.07)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	49,238,523	49,011,242	49,222,633	48,423,600

See accompanying notes to the consolidated financial statements.

MAG SILVER CORP.

(An exploration stage company)

Consolidated Statements of Shareholders' Equity

(expressed in Canadian dollars)

	Common shares without par value		Common share purchase warrants		Contributed	Accumulated other comprehensive	Deficit accumulated during the exploration	Total Deficit	Total shareholders'
	Shares	Amount	Number	Amount	Surplus	loss ("AOCL")	stage	and "AOCL"	equity
Balance, December 31, 2005	36,191,648	$20,812,185	-	$ -	$915,979	$ -	($4,046,379)	($4,046,379)	$17,681,785
Issued for cash	245,716	577,433	-	-	-	-	-	-	577,433
Issued to obtain mineral property option rights	85,043	204,431	-	-	-	-	-	-	204,431
Warrants exercised	944,503	1,275,079	-	-	-	-	-	-	1,275,079
Stock options exercised	461,700	564,814	-	-	(197,944)	-	-	-	366,870
Stock options expense	-	-	-	-	2,341,159	-	-	-	2,341,159
Net loss	-	-	-	-	-	-	(3,866,567)	(3,866,567)	(3,866,567)
Balance, December 31, 2006	37,928,610	23,433,942	-	-	3,059,194	-	(7,912,946)	(7,912,946)	18,580,190
Issued for cash (Note 8 (a))	5,760,000	59,955,443	1,380,000	2,692,571	-	-	-	-	62,648,014
Warrants exercised	2,883,486	6,468,783	(243,000)	(474,127)	-	-	-	-	5,994,656
Stock options exercised	382,100	1,247,472	-	-	(436,110)	-	-	-	811,362
Stock options expense	-	-	-	-	5,256,566	-	-	-	5,256,566
Translation adjustment	-	-	-	-	-	(716,778)	-	(716,778)	(716,778)
Net loss	-	-	-	-	-	-	(8,149,258)	(8,149,258)	(8,149,258)
Balance, December 31, 2007	46,954,196	91,105,640	1,137,000	2,218,444	7,879,650	(716,778)	(16,062,204)	(16,778,982)	84,424,752
Issued for cash	-	11,936	-	-	-	-	-	-	11,936
Warrants exercised	1,137,000	13,588,444	(1,137,000)	(2,218,444)	-	-	-	-	11,370,000
Stock options exercised	1,064,370	2,316,996	-	-	(834,801)	-	-	-	1,482,195
Stock options expense	-	-	-	-	2,539,011	-	-	-	2,539,011
Translation adjustment	-	-	-	-	-	(304,458)	-	(304,458)	(304,458)
Unrealized loss on marketable securities	-	-	-	-	-	(6,454)	-	(6,454)	(6,454)
Net loss	-	-	-	-	-	-	(5,872,889)	(5,872,889)	(5,872,889)
Balance, December 31, 2008	49,155,566	107,023,016	-	-	9,583,860	(1,027,690)	(21,935,093)	(22,962,783)	93,644,093
Stock options exercised	93,703	389,378	-	-	(136,404)	-	-	-	252,975
Stock options expense	-	-	-	-	1,260,945	-	-	-	1,260,945
Translation adjustment	-	-	-	-	-	(10,396)	-	(10,396)	(10,396)
Unrealized gain on marketable securities	-	-	-	-	-	5,827	-	5,827	5,827
Net loss	-	-	-	-	-	-	(9,546,461)	(9,546,461)	(9,546,461)
Balance, June 30, 2009	49,249,269	$ 107,412,394	-	$ -	$ 10,708,401	$ (1,032,259)	$ (31,481,554)	$ (32,513,813)	$ 85,606,982

See accompanying notes to the consolidated financial statements.

MAG SILVER CORP.

(An exploration stage company)

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

	For the three month Period ended June 30, 2009	For the three month Period ended June 30, 2008	For the six month Period ended June 30, 2009	For the six month Period ended June 30, 2008
OPERATING ACTIVITIES				
Net loss for the period	$ (4,384,704)	$ (1,091,881)	$ (9,546,461)	$ (3,881,018)
Items not involving cash:				
Amortization	8,586	8,860	17,172	19,079
Mineral property costs written off (Note 8)	491,316	51,608	3,641,571	1,221,019
Non-cash stock compensation expense	1,211,099	953,321	1,260,945	2,399,621
Changes in operating assets and liabilities				
Accounts receivable	(203,857)	(665,600)	(1,171,991)	(1,110,056)
Interest receivable	17,046	30,410	71,266	18,404
Prepaid expenses	52,585	(38,153)	(38,582)	(30,938)
Accounts payable and accrued liabilities	1,469,173	(142,611)	1,062,232	(157,765)
	(1,338,756)	(894,046)	(4,703,848)	(1,521,654)
INVESTING ACTIVITIES				
Purchase of equipment and leasehold improvements	-	(3,146)	(14,239)	(65,273)
Purchase of marketable securities	-	(10,570)	-	(10,570)
Investment in Juanicipio JV	(1,073,512)	(482,008)	(1,110,996)	(956,960)
Mineral rights	(140,015)	(550,268)	(979,505)	(740,989)
Deferred exploration costs	(6,023,719)	(3,556,777)	(10,283,615)	(4,891,542)
	(7,237,246)	(4,602,769)	(12,388,355)	(6,665,334)
FINANCING ACTIVITIES				
Issuance of common shares	99,175	500,456	252,975	12,855,647
	99,175	500,456	252,975	12,855,647
(DECREASE) INCREASE IN CASH	(8,476,827)	(4,996,359)	(16,839,228)	4,668,659
CASH, BEGINNING OF PERIOD	43,900,160	69,812,325	52,262,561	60,147,307
CASH, END OF PERIOD	$ 35,423,333	$ 64,815,966	$ 35,423,333	$ 64,815,966

See accompanying notes to the consolidated financial statements.

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. Unless the context requires otherwise, references in these consolidated financial statements to the Company include the subsidiaries of the Company whose financial results are consolidated in these financial statements.

The Company is an exploration 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 consolidated financial statements have been prepared in accordance with generally accepted accounting principles 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. If the going concern assumption was not appropriate, the financial statements would require revision and restatement on a liquidation basis.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the Company's audited annual consolidated financial statements for the year ended December 31, 2008, except as described in note 3. The accompanying unaudited interim financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2008, as they do not contain all disclosures required by Canadian GAAP for annual financial statements.

In the opinion of management, all adjustments necessary to present fairly the financial position of the Company as at June 30, 2009 and results of its operations and cash flows for all periods presented have been made. The interim results are not necessarily indicative of results for a full year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of consolidation

The unaudited interim consolidated financial statements of entities which are controlled by the Company through voting equity interests, referred to as subsidiaries, are consolidated. Variable interest entities ("VIEs"), which include, but are not limited to, special purpose entities, trusts, partnerships, and other legal structures, as defined by the Accounting Standards Board in Accounting Guideline ("AcG") 15, *Consolidation of Variable Interest Entities* ("AcG 15"), are entities in which equity investors do not have the characteristics of a "controlling financial interest" or there is not sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIEs are subject to consolidation by the primary beneficiary who will absorb the majority of the entities' expected losses and/or expected residual returns. The Company does not believe that it has any VIEs subject to consolidation. All significant intercompany balances and transactions have been eliminated upon consolidation. The principal subsidiary at December 31, 2008 is Minera Los Lagartos, S.A. de C.V. ("Lagartos") which holds several properties in Mexico.

Investments where the Company has the ability to exercise significant influence, generally where the Company has a 20% to 50% equity interest are accounted for using the equity method. Under this method, the Company's share of the investee's earnings or losses is included in operations and its investments therein are adjusted by a like amount. Dividends received from these investments are credited to the investment accounts.

The Company's 44% interest in the Juanicipio Joint Venture (Note 7) is recorded using the equity method.

3. CHANGES IN ACCOUNTING POLICIES

(i) *Business Combinations*

In January 2009, the CICA issued Section 1582, Business Combinations, Section 1601, Consolidations, and Section 1602, Non-controlling Interest. These new standards are harmonized with International Financial Reporting Standards (IFRS). Section 1582 specifies a number of changes, including: an expanded definition of a business, a requirement to measure all business acquisitions at fair value, a requirement to measure non-controlling interests at fair value, and a requirement to recognize acquisition-related costs as expenses. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. The new standards will become effective in 2011 but early adoption is permitted. The Company is evaluating the attributes of early adoption of this standard and its potential effects if events or transactions occurred that this standard applies to.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(ii) Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This Section is effective in the first quarter of 2009, and the Company has evaluated the requirements of this Section and concluded that the impact is not material to the financial statements.

(iii) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities ("EIC-173")

In January 2009, the CICA issued Emerging Issues Committee ("EIC") Abstract 173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities ("EIC-173"). EIC-173 provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year ending December 31, 2009, with retroactive application. The adoption of EIC-173 did not result in a material impact on the Company's consolidated financial statements.

(iv) Mining Exploration Costs ("EIC-174")

In March 2009, the CICA issued EIC Abstract 174 - Mining Exploration Costs ("EIC-174") which supersedes EIC Abstract 126 - Accounting by Mining Enterprises for Exploration Costs ("EIC-126"), to provide additional guidance for mining exploration enterprises on the accounting for capitalization of exploration costs and when an impairment test of these costs is required. EIC 174 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year ending December 31, 2009, with retroactive application. The adoption of EIC – 174 did not result in a material impact on the Company's consolidated financial statements.

4. ACCOUNTS RECEIVABLE

	June 30, 2009	Dec. 31, 2008
Goods and services tax recoverable	$ 119,222	$ 44,633
Mexican value added tax ("IVA") recoverable	2,957,247	2,190,188
Other	434,726	104,383
	$ 3,511,195	$ 2,339,204

During the six months ended June 30, 2009 the Company received $819,338 in IVA. Based on management's discussions with the Mexican government the Company believes that the entire balance will be recovered by year end.

5. MARKETABLE SECURITIES

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 7).

At June 30, 2009, the Company holds the following marketable securities:

Available-for-sale securities	Number of Shares	Cost ($)	Accumulated Unrealized Losses ($)	Fair Value ($)
Fresnillo PLC	1,000	10,570	627	9,943

At December 31, 2008, the Company has the following marketable securities:

Available-for-sale securities	Number of Shares	Cost ($)	Accumulated Unrealized Losses ($)	Fair Value ($)
Fresnillo PLC	1,000	10,570	6,454	4,116

During the year ended December 31, 2008 the Company recognized an unrealized loss of $6,454 (2007 - $nil) on marketable securities designated as available-for-sale instruments in other comprehensive income. Management believes that the change in fair value of its marketable security is only temporary.

During the period ended June 30, 2009 the Company recognized an unrealized gain of $5,827 (2008 – loss of $655) on marketable securities designated as available-for-sale instruments in other comprehensive income. Overall the Company still has an accumulated unrealized loss of $627.

6. EQUIPMENT AND LEASEHOLDS

	June 30, 2009		
	Cost	Accumulated depreciation	Net book value
Computer equipment and software	$ 74,948	$ 39,308	$ 35,640
Field equipment	67,201	42,495	24,706
Leasehold improvements	26,084	22,824	3,260
	$ 168,233	$ 104,627	$ 63,606

6. EQUIPMENT AND LEASEHOLDS (continued)

	December 31, 2008		
	Cost	Accumulated depreciation	Net book value
Computer equipment and software	$ 60,709	$ 33,018	$ 27,691
Field equipment	67,201	38,135	29,066
Leasehold improvements	26,084	16,302	9,782
	$ 153,994	$ 87,455	$ 66,539

Equipment and leaseholds are recorded at cost and are amortized on the declining balance basis at the following annual rates:

Computer equipment and software	30%
Field equipment	30%

The leasehold improvements are depreciated on a straight-line basis to amortize the costs over the two year term of the related lease.

7. INVESTMENT IN 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, Peñoles restructured and transferred its 56% interest of Minera Juanicipio into a new company called Compania Fresnillo S.A. de C.V., which then transferred its interest to Fresnillo plc (“Fresnillo”) pursuant to a statutory merger. Minera Juanicipio is held as to 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.

7. INVESTMENT IN MINERA JUANICIPIO S.A. DE C.V. (continued)

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 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 its 44% interest.

Effective December 31, 2007 the Company concluded that the functional currency of 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 translates its net investment in Minera Juanicipio using the current rate method with translation gains and losses recorded in other comprehensive loss which is a component of shareholders' equity, until there is a realized reduction in the net investment.

The Company owns a 44% interest in Minera Juanicipio. The Company's historical investment relating to its interest in the Juanicipio property and Minera Juanicipio are detailed as follows:

	June 30, 2009	Dec. 31, 2008
Camp costs	$ 8,326	$ 14,024
Geological	69,718	78,452
Geophysical	2,835	8,163
Gov't fees and licenses	5,086	10,131
Travel	6,455	5,736
Site administration	2,524	1,667
Cash contributions to the Minera Juanicipio	1,016,052	2,404,671
	1,110,996	2,522,844
Balance, beginning of year	8,166,747	5,948,361
	$ 9,277,743	$ 8,471,205
Recoveries	-	-
Translation adjustment	(10,396)	(304,458)
Balance, end of year	$ 9,267,347	$ 8,166,747

Summary of the Unaudited Interim Statements of Minera Juanicipio

At June 30, 2009 the assets of Minera Juanicipio consisted of cash and short term investments in the amount of 20.80 million pesos ($1.84 million), value added taxes recoverable and other receivables in the amount of 4.98 million pesos ($439,000) and mineral, surface rights and exploration expenditures in the amount of 203.17 million pesos ($17.93 million). Payables to Peñoles and other vendors for exploration work amounted to 1.35 million pesos ($119,100) while shareholders equity was 227.59 million pesos ($20.08 million).

MAG SILVER CORP.

(An exploration stage company)
Notes to the Consolidated Financial Statements

8. MINERAL RIGHTS AND DEFERRED EXPLORATION COSTS

Six month period ended June 30, 2009

	(Batopilas) Don Fippi	Guigui	Lagartos NW	Lagartos SE	Sierra de Ramirez	Cinco de Mayo	Other	Total
Acquisition costs of mineral rights								
Bal., beginning of year	$ 1,422,672	$ 1,571,172	$ 50,032	$ 36,458	$ 1,359,747	$ 1,373,416	$ 1,065,563	$ 6,879,060
Incurred during period	-	5,568	-	-	89,372	814,200	70,365	979,505
Less amounts written off	-	-	-	-	(1,449,119)	-	-	(1,449,119)
Balance, end of period	$ 1,422,672	$ 1,576,740	$ 50,032	$ 36,458	$ -	$ 2,187,616	$ 1,135,928	$ 6,409,446
Deferred exploration costs								
Camp costs	$ 10,577	$ 697	$ -	$ 63,071	$ 65,047	$ 142,801	$ 85,459	$ 367,652
Drilling	-	-	-	2,011,785	1,167,634	3,739,117	999,056	7,917,592
Geochemical	3,045	-	-	107,582	99,313	349,188	88,181	647,309
Geological	33,069	5,745	76	220,417	229,583	485,483	206,644	1,181,017
Geophysical	-	-	-	-	-	287,191	756	287,947
Gov't fees and licenses	6,531	29,834	52,027	45,668	28,264	88,344	47,912	298,580
Site administration	2,116	70	-	12,102	12,205	26,071	12,049	64,613
Travel	2,473	-	-	10,442	15,988	19,828	16,935	65,666
Transport and shipping	2,375	-	-	14,233	9,147	19,515	7,969	53,239
	60,186	36,346	52,103	2,485,300	1,627,181	5,157,538	1,464,961	10,883,615
Bal., beginning of year	4,797,597	1,462,929	1,204,960	5,330,430	565,271	10,773,036	1,102,975	25,237,198
Less amounts written off	-	-	-	-	(2,192,452)	-	-	(2,192,452)
Balance, end of period	$ 4,857,783	$ 1,499,275	$ 1,257,063	$ 7,815,730	$ -	$ 15,930,574	$ 2,567,936	$ 33,928,361

Three month period ended June 30, 2009

	(Batopilas) Don Fippi	Guigui	Lagartos NW	Lagartos SE	Sierra de Ramirez	Cinco de Mayo	Other	Total
Acquisition costs of mineral rights								
Bal., beginning of period	$ 1,422,672	$ 1,571,172	$ 50,032	$ 36,458	$ -	$ 2,182,945	$ 1,065,563	$ 6,328,842
Incurred during period	-	5,568	-	-	59,411	4,671	70,365	140,015
Less amounts written off	-	-	-	-	(59,411)	-	-	(59,411)
Balance, end of period	$ 1,422,672	$ 1,576,740	$ 50,032	$ 36,458	$ -	$ 2,187,616	$ 1,135,928	$ 6,409,446
Deferred exploration costs								
Camp costs	$ 2,624	$ 697	$ -	$ 29,460	$ 16,085	$ 70,114	$ 15,074	$ 134,054
Drilling	-	-	-	530,355	261,757	1,620,084	199,744	2,611,940
Geochemical	18	-	-	30,206	56,517	141,652	19,952	248,345
Geological	5,425	5,745	-	106,096	80,533	252,864	57,013	507,676
Geophysical	-	-	-	-	-	25,108	-	25,108
Gov't fees and licenses	1,016	171	298	4,248	2,369	5,384	4,633	18,119
Site administration	733	70	-	5,468	3,917	17,177	3,059	30,424
Travel	7	-	-	4,131	7,815	7,196	4,401	23,550
Transport and shipping	917	-	-	7,593	2,912	10,420	2,661	24,503
	10,740	6,683	298	717,557	431,905	2,149,999	306,537	3,623,719
Bal., beginning of period	4,847,043	1,492,592	1,256,765	7,098,173	-	13,780,575	2,261,399	30,736,547
Less amounts written off	-	-	-	-	(431,905)	-	-	(431,905)
Balance, end of period	$ 4,857,783	$ 1,499,275	$ 1,257,063	$ 7,815,730	$ -	$ 15,930,574	$ 2,567,936	$ 33,928,361

8. MINERAL RIGHTS AND DEFERRED EXPLORATION 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 June 30, 2009, the Company has incurred $4,857,783 in exploration costs on the property.

(b) *Guigui Property*
The Company has a 100% interest in mining concessions located in the Santa Eulalia (Guigui), Chihuahua district of Mexico, subject to a royalty of 2.5% of the Net Smelter returns obtained from the property. To June 30, 2009, the Company has incurred $1,499,275 in exploration costs on the property.

(c) *Lagartos Properties*
The Company has acquired a 100% interest in exploration concessions on mining claims (Lagartos) on the Fresnillo trend to the northwest and southeast of the Juanicipio property. This exploration concession enables the Company to explore the mining claim covered by the concession to December 2009, subject to the Company paying any applicable annual tax or other regulatory charges.

During the year ended December 31, 2008, the Company entered into an option agreement to acquire a 100% interest in certain mining concessions internal to the Lagartos SE property. The Company terminated this option after making payments of $36,458 (US$30,000).

To June 30, 2009, the Company has incurred $1,257,063 in exploration costs on the Lagartos NW property and $7,815,730 in exploration costs on the Lagartos SE property.

(d) *Sierra Ramirez Property*
Under a 2003 agreement, as later amended in 2006, the Company has an option to acquire a 100% interest in certain mining concessions located in the Sierra Ramirez district in Durango, Mexico. Under the amended terms, the Company issued Minera Rio Tinto S.A. de C.V. 20,000 common shares of the Company (valued at $55,000) and is to make scheduled cash payments totalling US$1,300,000 to December 14, 2010. To June 30, 2009 the Company has paid US$400,000. The final scheduled payment of US$650,000 may be settled by up to US$500,000 paid in the common shares of the Company. The Company also paid a finder's fee of 25,000 common shares ($25,746) of the Company in relation to this property. To June 30, 2009, the Company has incurred $2,192,452 in exploration costs on the property.

During the year ended December 31, 2007, the Company entered into five separate option agreements to acquire 100% interests in certain mining concessions, all of which are internal to the Sierra Ramirez property. The Company is obligated to make scheduled cash payments totalling US$5,537,325 to December 31, 2013 (of which US$465,625 has been paid).

8. MINERAL RIGHTS AND DEFERRED EXPLORATION COSTS (continued)

Based on exploration results received after the quarter end on June 30, 2009, it was decided that the results to date do not support the capitalised value of this property. Effective at June 30, 2009 the Company wrote down deferred acquisition and exploration costs of $3,641,571 relating to the Sierra Ramirez property. The Company has not abandoned the property and further exploration work will be undertaken.

(e) *Cinco de Mayo Property*
On February 26, 2004, the Company entered into an option agreement to acquire a 100% interest in the Cinco de Mayo property (the "Cinco de Mayo Property"), subject to a 2.5% net smelter returns royalty. Under the terms of the agreement, as later amended, the Company was obligated to make scheduled cash and share payments together worth US$1,000,000 and incur exploration expenditures totalling US$1,000,000 by July 26, 2009. To June 30, 2009 the Company has paid $661,721 (US$550,000) in cash, issued 165,670 common shares at a value of $266,630 and has completed $15,930,574 in exploration costs.

During the year ended December 31, 2008, the Company acquired a 100% interest in certain mining concessions internal to the Cinco de Mayo property from two separate vendors. The Company made a one-time payment of $445,065 (US$350,000) for these mining concessions.

During the period ended June 30, 2009, the Company purchased surface rights in the Cinco de Mayo area for $809,529.

(f) *Sello Property*
On December 8, 2006, the Company entered into an agreement to acquire a 100% interest in the Sello and Sello Uno claims located in Zacatecas State, by making scheduled option payments totalling US$1,000,000 plus applicable value added tax over a three year period, of which $52,816 (US$50,000) was paid. During 2008 the Company entered into an agreement to acquire a 100% interest in the El Oro claims located adjacent to Sello in Zacatecas State, by making scheduled option payments totalling US$125,000 plus applicable value added tax over one year, of which $66,019 (US$62,500) was paid. Based on exploration results, it was decided in April 2008 that the Company would terminate these option agreements, and consequently, total deferred acquisition and exploration costs of $1,221,019 were written-off as of June 30, 2008.

(g) *Other Properties*
At June 30, 2009, the Company has capitalized $1,135,928 in acquisition costs on other properties in Mexico. The Company is obligated to make additional scheduled cash payments totalling US$2,120,000 to October 31, 2013 if it wishes to maintain its acquisition rights under the referred option agreements.

The other properties consist of the Zacatecas claims, the La Lorena claims, the Nuevo Mundo claims, the Camino Duro claims, and the Salemex claim options. During the period ended June 30, 2009, the Company completed approximately $1,464,961 in exploration costs including $991,716 in drilling and other exploration costs on the Salemex claims. Another $473,245 in exploration costs was spent on the remaining other properties.

9. SHARE CAPITAL

(a) *Issued and outstanding*

At June 30, 2009, there were 49,249,269 shares outstanding.

During the period ended June 30, 2009, 93,703 stock options were exercised for cash proceeds of $252,975.

During the year ended December 31, 2008, 1,137,000 share purchase warrants were exercised for proceeds of $11,370,000 and 1,064,370 stock options were exercised for cash proceeds of $1,482,195.

During the year ended December 31, 2007, 2,883,486 share purchase warrants were exercised for proceeds of $5,994,656 and 382,100 stock options were exercised for cash proceeds of $811,362.

On November 27, 2007, the Company closed a brokered private placement for 3,000,000 common shares of the Company at a price of $15.50 per share for gross proceeds of $46,500,000. The Company paid a 5.0% commission to the underwriters on this placement. Legal, syndicate, and filing costs totaled an additional $208,484.

On February 14, 2007, the Company closed a brokered private placement for 2,550,000 units at $7.25 a unit for gross proceeds of $18,487,500. Each unit was comprised of one common share and one-half of one common share purchase warrant, with each whole warrant exercisable for one common share at a price of $10.00 until February 14, 2008. Of the gross proceeds, $15,999,799 was assigned to the common shares included in the units and $2,487,701 to the warrants. The Company paid a 6.0% cash commission to the underwriters on this placement. Legal, syndicate, and filing costs totaled an additional $127,902.

On February 14, 2007, the Company closed a non-brokered private placement for 195,000 units, while a further 15,000 units were closed February 15, 2007 for a total of 210,000 at $7.25 a unit for gross proceeds of $1,522,500. Each unit is comprised of one common share and one-half of one common share purchase warrant, with each whole warrant exercisable for one common share at a price of $10.00 until February 14, 2008 (and in some cases February 15, 2008). Of the gross proceeds, $1,317,630 was assigned to the common shares included in the units and $204,870 to the warrants. The Company paid a 6.0% finder’s fee on this placement comprised of $91,350 in cash.

9. SHARE CAPITAL (Continued)

(b) Stock options

The Company has entered into Incentive Stock Option Agreements ("Agreements") with directors, officers and employees. At the Annual General and Special Meeting of the Shareholders held on March 24, 2009 the Shareholders approved the Amended and Restated Stock Option Plan (the "Plan") which fixed the maximum number of stock options that may be granted to 4,921,056. For more information on the current Plan go to www.sedar.com.

The following table summarizes options outstanding and exercisable at June 30, 2009:

Exercise price	Number outstanding at June 30, 2009	Weighted average remaining contractual life (years)	Weighted average exercise price
$ 1.00	60,000	1.42	1.00
1.06	500,000	0.55	1.06
2.00	50,000	1.96	2.00
2.46	127,000	2.06	2.46
3.00	505,000	1.60	3.00
3.12	18,000	2.17	3.12
3.56	13,000	1.72	3.56
4.04	132,830	1.75	4.04
5.32	223,617	4.98	5.32
5.36	462,500	2.45	5.36
5.54	327,822	4.81	5.54
7.56	35,000	2.57	7.56
7.62	50,000	4.23	7.62
8.80	200,000	2.65	8.80
9.40	45,000	2.75	9.40
10.01	240,264	4.00	10.01
12.91	274,625	3.62	12.91
14.15	425,000	3.29	14.15
14.70	50,000	3.09	14.70
	3,739,658	2.70	$ 6.46

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.

9. SHARE CAPITAL (Continued)

(b) Stock options (continued)

The following table summarizes the Company's options:

	Period ended June 30, 2009	Weighted average exercise price	Period ended June 30, 2008	Weighted average exercise price
Balance outstanding, beginning of year	3,312,407	$ 6.59	3,805,700	$ 4.44
Activity during the period				
Options granted	552,142	5.45	528,765	11.57
Options forfeited	(31,188)	13.50	-	-
Options exercised	(93,703)	2.70	(1,062,270)	1.39
Balance outstanding, end of period	3,739,658	$ 6.46	3,272,195	$ 6.59

During the period ended June 30, 2009, the Company granted 552,142 stock options, (June 30, 2008 – 528,765). The Company has recorded $1,260,945 (June 30, 2008 - $2,399,621) of compensation expense relating to stock options vested to employees and consultants in the period ended June 30, 2009.

For the period ended June 30, 2009, 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 62%, an annual risk free interest rate of 1.93% and expected lives of three years.

For the comparative period ended June 30, 2008, 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 49%, an annual risk free interest rate of 3.40% and expected lives of three years.

10. 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 equity attributable to common shareholders, comprising of issued share capital, common share purchase warrants, contributed surplus, accumulated other comprehensive loss and accumulated 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 June 30, 2009, 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 its exploration and development plans and operations through its current operating period.

11. FINANCIAL RISK MANAGEMENT

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

(a) *Credit risk*

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

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

(ii) *Cash and cash equivalents*
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. At period end there were no cash equivalents.

(iii) *Derivative financial instruments*
As at June 30, 2009, the Company has no derivative financial instruments. MAG may in the future enter into derivative financial instruments in order to manage credit risk. Only derivative financial instruments with highly rated investment grade counterparties will be considered.

(iv) *Mexican value added tax*
At period end the Company had a receivable of $2,957,247 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 on its Mexican operations at June 30, 2009 is as follows:

		June 30, 2009		Dec. 31, 2008
Cash	$	744,869	$	414,359
Accounts Receivable		2,957,247		2,294,571
	$	3,702,116	$	2,708,930

(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 and its exploration and development plans. The annual budget is approved by the Board of Directors. The Company ensures that there are sufficient cash balances to meet its short-term business requirements.

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

(c) *Currency risk*

The Company’s functional currency is the Canadian dollar and therefore the Company's net earnings and other comprehensive earnings are impacted by fluctuations in the value of foreign currencies in relation to the Canadian dollar. The Company's foreign currency exposures comprise limited amounts of cash and cash equivalents and accounts payable and accrued liabilities denominated in Mexican pesos and United States dollars. Several of the Company’s options to acquire properties in Mexico may result in option payments by the Company denominated in Mexican pesos or in United States dollars. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign exchange rates. Appreciation in the Mexican peso or the United States dollar against the Canadian dollar will increase our cost of operations. A decrease in the United States dollar or the Mexican peso against the Canadian dollar will result in a loss on our books to the extent we hold funds in either currency. The Company is also exposed to inflation risk in Mexico.

The most significant foreign exchange impact on the Company’s net income is the translation of foreign currency based earnings into Canadian dollars in each reporting period. All of the Company’s foreign subsidiaries report their operating results in currencies other than the Canadian dollar. Therefore, exchange rate movements in the Mexican peso relative to the Canadian dollar will impact the consolidated results of the Mexican operations in Canadian dollar terms.

The sensitivity of the Company's net loss and other comprehensive loss for the period ended June 30, 2009 due to changes in the exchange rate for the Mexican peso in relation to the Canadian dollar is summarized in the following table expressed as the increase in the net loss and comprehensive loss for each 10% appreciation in the Canadian dollar:

Net Loss	$	1,314,111
Other comprehensive loss		753,320
Comprehensive loss	$	2,067,431

A 10% depreciation in the Canadian dollar against the Mexican peso would have a similar decrease in net loss.

(d) Interest rate risk

The Company's interest revenue earned on cash and cash equivalents and on short term investments is exposed to interest rate risk. A continued decrease in interest rates as was seen at the end of 2008 would result in lower interest income in 2009.

12. FAIR VALUE DISCLOSURES

The carrying values of cash and cash equivalents, marketable securities and accounts payable reported in the consolidated balance sheet approximate their respective fair values.

13. 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.

14. RELATED PARTY TRANSACTIONS

The Company paid or accrued non-executive directors fees of $194,472 during the period ended June 30, 2009 (2008 - $102,500).

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 period ended June 30, 2009, the Company accrued or paid Cascabel and Imdex consulting, administration and travel fees totaling $181,671 (2008 - $68,261) and exploration costs totaling $2,025,411 (2008 - $1,119,576) under the Field Services Agreement.

During the year ended December 31, 2003, the Company entered into an office services agreement with Platinum Group Metals Ltd., a company with two common directors and common officer. During the period ended June 30, 2009, the Company accrued or paid Platinum Group Metals Ltd. $68,196 under the office service agreement (2008 - $67,891).

During the year ended December 31, 2007, the Company entered into a new two year office lease agreement with Anthem Works Ltd. ("Anthem"), a company with a common director. During the period ended June 30, 2009, the Company accrued or paid Anthem $43,957 under the office lease agreement (2008 - $41,095).

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.

15. CONTINGENCIES AND COMMITMENTS

The Company's minimum payments under its office lease agreement which was entered into during the year ended December 31, 2007, are as follows:

2009		21,473
2010		-
	$	21,473