MAG SILVER CORP.

(An exploration stage company)

Management Discussion & Analysis
For the period ended
March 31, 2008

Dated: May 14, 2008

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

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MAG Silver Corp. 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 American Stock Exchange under the symbol MVG. The Company is a "reporting" company in the Provinces of British Columbia, Alberta and Ontario.

This following management discussion and analysis ("MD&A") of MAG Silver Corp. (the "Company) focuses on the financial condition and results of operations of the Company for the three months ended March 31, 2008 and 2007; is prepared as of May 12, 2008; and should be read in conjunction with the interim unaudited consolidated financial statements for the three months ended March 31, 2008 and the audited consolidated financial statements of the Company for the year ended December 31, 2007 together with the notes thereto. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise.

The risks and uncertainties faced by the Company are substantially unchanged from those described in the Company's Annual MD&A dated March 14, 2008 and other risk factors listed from time-to-time in the Company's Annual Information Form.

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 holders of the Company's Common Shares are also 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 from time-to-time in the Company's Annual Information Form ("AIF"). This AIF and additional information about the Company and its business activities are available on SEDAR at www.sedar.com.

FIRST QUARTER HIGHLIGHTS

- ***In January 2008 the shareholder's rights plan, which was adopted by its directors and announced in August 2007, was approved by the Company's shareholders at a special meeting.***
- ***In February 2008 all outstanding warrants (1.137 million) from a private placement closed in February 2007 were exercised for gross proceeds of $11.37 million.***
- ***In February 2008 the Company announced intersects of high grade silver, lead and zinc at its Cinco De Mayo property. The highlight from the program of widely spaced holes was Hole 07-20 which intersected 6.8 metres (estimated true thickness) of galena and sphalerite-rich massive sulphides grading 254 g/t silver, 6.4% lead and 7.0% zinc.***
- ***In April 2008 the Company, announced assay results on the Juanicipio Property from Holes 17P and 18P on the Juanicipio Vein. Hole 18P intersected 4,100 g/t silver over 0.60 metres, with 1.47 g/t gold, 2.02% lead and 4.07% zinc. Hole 17P intersected 130 g/t silver over 0.60 metres, with 0.34 g/t gold, 0.06% lead and 0.08% zinc.***
- ***Drilling on the Sello and El Oro properties in the first quarter of 2008 failed to return results of interest and consequently, costs of $1,169,411 were written-off in April 2008.***
- ***In May 2008 the Company intersected 61.2 metres grading 20.5 g/t silver, 0.66% lead and 0.84% zinc at its Batopilas property.***

FINANCIAL PERFORMANCE

At March 31, 2008 the Company had cash and cash equivalents on hand of $69,812,325 versus $20,824,452 for the period ended March 31, 2007 due to financings completed in 2007 and warrant exercises completed early 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. The Company completed a series of private placements in February 2007 for units consisting of 2,760,000 common shares and 1,380,000 warrants for gross proceeds of $20,010,000. In February 2008 all outstanding warrants were exercised for gross proceeds of $11.37 million.

After deducting interest earned for the three months ended March 31, 2008 of $659,169 compared to interest earned of $116,555 for the three months ended March 31, 2007, the operating loss for the first quarter of 2008 was $2,789,137 compared to operation loss of the same quarter in 2007 of $2,252,342.

The first quarter loss includes a mineral property write-off of $1,169,411 (2007: Nil) and $1,446,300 as a non-cash charge for stock compensation expense compared to $1,730,034 in 2007. If one removes the mineral property write-off and stock compensation expense from both the current and 2007 first quarters the net loss for each period would be $173,426 and $522,308 respectively. There is a significant difference between comparative periods due to the higher interest income earned on cash and cash equivalents in the current period. See notes to the Company's March 31, 2008 financial statements for more details.

General and administrative expenses for the period ended March 31, 2008, not including mineral property write off or stock compensation expenses, amounted to $832,595 compared to $638,863 in the same period of 2007. Increases occurred in audit and accounting fees ($44,675 in 2008 versus $17,659 in 2007) due to regulatory compliance work in Canada and the USA and as a result of management's decision to implement quarterly review engagements by the Company's auditors. During the period the Company completed its annual United States Securities and Exchange Commission ("SEC") Registration Form 40F. The Company is also required to comply with Sarbanes-Oxley legislation in the USA resulting in additional costs for the review, assessment and documentation of the Company's internal and disclosure controls as well as costs relating to an independent review and assessment of the Company's findings. Filing and transfer agent fees increased in the period ($126,357 in 2008 versus $54,956 in 2007) generally as a result of increased equity issues related to warrants exercised in the first quarter and due to the Company holding a shareholder's Special Meeting in January. Telephone and office expenses aggregating $159,614 for the period were higher than the same period in 2007 at $84,122 due to higher activity levels and an increase in office rental costs. Management and consulting fees increased from $253,126 for the period ended March 31, 2007 to $368,838 in the same period of 2008. The increase is due primarily to the payment of performance related bonuses to three senior executives ($190,000 in 2008; $90,000 in 2007). Shareholder relations expense decreased to $79,284 during the period ended March 31, 2008 (2007 - $97,095) due to attendance at fewer trade shows during the period.

Other smaller expense 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
March 31, 2008	$659,169	$(2,789,137)	$(0.06)
December 31, 2007	$387,939	$(4,080,795)	$(0.07)
September 30, 2007	$211,108	$(351,375)	$(0.01)
June 30, 2007	$200,002	$(2,181,524)	$(0.05)

March 31, 2007	$116,555	$(2,252,342)	$(0.06)
December 31, 2006	$44,407	$(818,389)	$(0.02)
September 30, 2006	$48,664	$(570,796)	$(0.015)
June 30, 2006	$70,804	$(1,485,493)	$(0.035)

Explanatory 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 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 March 31, 2008, the Company incurred $91,721 in property acquisition costs (2007 - $310,599) on properties where the Company holds 100% interest. Exploration expenditures for the same period on these properties amounted to $2,594,765 (2007 - $1,091,994).

During the period the Company held the following exploration properties on a 100% basis: (i) the Batopilas (Don Fippi) Property located in the western Sierra Madres of Chihuahua State, Mexico; (ii) the Lagartos Property Package located in the Fresnillo Silver Trend surrounding the Fresnillo and Zacatecas Silver Districts located in Zacatecas State, Mexico; (iii) the Guigui Property located in central Chihuahua State, Mexico; (iv) the Cinco de Mayo Property located in north-central Chihuahua State, Mexico; (v) the Sierra de Ramirez Property located in Durango State, Zacatecas, Mexico; and (vi) the Sello Property located in Zacatecas State, Mexico.

The Company holds 44% of Minera Juanicipio S.A. DE C.V. ("Minera Juanicipio") which holds and operates the Juanicipio property located in the Fresnillo District, Zacatecas State, Mexico. The Company is a party to a Shareholders Agreement with Fresnillo which holds the other 56% of Minera Juanicipio. The Shareholders Agreement governs the operation of Minera Juanicipio and certain corporate matters, including governance and the obligation of the shareholders to provide funds to Minera Juanicipio. During the first three months, the Company has incurred costs of $474,952 for its 44% share of exploration on the Juanicipio property compared to $40,354 during the same period in 2007.

The following discussion is 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.

Juanicipio Property
The establishment of a joint operating company Minera Juanicipio in Mexico was completed in December of 2007. The first technical committee meeting was held on March 27, 2008 in Fresnillo, Zacatecas State, Mexico. An initial 2008 budget of $US 4.6M was proposed effective January 1, 2008. The program is directed primarily towards the delineation and assessment of the Valdecañas Vein, exploration of the Juanicipio Vein and totals of 25,000 metres of diamond drilling. MAG's 44% portion of this budget is $US 2.02M. Work on the project is presently ongoing at this time.

For the ***Valdecañas Vein*** it was proposed to drill the western end, from Sections G to M of the vein at 100 metre by 100 metre drill spacing. For the sections to the east from section M through to section U it was proposed to complete the drilling of the existing 200 metre by 200 metre pattern with subsequent infill depending on results. The objective of this exercise is to provide more control for the calculation of a measured resource figure for the west end and inferred resource figure for the east end later in the year.

Assay results from the Valdecañas Vein have also been received for Holes GY and GZ. These holes are on the most westerly section G and were targeted to intersect the vein near the top of the high grade gold/silver zone. Hole

GZ intersected 1.4 metres (true width) of 769 grams per tonne (g/t) (22.4 ounces per tonne (opt)) silver, 2.11 g/t gold with minimal values of lead and zinc. Hole GY intersected 0.7 metres of 121 g/t silver (3.5 ounces) and 0.61 g/t gold. These intersections combined show the high grade silver/gold zone to have a vertical height of almost 500 metres. Drilling continues on sections Q, G, E and I on the Valdecañas Vein.

For the ***Juanicipio Vein*** it is proposed to drill a further 6 holes to test the Juanicipio Vein over a strike length of 1,200 metres to the west and more drilling if results are warranted. Hole 17P, the first hole drilled this year on the Juanicipio Vein, returned assay results of 0.6 metres of 130 g/t silver and 0.34 g/t gold. The second hole, 18P intersected 4,100 g/t (119.5 opt) silver over 0.60 metres, with 1.47 g/t gold, 2.02% lead and 4.07% zinc. The Juanicipio Vein is located 1,100 metres south of the Valdecañas Vein.

Hole 18P intersected the Juanicipio Vein 110 metres west and 80 metres vertically below Hole JI-03-01 (drilled by MAG in 2003 returning 2.0 metres of 689 g/t silver and 11.43 g/t gold, 40% core recovery) and 115 metres west and 45 metres above Hole 17P.

Hole 17P intersected the Juanicipio Vein on the same section as and 110 metres vertically below Hole JI-03-01. Hole 18P intersected the Juanicipio Vein higher than expected. This hole (and Hole 17P) clearly indicates (as at Valdecañas) that the veins improve going westward. The low base metals and narrow intercepts along with the presence of barite (in Hole 18P) indicate that we are still near or just below the top of the bonanza zone.

The 2008 program includes at least two fences of holes to be drilled between the Juanicipio and Valdecañas Veins. This is to test, farther west, some of the structures cut earlier and to test three new “lineaments”.

Regarding the other targets, the drill program is designed to test a number of previous drill intersections indicative of multiple veins. For example such intercepts are found in holes VP-2 (1.0 metre of 8.0 g/t gold) located 1.5 kilometres west of the Valdecañas vein and Hole JI-03-8 located 300 metres south of the Juanicipio Vein.

To date 7 holes for 2,800 metres of drilling have been completed and work is in progress on over 3,000 metres of roadwork to access drill pads for the Juanicipio Vein.

Metallurgical work is in progress and almost 159 kilograms of material have been collected representing over 76 metres of core and grading 1,486 g/t silver (43.3 opt), 2.67 g/t gold, 3.99% lead, 4.94% zinc and 0.12% copper. Results are expected about mid-year.

Most recently Peñoles announced a corporate restructuring and transferred its 56% interest of Minera Juanicipio into a new company called Compania Fresnillo S.A. DE C.V. (“Fresnillo”), which is or will shortly become party to the shareholders agreement which governs Minera Juanicipio. Peñoles intends to merge Fresnillo into Fresnillo plc, a wholly owned U.K. subsidiary, with the intention to then float approximately 24% of Fresnillo plc on the London Stock Exchange through an initial public offering in May 2008. This restructuring of Peñoles will not have any affect on the operation and the management of Minera Juanicipio nor the work programs going forward.

With regards to Minera Juanicipio, the board members have been appointed and will be: Alberto Bailleres Chairman of the Board, Peñoles, Grupo BAL; Jaime Lomelin, CEO, Peñoles (and Fresnillo); David Giles, V.P. Exploration, Peñoles (and Fresnillo); Dan MacInnis, President and CEO, MAG Silver; and Jonathan Rubenstein, Chairman of the Board, MAG Silver.

The Company has spent a cumulative total of $6,423,313 in exploration costs at Juanicipio to March 31, 2008 (2007 - $2,165,405), including $474,952 during the quarter.

Cinco de Mayo Property

Assay results were received this quarter from a 12 hole, 6,316 metre program completed late last year on Cinco de Mayo, a Carbonate Replacement Deposit (CRD) property in northern Chihuahua State, Mexico. The highlight of this program of widely spaced holes was drill Hole 07-20, which intersected 6.8 metres (estimated true thickness) of galena and sphalerite-rich massive sulphides grading 254 g/t (7.4 opt) silver, 6.4% lead and 7.0% zinc. This includes a compositionally distinct interval, 0.80 metres thick, grading 543 g/t (15.9 opt) silver, 11.7% lead and 11.8% zinc.

The first two 50 metre step-outs from this intercept were completed and have also intersected mineralization in the same relatively flat-lying structure. Hole 08-22, a 50 metre down-dip offset, hit 7.1 metres of multi-stage massive sulphide breccia cut by calcite veins. Hole 08-23, a 50 metre offset to the northwest, hit 0.85 metres of banded massive sulphides. Assays for both are pending. All three intercepts lie at about 400 metres vertical depth and appear to define a coherent massive sulphide manto developed within a low-angle fault cutting strongly folded massive limestone. Mineralization is open in all directions, and two rigs are currently drilling systematic 50 metre to 100 metre offsets of these holes to define the axis of maximum thickness of the manto and trace it towards its source.

Drill Hole 07-21, drilled nearly 1 kilometre to the southwest of Hole 07-20 (and started before Hole 07-20 reached massive sulphides) tested the down-dip projection of prominent exposures of shallowly northeast-dipping gold and silver-bearing ferruginous jasperoid that crop out for 4 kilometres along the front of the adjoining range. At roughly 150 metres vertical depth, this hole intersected 15 metres of altered limestone, which contained a 1.0 metre thick zone grading 684 g/t (20 opt) silver with minor base metals. Drill Hole 07-14 drilled 1,300 metres to the southeast from Hole 07-21 also tested the projection of the jasperoid zone and reported 3.22 metres of 94 g/t (2.74 opt) silver and 0.23 % lead and 1.03 % zinc in gossan.

The intercepts in Holes 21 and 14 fall on the up-dip projection (over 1,000 metres) of the sulphide manto intersected in Holes 20, 22 and 23, indicating that the sulphides, silver-infused limestone of Hole 07-21, and jasperoid outcrops all occur within the same low-angle fault zone.

Except for the prominent range-front jasperoid outcrops and a narrow limestone ridge containing two small historic mines, there is virtually no outcrop at Cinco de Mayo. Exploration is guided by MAG's CRD exploration model and an airborne magnetic survey that revealed a number of prominent linear anomalies that are being systematically drilled. The new mineralization reported here lies along a very strong NW-trending magnetic anomaly that run over 3,000 metres through Hole 07-20 to the southeast to previously reported hornfels and sulphide-rich intercepts. Numerous geophysical targets lying along this trend to the northwest, and along parallel and intersecting trends elsewhere in the district, remain to be drilled.

Work is continuing as systematic offset drilling of the distal manto-style mineralization while pursuing the district center by drilling other numerous geophysical anomalies.

From January 1, 2008 to April 30, 2008, the Company has drilled approximately 7,011 metres in 11 holes. Assay results are pending.

The Company spent a cumulative total of $3,738,557 in exploration costs at Cinco de Mayo to March 31, 2008 (2007 - $1,317,762), including $962,878 during the quarter. Budgeted exploration programs by the Company for 2008 approximate $2,339,700.

The Batopilas (Don Fippi) Property
Drilling in 2008 began at the end of January and was still in progress at the end of April. The program is testing the new structural and stratigraphic model that has emerged from the two previous drill programs and field mapping and sampling campaigns. The model is thought to indicate that surface silver occurrences (structures) are persistent to depth. It can also be determined that as these surface structures approach the lower contact of the middle sedimentary member and the lower volcanic unit there are improvements in scale and tenor of the veins.

One hole has been drilled under the Escondido slide block that was designed to test the deep vein hypothesis. Results are pending. One additional hole in the Escondido area is planned to be drilled to depth in order to test possible mineralization in proximity to an inferred intrusive center.

Three drill holes have been drilled tested in the Animas Ridge road/trench area and the northern projection of the Santo Domingo vein swarm. Field work at Santo Domingo had previously located surface expressions of these structures with visible lead and zinc mineralization nearly 500 metres north from the Santo Domingo Adit. One hole has been drilled across this vein set north of the northern limits of previous underground mining. Results for Hole 21 have been received. A broad zone of silver/lead and zinc mineralization has been intersected in Hole BA08-21 located in the Animas area. The zone starts immediately beneath the casing at 9.02 metres down hole and extends to 70.87 metres for a total core length of 61.2 metres grading 20.5 g/t silver, 0.66% lead and 0.84% zinc.

This broad anomalous mineralized zone is hosted in sedimentary rocks lying above a quartz-monzonite dike and includes three separate zones containing significant values. The best is 3.84 metres of 90.4 g/t silver, 2.65% lead and 3.03% zinc. Another intercept reports as 4.91 metres grading 35.9 g/t silver, 0.75% lead and 2.07% zinc. Near the top of the hole there is 5.11 metres grading 44.3 g/t silver, 2.02% lead and 1.86% zinc. Not enough information is available to estimate true thickness of the zone.

The road/trench building crew will be continued on Animas Ridge. The main emphasis of this phase of the program will be to extend the roads to cut areas with high silver in soil and rock chip geochemical anomalies.

A down-hole Pulse Electromagnetic geophysical survey in the three critical areas completed in this drill program to date was initiated in late April and results have yet to be tabulated.

From January 1, 2008 to April 30, 2008, the Company has drilled approximately 2,433 metres in 5 holes.

Work is continuing. The Company spent a cumulative total of $3,914,421 in exploration costs at Batopilas to March 31, 2008 (2007 - $2,591,898), including $570,008 during the quarter. Budgeted exploration programs by the Company for 2008 approximate $955,800.

Lagartos Land Package
A drill campaign in the covered terrain to the eastern side of Lagartos NW was initiated in late April. A program has been designed to drill a fence of holes along the eastern boundary of this claim block across the projection of the Valdecañas-San Carlos-Juanicipio Vein trend. The 5,000 metre drill program is presently ongoing and is designed to initially test the depth of the alluvial cover in this area of the Lagartos NW claim block. Results are pending. If alluvial depths prove to be deep then continuing the program would be impractical. At that time drilling would then be suspended and the drill rig would move to Cerro Cacalote in the central part of the Lagartos NW claim block.

Cerro Cacalote is an area where geotechnical surveys and field work has identified a large area 35 kilometres northwest from Juanicipio with identical geological and geophysical characteristics as those seen on the Juanicipio property. Previous drilling has identified a large unexposed epithermal system underlying Cerro Cacalote. The strategy here continues to be to build the knowledge base using all of the information we have obtained from 3 years work on the Juanicipio property and on the Valdecañas vein.

Bids have been requested from a variety of geophysical contractors for a 2,000 line kilometre Magnetic survey to cover the eastern half of Lagartos NW.

At Lagartos SE reconnaissance field work has located a series of previously worked veins on the eastern side of the Zacatecas district. They are the San Jose, Los Caballos and the Puerto Rico vein sets. Surface work indicates that these veins and their ancillary structures are exposed for over 1,500 metres in a northwest direction. Two of these vein structures have returned high silver values from routine dump and surface sampling. Neither of the vein structures has been drilled. Drill permitting work is in progress.

Two other areas in the Lagartos SE area have been identified through prospecting and geological field work. Sampling in the Majadas – El Pajaro zone to the east of the historic Mala Noche Vein set of the Zacatecas district has returned highly anomalous silver and gold values. The zone is over 1,500 metres long and about 150 metres wide in several places. Samples were collected as grab samples or composite samples over a 5 metre width from surface rubble and very poorly exposed outcrops. Assayed values over this broad area ranged from 0.5 g/t to 6.4 g/t gold and from 2 g/t to 340 g/t silver. No modern exploration or drilling has ever been conducted in this area. Drill permitting is underway.

The Company had spent a cumulative total of $4,735,379 in exploration costs at Lagartos to March 31, 2008 (2007 - $2,416,507) including $394,378 during the quarter. Budgeted exploration programs by the Company for 2008 approximate $1,877,800.

Guigui Property
No work was carried out at Guigui during the quarter ending March 31st, 2008.

The Company spent a cumulative total of $1,456,472 in exploration costs at Guigui to March 31, 2008 (2007 - $1,431,939), including $6,072 during the quarter. Budgeted exploration programs by the Company for 2008 approximate $65,100.

Sierra de Ramirez Property
Based on recently completed geological fieldwork this quarter the present interpretation of the Sierra Ramirez District indicates three main feeder structures of mineralization, the Calavera Fault, the Tres Rosas-Moreno structure and the San Acasio structure. The later two are at the west end of the Sierra Ramirez district. Geological trace evidence at Calavera and San Acasio suggests an igneous related center at these localities and raises intriguing questions about a proximal - distal model for these areas.

Two areas of significant mineralization include the northwest trending Arroyo Jabali mines centered about 2 kilometres north of El Pavo and the Acacio area mines at the west end of the range. The Calavera Mine on the west side of the Arroyo Jabali was reportedly the richest in silver. Two structural elements appear to be major ore controls at Sierra Ramirez; the low angle Ramirez Thrust related structures and the all important high angle northwest trending faults. In the San Agustin Mine, the Mala Noche Mine and San Pedro mines (El Pavo) along the northeast side of Arroyo Jabali the mineralization appears primarily controlled by east trending high angle structures developed where bedding is disrupted along the Ramirez Thrust. Mineralization spreads laterally from these structures to variable degrees.

The San Acasio mines in the northwest portion of Sierra Ramirez clearly reach into the Ramirez Thrust structural discontinuity on the order of 100 to 200 metres depth. The main San Acasio vein systems along with the Tres Rosas are the deep mines of the district. All of the others in the San Acasio area appear mined only at superficial depths.

The recognition of the low-angle structures and the improved understanding of the high angle (feeder) geometry and where they are most mineralized and intruded are key to designing our first stage drilling program. Structural and geological mapping is continuing and drill permitting is in progress.

The Company spent a cumulative total of $484,198 in exploration costs at Sierra de Ramirez to March 31, 2008 (2007 - $350,228), including $49,570 during the quarter. Budgeted exploration programs by the Company for 2008 approximate $1,033,800.

Sello/El Oro Property
Drilling in the first quarter of 2008 failed to return results of interest and subsequently no further work was recommended. Although very narrow veins with significant values were reported the overall results and lack of other favorable geotechnical characteristics indicate the low exploration potential of the property.

In April 2008, the Company terminated its option agreement on ***Sello and El Oro***, and consequently, costs of $1,169,411 were written-off at that time.

Other Properties

Two new projects were established during the later part of 2007 and the first quarter of 2008.

Nuevo Mundo is in eastern Zacatecas State and is geologically located along the structural trend known to host Carbonate Replacement Deposits (CRDs) and all of our CRD projects (Sierra Ramirez, Guigui and Cinco de Mayo). It is also not far from Peñasquito and ties onto the eastern boundary of the Camino Rojo gold discovery of Canplats Resources. No field work has been carried out to date.

La Lorena is located in Guanajuato state within the Fresnillo Silver Trend and was acquired by staking a large area with early indications derived from satellite and ground work of a similar geological environment as seen at Juanicipio. Reconnaissance field work has been carried out and several areas have been targeted for further follow-up. Work is in progress.

The Company spent $65,489 in exploration costs on these and other properties during the quarter ended March 31, 2008 (2007 - $Nil).

OUTSTANDING SHARE DATA

The Company's authorized capital consists of an unlimited number of common shares without par value. As at May 12, 2008, the following common shares, options and share purchase warrants were outstanding:

	Number of Shares	Exercise Price ($)	Remaining Life (mos/years)
Capital Stock	**49,145,466**		
Stock Options	**3,035,930**	**$1.06 - $14.15**	**18 mos to 5 years**
Fully Diluted	**52,181,396**		

LIQUIDITY AND CAPITAL RESOURCES

At May 12, 2008 the Company had 49,145,466 issued and outstanding common shares. At March 31, 2008 the Company had 48,545,566 common shares issued and outstanding. The Company issued a total of 1,591,370 common shares during the period ended March 31, 2008 for cash proceeds of $12,343,255 (2007 – 3,187,784 for cash proceeds of $19,214,601). In the three months ended March 31, 2008 there were no shares (2007 – Nil) issued for mineral properties. Cash proceeds are to be spent on mineral property acquisitions, exploration and development as well as for general working capital purposes. The Company's primary source of capital has been from the sale of equity. At March 31, 2008 the Company had cash and cash equivalents on hand of $68,812,325 compared to cash and cash equivalents of $20,824,452 at March 31, 2007. The primary use of cash during the period was for acquisition and exploration expenditures and investment in the Juanicipio project, being approximately $9,109,799 (2007 - $1,442,947), management and consulting fees of $368,838 (2007 - $253,126) and other general and administrative expenses of $453,538 (2007 - $382,295). The Company had $69,348,549 in working capital as at March 31, 2008 compared to $20,836,928 at March 31, 2007.

Current liabilities of the Company at March 31, 2008 amounted to $1,783,026 (2007 - $551,741) mostly being attributable to accrued exploration expenses.

The Company currently has sufficient working capital to maintain all of its properties for the 36 months, 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 certain properties to complete 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 Note 8 and 9 of the interim statements for the period ended March 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. The Company is unaware of any condition of default under any debt, regulatory, exchange related or other contractual obligations.

ADDITIONAL DISCLOSURE

Trend Information

Other than the obligations under the Company's property option agreements, there are no identifiable trends, 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 March 31, 2010. The scale and scope of the Juanicipio project could change this timeline as exploration progresses. It is unlikely that the Company will generate sufficient operating cash flow to meet these ongoing obligations in the foreseeable future. Accordingly the Company will likely 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 debt in order to raise capital for future requirements.

At the time of writing there is a noted favourable trend with regard to the market for metal commodities and related companies, however, it is the opinion of the Company that its own liquidity will be most affected by the results of its exploration activities. The discovery of an economic mineral deposit on one of its mineral properties may have a favourable effect on the Company's liquidity, and conversely, the failure to find one may have a negative effect.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

For the period ended March 31, 2008 the Company's president received $155,215 in compensation for management services (2007 - $88,532) including an annual performance bonus of $80,000 (2007 – 50,000).

For the period ended March 31, 2008 a private company controlled by an officer of the Company received $90,960 in compensation for consulting services (2007 - $70,960) including an annual performance bonus of $60,000 (2007 – 40,000).

The Company paid or accrued non-executive directors fees of $20,500 during the period ended March 31, 2008 (2007 - $Nil).

For the period ended March 31, 2008 the Company's CFO received an annual performance bonus of $50,000 in compensation for management services (2007 – Nil).

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 March 31, 2008 the Company accrued or paid Cascabel and IMDEX consulting, administration and travel fees totaling $24,432 (2007 - $40,105) and exploration costs totaling $413,832 (2007 - $225,796) 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 a common director and common officer. During the period ended March 31, 2008 the Company accrued or paid Platinum Group Metals Ltd. $33,670 under the office service agreement (2007 - $33,969).

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 March 31, 2008 the Company accrued or paid Anthem $20,272 under the office lease agreement (2007 - $15,583).

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 POLICIES

The Company's critical accounting policies are set out in the Annual Management Discussion and Analysis for the year ended December 31, 2007.

NEW ACCOUNTING POLICIES

The Company's new accounting policies are set out in Note 2 of the unaudited Consolidated Interim Financial Statements for the quarter ended March 31, 2008.

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 the Company's disclosure control procedures as of December 31, 2007 through inquiry, review, and testing, as well as by drawing upon their own relevant experience. The Company has retained an independent third party specialist 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 and 2007 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.

There have been no changes in internal control over financial reporting during the period ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Other Information

Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2007, may be found on SEDAR at www.sedar.com.

SUBSEQUENT EVENTS

Subsequent to March 31, 2008:

> The Company issued 599,900 common shares between $0.50 and $4.04 on the exercise of stock options for proceeds of $462,016.

MAG SILVER CORP.

(An exploration stage company)

Consolidated Financial Statements
For the three month period ended Mar. 31, 2008

Dated: May 14, 2008

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

VANCOUVER OFFICE Suite 328 550 Burrard Street Vancouver, BC V6C 2B5	604 630 1399 phone 866 630 1399 toll free 604 484 4710 fax			TSX:MAG AMEX:MVG www.magsilver.com info@magsilver.com

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MAG SILVER CORP.
(An exploration stage company)
Consolidated Balance Sheets

(expressed in Canadian dollars)

	Mar. 31, 2008	Dec. 31, 2007
ASSETS		
CURRENT		
Cash and cash equivalents	$ 69,812,325	$ 60,147,307
Accounts receivable (Note 3)	1,091,483	647,027
Interest receivable	185,314	173,308
Prepaid expenses	42,453	49,668
TOTAL CURRENT ASSETS	71,131,575	61,017,310
EQUIPMENT AND LEASEHOLDS (Note 4)	74,024	22,116
INVESTMENT IN MINERA JUANICIPIO S.A. DE C.V. (Note 5)	6,807,748	5,948,361
MINERAL RIGHTS (Note 6)	5,057,663	5,084,509
DEFERRED EXPLORATION COSTS (Note 6)	14,533,557	12,989,636
TOTAL ASSETS	$ 97,604,567	$ 85,061,932
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 1,783,026	$ 637,180
SHAREHOLDERS' EQUITY		
Share capital (Note 7)		
Authorized - unlimited common shares, without par value		
Issued and outstanding at Mar.31, 2008 - 48,545,566 common shares (Dec.31, 2007 - 46,954,196)	106,231,641	91,105,640
Common share purchase warrants	-	2,218,444
Contributed surplus	8,773,584	7,879,650
Accumulated other comprehensive income	(332,343)	(716,778)
Deficit	(18,851,341)	(16,062,204)
TOTAL SHAREHOLDERS' EQUITY	95,821,541	84,424,752
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 97,604,567	$ 85,061,932

CONTINUING OPERATIONS (Note 1)

ON BEHALF OF THE BOARD

"Derek White"

Derek White, Director

"Jonathan Rubenstein"

Jonathan Rubenstein, 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 March 31, 2008	For the three month period ended March 31, 2007
EXPENSES			
Accounting and audit		$ 44,675	$ 17,659
Amortization		10,219	3,442
Bank charges and interest		829	574
Filing and transfer agent fees		126,357	54,956
Foreign exchange (gain) loss		(63,206)	5,349
Legal		71,100	66,094
Management and consulting fees		368,838	253,126
Mineral property costs written off (Note 6.(g))		1,169,411	-
Shareholder relations		79,284	97,095
Stock compensation expense		1,446,300	1,730,034
Telephone and office		159,722	84,122
Travel		34,777	56,446
		3,448,306	2,368,897
LOSS BEFORE THE FOLLOWING		(3,448,306)	(2,368,897)
INTEREST INCOME		659,169	116,555
NET LOSS FOR THE PERIOD		$ (2,789,137)	$ (2,252,342)
OTHER COMPREHENSIVE INCOME			
CURRENCY TRANSLATION ADJUSTMENT	(Note 5)	384,435	-
COMPREHENSIVE LOSS FOR THE PERIOD		$ (2,404,702)	$ (2,252,342)
BASIC AND DILUTED LOSS PER SHARE		$ (0.06)	$ (0.06)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		47,835,959	39,500,126

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	income("AOCI")	stage	and "AOCI"	equity
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 7 (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 granted	-	-	-	-	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	454,370	1,525,621	-	-	(552,366)	-	-	-	973,255
Stock options granted	-	-	-	-	1,446,300	-	-	-	1,446,300
Translation adjustment	-	-	-	-	-	384,435	-	384,435	384,435
Net loss	-	-	-	-	-	-	(2,789,137)	(2,789,137)	(2,789,137)
Balance, March 31, 2008	48,545,566	$ 106,231,641	-	$ -	$ 8,773,584	$ (332,343)	$(18,851,341)	$(19,183,684)	$ 95,821,541

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 March 31, 2008	For the three month Period ended March 31, 2007
OPERATING ACTIVITIES		
Net loss for the period	$ (2,789,137)	$ (2,252,342)
Items not involving cash:		
Amortization	10,219	3,442
Mineral property costs written off (Note 6.(g))	1,169,411	-
Stock compensation expense	1,446,300	1,730,034
Changes in operating assets and liabilities		
Accounts receivable	(444,456)	(79,959)
Interest receivable	(12,006)	5,727
Prepaid expenses	7,215	(60,758)
Accounts payable and accrued liabilities	(15,154)	201,373
	(627,608)	(452,483)
INVESTING ACTIVITIES		
Purchase of equipment and leasehold improvements	(62,127)	(1,649)
Investment in Juanicipio JV	(474,952)	(40,354)
Mineral rights	(190,721)	(310,599)
Deferred exploration costs	(1,334,765)	(1,091,994)
	(2,062,565)	(1,444,596)
FINANCING ACTIVITIES		
Issue of share capital	12,355,191	19,214,601
	12,355,191	19,214,601
INCREASE IN CASH	9,665,018	17,317,522
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	60,147,307	3,506,930
CASH AND EQUIVALENTS, END OF PERIOD	$ 69,812,325	$ 20,824,452
CASH AND EQUIVALENTS WERE COMPRISED OF:		
Cash	$ 19,312,325	$ 899,202
Short-term deposits	50,500,000	19,925,250
	$ 69,812,325	$ 20,824,452

1. CONTINUING OPERATIONS

The Company was incorporated under the Company Act (British Columbia) on April 21, 1999 and its shares were listed on the TSX Venture Exchange on April 21, 2000.

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 interim 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.

These interim consolidated financial statements do not include all the information and disclosures required by Canadian GAAP for annual consolidated financial statements. They have been prepared using the same accounting policies and methods of applications as the latest annual consolidated financial statements. In the opinion of management, all adjustments of a normal recurring nature necessary for a fair presentation have been made. The results for interim periods are not necessarily indicative of results for the entire year. The information contained in the interim financial statements should be read in conjunction with the Company's latest audited consolidated financial statements for the year ended December 31, 2007.

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. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and include the following significant policies outlined below.

On January 1, 2008, the Company adopted four new presentation and disclosure standards that were issued by the Canadian Institute of Chartered Accountants: Handbook Section 1535, Capital Disclosures ("Section 1535"), Handbook Section 3031, Inventories – ("Section 3031"), Handbook Section 3862, Financial Instruments - Disclosures ("Section 3862") and Handbook Section 3863, Financial Instruments - Presentation ("Section 3863"). These standards were adopted on a prospective basis without restatement of prior periods.

2. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS (continued)

(i) Accounting Changes – Section 1506

Section 1506, Accounting Changes, prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. This Section allows for voluntary changes in accounting policies only if they result in the financial statements providing reliable and more relevant information. In addition, this Section requires entities to disclose the fact that they did not apply a primary source of GAAP that have been issued but not yet effective. The adoption of this Section had no impact on the consolidated financial position or results of operations for the three months ended March 31, 2008.

(ii) Capital disclosures – Section 1535

Section 1535, Capital Disclosures, establishes disclosure requirements regarding an entity's capital, including (i) an entity's objectives, policies, and processes of managing capital; (ii) quantitative date about what the entity regards as capital; (iii) whether the entity has complied with any externally imposed capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new standard has had no impact on the consolidated financial position or results of operations for the three months ended March 31, 2008.

(iii) Financial instrument – Sections 3862 and 3863

Section 3862, Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation replace Section 3861 Financial Instruments – Disclosure and Presentation. These new sections revise and enhance disclosure requirements while leaving presentation requirements unchanged. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The new standards have had no impact on the consolidated financial position or results of operations for the three months ended March 31, 2008. Refer to the additional sensitivity disclosure in Note 9.

(iv) Inventories – Section 3031

Section 3031, Inventories, provides more guidance on the measurement and disclosure requirements for inventories. Specifically the new pronouncement requires inventories to be measure at the lower of cost or net realizable value, and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. The new standard has had no impact on the consolidated financial position or results of operations for the three months ended March 31, 2008.

Recent Accounting Pronouncements

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 is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

3. ACCOUNTS RECEIVABLE

	Mar. 31, 2008	Dec. 31, 2007
Goods and services tax recoverable	$ 58,147	$ 50,314
Mexican value added tax ("IVA") recoverable	1,028,125	596,713
Other	5,211	-
	$ 1,091,483	$ 647,027

4. EQUIPMENT AND LEASEHOLDS

	March 31, 2008			December 31, 2007
	Cost	Accumulated depreciation	Net book value	Net book value
Computer equipment and software	$ 38,467	$ 22,450	$ 16,017	$ 12,603
Field equipment	67,201	28,757	38,444	9,513
Leasehold improvements	26,084	6,521	19,563	-
	$ 131,752	$ 57,728	$ 74,024	$ 22,116

5. 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. (“Fresnillo”). 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 operated according to the terms and conditions of a shareholders agreement. All costs relating to the project and Minera Juanicipio will be shared by the Company and Fresnillo pro-rata based on their ownership interests in Minera Juanicipio.

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

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

The Company's 44% interest in Minera Juanicipio is detailed as follows:

	Mar. 31, 2008	Dec. 31,2007
Camp costs	$ 3,772	$ 13,108
Geochemical	-	-
Geological	11,861	66,190
Geophysical	3,613	10,905
Gov't fees and licenses	4,910	8,764
Travel	362	3,906
Site administration	604	2,292
Cash contributions to the JJV	449,830	6,025,018
	474,952	6,130,183
Balance, beginning of year	5,948,361	3,044,509
	$ 6,423,313	$ 9,174,692
Recoveries	-	(2,509,553)
Translation adjustment	384,435	(716,778)
Balance, end of period	$ 6,807,748	$ 5,948,361

At March 31, 2008 the assets of Minera Juanicipio consisted of cash and short term investments in the amount of 9.26 million pesos ($895,000), IVA receivables in the amount of 19.00 million pesos ($1.84 million) and mineral, surface rights and exploration expenditures in the amount of 129.63 million pesos ($12.54 million). Payables to Peñoles and other vendors for exploration work amounted to 2.80 million pesos ($271,000) while shareholders equity was 155.10 million pesos ($15.00 million).

6. MINERAL RIGHTS AND DEFERRED EXPLORATION COSTS

Period ended March 31, 2008

	(Batopilas) Don Fippi	Guigui	Lagartos NW	Lagartos SE	Sierra de Ramirez	Cinco de Mayo	Sello	Other	Total
Acquisition costs of mineral rights									
Bal., beginning of year	$ 1,422,672	$ 1,571,172	$ 50,032	$ -	$ 800,736	$ 610,448	$ 105,852	$ 523,597	$ 5,084,509
Incurred during year	-	-	-	-	79,006	-	12,715	-	91,721
Less amounts written off	-	-	-	-	-	-	(118,567)	-	(118,567)
Balance, end of period	$ 1,422,672	$ 1,571,172	$ 50,032	$ -	$ 879,742	$ 610,448	$ -	$ 523,597	$ 5,057,663
Deferred exploration costs									
Camp costs	$ 24,129	$ -	$ 4,840	$ 9,796	$ 8,413	$ 47,336	$ 12,559	$ 2,953	$ 110,026
Drilling	409,540	-	116,550	4,738	-	687,837	475,304	-	1,693,969
Geochemical	13,708	-	442	13,238	-	31,469	4,765	2,037	65,659
Geological	78,195	-	18,580	36,374	22,235	94,344	43,246	5,231	298,205
Geophysical	22,141	-	3,613	-	-	42,455	-	-	68,209
Gov't fees and licenses	3,142	6,072	73,620	102,271	18,299	34,636	1,445	54,812	294,297
Site administration	3,905	-	1,043	2,705	407	7,259	2,423	310	18,052
Travel	13,675	-	2,112	3,066	216	14,241	6,579	-	39,889
Transport and shipping	1,573	-	780	610	-	3,301	49	146	6,459
	570,008	6,072	221,580	172,798	49,570	962,878	546,370	65,489	2,594,765
Bal., beginning of year	3,344,413	1,450,400	120,853	4,220,148	434,628	2,775,679	504,474	139,041	12,989,636
Less amounts written off	-	-	-	-	-	-	(1,050,844)	-	(1,050,844)
Balance, end of period	$ 3,914,421	$ 1,456,472	$ 342,433	$ 4,392,946	$ 484,198	$ 3,738,557	$ -	$ 204,530	$ 14,533,557

6. MINERAL RIGHTS AND DEFERRED EXPLORATION COSTS (continued)

	Year ended December 31, 2007									
	(Batopilas) Don Fippi	Guigui	Lagartos NW	Lagartos SE	Sierra de Ramirez	Adargas	Cinco de Mayo	Sello	Other	Total
Acquisition costs of mineral rights										
Bal., beginning of year	$ 1,422,672	$ 1,571,172	$ 50,032	$ -	$ 527,645	$ 432,061	$ 428,610	$ 28,143	$ 124,344	$ 4,584,679
Incurred during year	-	-	-	-	273,091	-	181,838	77,709	399,253	931,891
Less amounts written off	-	-	-	-	-	(432,061)	-	-	-	(432,061)
Balance, end of year	$ 1,422,672	$ 1,571,172	$ 50,032	$ -	$ 800,736	$ -	$ 610,448	$ 105,852	$ 523,597	$ 5,084,509
Deferred exploration costs										
Camp costs	$ 126,424	$ 439	$ 1,596	$ 65,246	$ 2,814	$ -	$ 76,692	$ 14,942	$ 9,112	$ 297,265
Drilling	477,758	-	-	1,367,777	-	-	1,048,855	385,505	-	3,279,895
Geochemical	54,735	-	299	51,220	-	-	54,195	8,316	-	168,765
Geological	398,558	8,469	7,517	169,436	31,323	-	229,781	47,994	43,852	936,930
Geophysical	117,382	50,890	36,666	206,199	205,468	875	56,175	36,606	-	710,261
Gov't fees and licenses	6,495	12,320	73,381	128,604	35,500	882	58,327	3,105	96,767	415,381
Site administration	27,449	1,136	831	18,085	658	-	14,897	2,842	1,061	66,959
Travel	51,445	226	563	13,110	9,735	-	23,283	5,164	1,406	104,932
Transport and shipping	1,322	627	-	3,110	-	1,681	-	-	-	6,740
	1,261,568	74,107	120,853	2,022,787	285,498	3,438	1,562,205	504,474	152,198	5,987,128
Bal., beginning of year	2,082,845	1,376,293	-	2,197,361	149,130	314,778	1,213,474	-	-	7,333,881
Less amounts written off	-	-	-	-	-	(318,216)	-	-	(13,157)	(331,373)
Balance, end of year	$ 3,344,413	$ 1,450,400	$ 120,853	$ 4,220,148	$ 434,628	$ -	$ 2,775,679	$ 504,474	$ 139,041	$ 12,989,636

(a) Don Fippi Property

The Company has a 100% interest in the Don Fippi mining concessions located in the Batopilas, Chihuahua district of Mexico, subject to a royalty of 4.5% of the Net Smelter returns obtained from the property. To March 31, 2008 the Company has incurred $3,914,421 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 March 31, 2008 the Company has incurred $1,456,472 in exploration costs on the property.

(c) Lagartos Properties

The Company has acquired 100% interest in exploration concession 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. To March 31, 2008 the Company has incurred $342,433 in exploration costs on the Lagartos NW property and $4,392,946 in exploration costs on the Lagartos SE property.

(d) *Sierra Ramirez Property*

On December 14, 2003 the Company entered into an option agreement to acquire a 100% interest in certain mining concessions located in the Sierra Ramirez district in Durango, Mexico. Under the terms of the option agreement, the Company was obligated to make scheduled payments totalling US$1,505,000 plus applicable value added tax by December 14, 2008; incur exploration expenditures totalling US$250,000 by July 26, 2009; and issue a finder's fee of 25,000 common shares of the Company (all are issued).

During the year ended December 31, 2006, the Company and Minera Rio Tinto, S.A. DE C.V. amended terms of the above referenced option agreement. Under the amended terms, the Company will issue Minera Rio Tinto, S.A. DE C.V. 20,000 common shares of the Company (issued) and make scheduled cash payments totalling US$1,300,000 (of which US$200,000 has been paid or accrued) to December 14, 2010, with a final payment of US$650,000 of which up to US$500,000 may be paid in the common shares of the Company. Under the amended terms all exploration work commitments were also eliminated. To March 31, 2008 the Company has incurred $484,198 in exploration costs on the property.

During the year ended December 31, 2007, the Company entered into four separate option agreements to acquire 100% interest 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$4,938,125 (of which US$228,125 has been paid) to January 21, 2012.

(e) *Adargas Property*

On February 14, 2004 the Company entered into an option agreement to acquire a 100% interest in the Adargas property. During the period ended June 30, 2007 the Company terminated its option agreement, and consequently, total deferred acquisition and exploration costs of $750,277 were written-off.

(f) *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 (US$400,000 in cash and share payments made) and incur certain exploration expenditures totalling US$1,000,000 by July 26, 2009 (incurred). To March 31, 2008 the Company paid US$300,000 in cash, issued 165,670 common shares at a value of $266,630 and completed approximately $3,738,557 in exploration costs.

(g) Sello Property

On December 8, 2006 the Company entered into a letter of intent 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 US$50,000 has been paid to March 31, 2008). During the current year the Company entered into a letter of intent agreement to acquire a 100% interest in the El Oro claims located in Zacatecas State, by making scheduled option payments totalling US$125,000 plus applicable value added tax over one year (of which US$62,500 has been paid to March 31, 2008). It was decided subsequent to the period ended March 31, 2008 that the Company would terminate its option agreement, and consequently, total deferred acquisition and exploration costs of $1,169,411 were written-off as of March 31, 2008.

(h) *Other Properties*

During the years ending December 31, 2007 and December 31, 2006 the Company optioned other exploration concessions on several mining claims. To March 31, 2008 the Company has paid $523,597 in acquisition costs. The Company has a US$100,000 option payment remaining on December 8, 2008.

7. SHARE CAPITAL

(a) Issued and outstanding

During the period ended March 31, 2008 1,137,000 share purchase warrants were exercised for proceeds of $11,370,000 and 454,370 stock options were exercised for cash proceeds of $973,255.

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. $15,999,799 of the gross proceeds was assigned to the common shares included in the units and $2,487,701 to the warrants. The Company paid 6.0% cash commission to the underwriters on this placement. Legal, syndicate, and filing costs totaled an additional $127,902.

7. SHARE CAPITAL (Continued)

(a) Issued and outstanding (continued)

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, and 15, 2008. $1,317,630 of the gross proceeds 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.

(b) Shareholder rights plan

On August 3, 2007, the Company adopted a Shareholder Rights Plan designed to protect the interests of common shareholders from an inadequate or unfair takeover, but not affect a takeover proposal which the Board of Directors believes is fair to all shareholders. Under the Shareholder Rights Plan all shareholders of record on August 3, 2007 received one Right for each share of common stock they owned. These Rights trade in tandem with the common stock until and unless they are triggered. Should a person or group acquire more than 20% of the common stock the Rights would become exercisable for every shareholder except the acquirer that triggered the exercise. The Rights, if triggered, would give the other shareholders the ability to purchase additional stock at a substantial discount. The shareholder rights plan will continue in force up to the end of the Company's third annual meeting of shareholders, and can be redeemed by the Company for $0.0001 per Right.

(c) Stock options

The Company has entered into Incentive Stock Option Agreements ("Agreements") with directors, officers and employees. The maximum number of stock options which may be granted is limited to 10% of the issued and outstanding shares.

7. SHARE CAPITAL (Continued)

(c) Stock options (continued)

The following table summarizes options outstanding at March 31, 2008:

[redacted]

At March 31, 2008 a total of 3,573,330 of the outstanding share options were exercisable, having a weighted average remaining contractual life of 2.91 years and a weighted average exercise price of $5.25.

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.

7. SHARE CAPITAL (Continued)

(c) Stock options (continued)

The following table summarizes the Company's options:

	Period Ended Mar. 31, 2008	Weighted Average Exercise Price	Period Ended Mar. 31 2007	Weighted Average Exercise Price
Balance outstanding	3,805,700	$ 4.44	3,352,800	$ 2.31
Activity during the period				
Options granted	284,500	12.91	335,000	8.57
Options exercised	(454,370)	2.14	(151,800)	0.90
Balance outstanding, end of period	3,635,830	$ 5.39	3,536,000	$ 2.96

During the period ended March 31, 2008 the Company granted 284,500 stock options, (March 31, 2007 – 335,000). The Company has recorded $1,446,300 (March 31, 2007 - $1,730,034) of compensation expense relating to stock options vested to employees and consultants in the period ended March 31, 2008.

For the period ended March 31, 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 3.37% and expected lives of three years. (March 31, 2007 – assuming: no dividends are to be paid, a weighted average volatility of the Company's share price of 85%, an annual risk free interest rate of 4.05% and expected lives of three years.)

(d) Share purchase warrants

	Number of warrants		Weighted average exercise price
Balance at December 31, 2006	2,640,486		1.35
Issued in connection with issuance of common shares	1,380,000		10.00
Exercised and converted into common shares	(2,883,486)		2.08
Balance at December 31, 2007	1,137,000	$	10.00
Exercised and converted into common shares	(1,137,000)		10.00
Balance at March 31, 2008	-	$	-

8. 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 provide financial capacity to meets 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 income 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 March 31, 2008, 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.

9. 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 occurence. 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 commerical 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 year.

9. FINANCIAL RISK MANAGEMENT (continued)

(ii) Cash and cash equivalents

In order to manage credit and liquidity risk we invest only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

(iii) Derivative financial instruments

As at March 31, 2008, the Company has no derivative financial instruments. We may in the future enter into derivative financial instruments and in order to manage credit risk, we will only enter into derivative financial instruments with highly rated investment grade counterparties.

(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 year.

(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 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 Mexican peso against the Canadian dollar will increase our costs of operations in Mexico. A decrease in the United States dollar against the Canadian dollar will result in a loss on our books to the extent we hold funds in United States dollars. The Company is also exposed to inflation risk in Mexico.

The sensitivity of the Company's net loss and other comprehensive loss for the three months ended March 31, 2008 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	$	220,000
Other comprehensive loss		570,000
Comprehensive loss	$	790,000

9. FINANCIAL RISK MANAGEMENT (continued)

(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.

10. FAIR VALUE DISCLOSURES

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

11. 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.

12. RELATED PARTY TRANSACTIONS

For the period ended March 31, 2008 the Company's president received $155,215 in compensation for management services (2007 - $88,532) including an annual performance bonus of $80,000 (2007 - $50,000)

For the period ended March 31, 2008 a private company controlled by an officer of the Company received $90,960 in compensation for consulting services (2007 - $70,960) including an annual performance bonus of $60,000 (2007 - $40,000)

For the period ended March 31, 2008 the Company's CFO received $50,000 in compensation as a bonus for management services (2007 - $Nil).

The Company paid or accrued non-executive directors fees of $20,500 during the period ended March 31, 2008 (2007 - $Nil).

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 March 31, 2008 the Company accrued or paid Cascabel and IMDEX consulting, administration and travel fees totaling $24,432 (2007 - $40,105) and exploration costs totaling $413,832 (2007 - $225,796) 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 a common director and common officer. During the period ended March 31, 2008 the Company accrued or paid Platinum Group Metals Ltd. $33,670 under the office service agreement (2007 - $33,969).

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 March 31, 2008 the Company accrued or paid Anthem $20,272 under the office lease agreement (2007 - $15,583).

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.

13. 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:

2008		58,520
2009		58,519
	$	117,039

14. SUBSEQUENT EVENTS

Subsequent to March 31, 2008:

(a) The Company issued 599,900 common shares between $0.50 and $4.04 on the exercise of stock options for proceeds of $462,016.