MAG SILVER CORP.

(formerly Mega Capital Investments Inc.)
(An exploration stage company)

Consolidated Interim Financial Statements
For the three month period ended March 31, 2004

Filed: May 25, 2004

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

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The attached interim financial statements have not been reviewed by the Company's auditors.

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Consolidated Balance Sheets

	Mar. 31, 2004	Dec. 31, 2003
ASSETS		
CURRENT		
Cash and cash equivalents	$ 4,172,042	$ 4,795,822
Accounts receivable	350,183	259,501
Interest receivable	75,406	64,127
Prepaid expenses	15,622	8,750
TOTAL CURRENT ASSETS	4,613,253	5,128,200
MINERAL RIGHT ACQUISITION COSTS (Note 8)	1,316,216	1,314,678
DEFERRED EXPLORATION COSTS (Note 8)	2,538,593	2,057,542
EQUIPMENT (Note 4)	31,796	34,374
TOTAL ASSETS	$ 8,499,858	$ 8,534,794
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 61,051	$ 208,018
TOTAL LIABILITIES	61,051	208,018
SHAREHOLDERS' EQUITY		
Share capital (Note 5)		
Authorized - 1,000,000,000 common shares, without par value		
Issued and outstanding at March 31, 2004 - 23,658,245 common shares (December 31, 2003 - 23,093,995)	9,730,147	9,504,984
Contributed surplus (Note 5 (c))	75,308	75,308
Deficit	(1,366,648)	(1,253,516)
TOTAL SHAREHOLDERS' EQUITY	8,438,807	8,326,776
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 8,499,858	$ 8,534,794

ON BEHALF OF THE BOARD:

"George Young" (signed)
George Young, President & Director

"R. Michael Jones"** (**signed)
R. Michael Jones, Director

See accompanying Notes to the Consolidated Financial Statements.

MAG SILVER CORP.
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Consolidated Statement of Operations and Deficit

	For the 3-month period Ended March 31 2004 (unaudited)	2003 (unaudited)
Expenses:		
Accounting and Audit	$ 22,000	$ 187
Amortization	2,578	269
Annual general meeting	0	0
Bank charges and Interest	647	8,626
Foreign Exchange	(20,136)	0
Office and Administration	27,067	4,730
Office Rent	4,500	0
Filing fees	5,989	18,968
Legal	22,017	29,899
Management and consulting fees	40,546	0
Shareholder Relations	22,866	0
Telephone	22	0
Transfer agent fees	4,216	1,455
Travel and Accommodation	7,215	35,478
Loss before other items	139,527	99,612
Other:		
Recoveries	0	0
Interest	26,395	142
Loss for the period	$ (113,132)	$ (99,470)
Deficit, beginning of period	(1,253,516)	(415,977)
Deficit, end of period	$ (1,366,648)	$ (515,447)
Basic and diluted loss per share	$0.00	$0.03

See accompanying Notes to the Consolidated Financial Statements.

MAG SILVER CORP.
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Consolidated Statements of Shareholders' Equity

	Common shares without par value		Special warrants			Deficit accumulated during the exploration stage	Total shareholders' equity
	Shares	Amount	Shares	Amount	Contributed Surplus		
Issued for cash	1,500,000	$ 150,000	-	$ -	$ -	$ -	$ 150,000
Net loss	-	-	-	-	-	(4,279)	(4,279)
Balance, October 31, 1999	1,500,000	150,000	-	-	-	(4,279)	145,721
Net loss	-	-	-	-	-	(3,787)	(3,787)
Balance, December 31, 1999	1,500,000	150,000	-	-	-	(8,066)	141,934
Issued for cash	1,500,000	240,222	-	-	-	-	240,222
Net loss	-	-	-	-	-	(5,641)	(5,641)
Balance, December 31, 2000	3,000,000	390,222	-	-	-	(13,707)	376,515
Net loss	-	-	-	-	-	(279,639)	(279,639)
Balance, December 31, 2001	3,000,000	390,222	-	-	-	(293,346)	96,876
Issued for cash			2,400,000	375,000	-	-	375,000
Net loss	-	-	-	-	-	(122,631)	(122,631)
Balance, December 31, 2002	3,000,000	390,222	2,400,000	375,000	-	(415,977)	349,245
Issued for cash (Note 5)	11,500,000	5,109,766	-	-	-	-	5,109,766
Conversion of special warrants	2,400,000	375,000	(2,400,000)	(375,000)	-	-	-
Agent's Administration shares	10,000	5,000					5,000
Finders' fee shares (Note 9)	500,000	250,000	-	-	-	-	250,000
Issued to obtain mineral property option rights	200,000	100,000	-	-	-	-	100,000
Issued on acquisition of Lexington (Note 9)	200,000	180,000	-	-	-	-	180,000
Warrants exercised	5,183,995	3,068,996	-	-	-	-	3,068,996
Stock options exercised	100,000	26,000	-	-	-	-	26,000
Stock options granted to consultants	-	-	-	-	75,308	-	75,308
Net loss	-	-	-	-	-	(837,539)	(837,539)
Balance, December 31, 2003	23,093,995	$ 9,504,984	-	$ -	$ 75,308	$ (1,253,516)	$8,326,776
Warrants exercised	424,250	174,363	-	-	-	-	174,363
Stock options exercised	140,000	50,800	-	-	-	-	50,800
Net loss	-	-	-	-	-	(113,132)	(113,132)
Balance, March 31, 2004	23,658,245	$ 9,730,147	-	$ -	$ 75,308	$ (1,366,648)	$8,438,807

See accompanying Notes to the Consolidated Financial Statements.

MAG SILVER CORP.
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Consolidated Statements of Cash Flows

	Three months ended March 31, 2004	Three months ended March 31, 2003
OPERATING ACTIVITIES		
Loss for the period	$ (113,132)	$ (99,470)
Items not involving cash:		
Write-off of computer software	-	-
Write-off of investment	-	-
Amortization	2,578	269
Non-cash compensation expense	-	-
Changes in operating assets and liabilities		
Accounts receivable	(90,682)	(3,782)
Interest receivable	(11,279)	-
Prepaid expenses	(6,872)	-
Accounts payable and accrued liabilities	(146,967)	105,650
	(366,354)	2,667
INVESTING ACTIVITIES		
Term deposit	-	-
Purchase of equipment	-	-
Advances to Minera Los Lagartos, S.A. de C.V.	-	-
Acquisition of Minera Los Lagartos, S.A. de C.V. (Note 10)	-	(86,250)
Acquisition of Lexington Capital Group Inc. (Note 10)	-	-
Mineral rights	(1,538)	-
Deferred exploration costs	(481,051)	(89,690)
	(482,589)	(175,940)
FINANCING ACTIVITIES		
Issue of share capital	225,163	4,000
Issue of special warrants	-	-
Deferred financing costs	-	(87,199)
Short-term loan	-	150,000
	225,163	66,801
INCREASE (DECREASE) IN CASH	(623,780)	(106,472)
CASH, BEGINNING OF PERIOD	4,795,822	167,276
CASH, END OF PERIOD	$ 4,172,042	$ 60,804
Income taxes paid	$ -	$ -
Interest paid	$ -	$ -
Issue of shares in connection with acquisition of Minera Los Lagartos, S.A. de C.V. (Note 10)	$ -	$ -
Issue of shares in exchange for mineral property option rights	$ -	$ -
Issue of shares in connection with acquisition of Lexington Capital Group Inc. (Note 10)	$ -	$ -

See accompanying Notes to the Consolidated Financial Statements.

1. NATURE OF BUSINESS

The Company was incorporated under the Company Act (British Columbia) on April 21, 1999 and was classified as a Venture Capital Pool Company as defined in the former Vancouver Stock Exchange (the "Exchange") Policy 30. The Company's shares were listed on the TSX Venture Exchange on April 21, 2000.

The Company was originally required to complete its Qualifying Transaction within 18 months of listing on the Exchange. This deadline was extended and subsequently the Qualifying Transaction was approved and completed on April 15, 2003 (Note 5 (a)).

The Company is an exploration company conducting work on mineral properties it has staked or acquired by way of option agreement principally in Mexico. The Company has not yet determined whether the properties on which it is conducting exploration contain any ore reserves that are economically recoverable. 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 the financial resources to sustain operations in the long-term. The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity to the public, will be sought to finance the operations of the Company.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and include the following significant policies outlined below. These policies conform, in all material respects, with accounting principles generally accepted in the United States of America ("US GAAP"), except as described in Note 13.

(a) Principles of consolidation

On January 15, 2003, the Company completed its acquisition of Minera Los Lagartos, SA de CV and on July 16, 2003, its acquisition of Lexington Capital Corp. (Note 10). The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated on consolidation.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results may differ from those reported.

(c) Financial instruments and foreign exchange risk

The Company's financial assets and liabilities are cash and cash equivalents, accounts receivable, interest receivable and accounts payable and accrued liabilities. The fair values of these financial instruments are estimated to be their carrying values due to their short-term or demand nature.

Foreign exchange risk is the risk that a variation in exchange rates between the Canadian dollar and foreign currencies will affect the Company's operating and financial results. The Company has significant operations outside of Canada which are subject to these foreign exchange risks. The Company does not use derivative instruments to reduce its exposure to this foreign exchange risk.

(d) Mineral rights and deferred exploration costs

The Company is in the exploration stage with respect to its mining activity and accordingly follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of the interests and crediting all revenues received against the cost of the related interests. At such time as commercial production commences, these costs will be charged to operations on a units-of-production method based on proven and probable reserves. The aggregate costs related to abandoned interests are charged to operations at the time of any abandonment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Mineral rights and deferred exploration costs (continued)

Mineral rights include costs to acquire options to acquire interests in unproven mineral properties.

Deferred exploration costs include direct exploration costs incurred by the Company in its effort to determine the existence of economically mineable ore including the cost of feasibility studies.

Management reviews the carrying value of mineral rights and deferred exploration costs at least quarterly for evidence of impairment. This review is generally made with reference to the timing of exploration work, work programs proposed, exploration results achieved by the Company and by others in the related area of interest, and an assessment of the likely results to be achieved from performance of further exploration. When the results of this review indicate that a condition of impairment exists, the Company estimates the net recoverable amount of the deferred exploration costs and related mining rights by reference to the potential for success of further exploration activity and/or the likely proceeds to be received from sale or assignment of the rights. When the carrying values of mining rights or deferred exploration costs are estimated to exceed their net recoverable amounts, a provision is made for the decline in the value.

The Company is in the process of exploring mineral properties and has not yet determined whether they contain ore reserves that are economically recoverable. Accordingly, the recoverability of these capitalized costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and, ultimately, upon future profitable production.

The issuance of CICA Handbook Section 1581, *Business Combinations*, (“CICA 1581”), and CICA Handbook Section 3062, *Goodwill and Other Intangible Assets*, (“CICA 3062”), resulted in an apparent conflict between previously issued accounting standards found in CICA Handbook Section 3061, Property, Plant and Equipment (“CICA 3061”), and EIC-126, Accounting by Mining Enterprises for Exploration Costs (“EIC-126”).

Appendix 31 to CICA 1581 describes a mineral use right as an example of a contract-based intangible that is subject to amortization over its estimated useful life as recommended by CICA 3062. CICA 3061, however, states that mining properties represented by capitalized costs of acquired mineral rights and the costs of associated with exploration for and development of mineral reserves may be considered as items of property, plant and equipment. Furthermore, EIC-126 concluded that a mining enterprise that has not commenced operations or objectively established mineral reserves is not precluded from considering exploration costs to have the characteristics of property, plant and equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Mineral rights and deferred exploration costs (continued)

The Company has determined that, under Canadian GAAP, it is appropriate to consider the costs associated with acquiring the rights to explore a mining property as items of property, plant and equipment. Under this interpretation, the Company has concluded that it is appropriate to capitalize all such costs until commercial production commences or until the property is abandoned as described above. A view that is different from this interpretation is that the costs associated with acquiring the rights to explore a mining property are considered intangible assets and would be amortized over its estimated useful life. Additional guidance may be provided in the future that would require accounting for these costs in a manner different from the Company's current method of accounting. If the Company had considered the costs associated with acquiring the rights to explore a mining property an intangible asset and amortized them over the expected period in which exploration would be performed, Mineral Rights would have been $601,000 lower at December 31, 2003 (2002 - $Nil) and Amortization expense would have been $601,000 higher for the year ended December 31, 2003 (2002 - $Nil; 2001 - $Nil; period from April 21, 1999 to December 31, 2003 - $601,000).

(e) Equipment

Equipment is recorded at cost. Depreciation is provided on a straight-line basis to amortize the costs over a five year term.

(f) Income taxes

The Company accounts for income taxes using the asset and liability method. Under this method, future income taxes are recorded for the temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities. These future taxes are measured based on substantially enacted tax rates. Management believes that it is not sufficiently likely that the Company will generate sufficient taxable income for the realization of its future tax assets and therefore the Company has made a full valuation provision for these assets.

(g) Stock-based compensation

All stock-based awards made to non-employees are measured and recognized using a fair value based method. For stock options granted to employees and directors, the Company has adopted the disclosure-only provisions whereby pro forma net income and pro forma earnings per share are disclosed in the notes to the financial statements as if the fair value based method of accounting had been used.

Compensation expense is recognized when stock options are issued to employees and directors for the excess, if any, of the quoted market price at the date of grant over the exercise price. Any consideration paid by employees and directors on the exercise of stock options is credited to share capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Foreign exchange translation

The accounts of the Company's foreign operations are considered to be integrated with the operations of the Company and are translated into Canadian dollars as follows:

- monetary assets and liabilities at the rate prevailing at the balance sheet date.
- non-monetary assets and liabilities at historical rates.
- income and expenses at the average rate in effect during the year.

The resulting translation adjustment is included on the statement of operations.

(i) Loss per share

Basic earnings per share calculations are based on the weighted average number of common shares outstanding, after excluding the shares held in escrow for which the conditions for their release were not satisfied until April 15, 2003 (Note 5 (f)).

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

3. EQUIPMENT

	March 31, 2004			December 31, 2003
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computer equipment and software	$ 11,423	$ 2,032	$ 9,391	$ 10,152
Field equipment	24,812	2,407	22,405	24,222
	$ 36,235	$ 4,439	$ 31,796	$ 34,374

4. SHARE CAPITAL

(a) Issued and outstanding

On April 15, 2003, the Company raised gross proceeds of $5,750,000 from the sale of 11,500,000 units at a price of $0.50 per unit. Each unit consists of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one share at a price of $0.75 per share for a period of two years from the closing. The Agents were granted warrants to purchase up to 1,150,000 shares of the Company at the same price in partial payment of services rendered in connection with the financing. The commission paid to the Agents was $460,000, equal to 8% of the gross proceeds of the Offering, they were also issued 10,000 shares of the Company (the "Administration Shares") as an administration fee in relation to the Offering, valued at $5,000. Corporate finance fees, legal fees and related disbursements totalled $175,234, of which $7,500 was incurred to December 31, 2002. The net proceeds to the Company from the financing were $5,109,766.

The prospectus issued in respect of the financing also qualified 2,400,000 common shares and non-transferable share purchase warrants to purchase up to 1,950,000 common shares of the Company issuable upon the exercise of special warrants issued by the Company in September and December, 2002, which shares and warrants have now been issued (Note 6). The prospectus also qualified 500,000 finders' fee shares issued in relation to the property acquisitions, of which 200,000 common shares have been issued and 300,000 have been issued in escrow. These shares are to be released from escrow as follows: 10% on completion of the Company's Qualifying Transaction, which took place on April 15, 2003, and the balance to be released in equal tranches of 15% every six months, for a three year period.

(b) Stock options

The Company has entered into Incentive Stock Option Agreements ("Agreements") with directors, officers and employees.

At the date the Agreements are entered into, the exercise price of each option is set at the fair value of the common shares at the date of grant. The following table summarizes the Company's options:

	Quarter ended March 31, 2004	Weighted Average Exercise Price	Year ended December 31, 2003	Weighted Average Exercise Price
Balance outstanding, beginning of year	1,170,000	$ 0.20	280,000	$ 0.20
Activity during the year				
Options granted	-	-	990,000	0.58
Options exercised	(140,000)	0.36	(100,000)	0.26
Balance outstanding, end of year	1,030,000	$ 0.54	1,170,000	$ 0.52

4. SHARE CAPITAL (Continued)

(b) Stock options (continued)

The following table summarizes options outstanding and exercisable at March 31, 2004:

Options Outstanding and Exercisable

Range of Exercise Prices	Number Outstanding and Exercisable at December 31, 2003	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
$0.20	100,000	1.05	$ 0.20
0.50	575,000	4.03	0.50
0.70	355,000	4.11	0.70
	1,030,000	3.96	$ 0.52

During the current period no stock options have been granted. The Company granted 775,000 stock options to employees and 215,000 stock options to consultants during the year ending December 31, 2003. The Company has recorded $75,308 of compensation expense relating to stock options granted to consultants in the year ended December 31, 2003 (2002 - $Nil). The Company has elected to measure compensation costs for employee stock options whereby no compensation expense was recognized when the stock options are granted. Had compensation costs been determined based on the fair value of the options granted using the Black-Scholes option pricing model, additional compensation expense would have been recorded as follows:

	Year ended December 31, 2003	Year ended December 31, 2002
Loss for the year as reported	$ (837,539)	$ (122,631)
Additional compensation expense	(248,128)	-
Pro forma loss	$ (1,085,667)	$ (122,631)
Pro forma basic and diluted loss per share	$ (0.08)	$ (0.08)

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted during the year ended December 31, 2003:

Risk-free interest rate	3.76%
Expected life of options	5 years
Annualized volatility	63%
Dividend rate	0.00%

No options were granted in 2002.

4. SHARE CAPITAL (Continued)

(c) Share purchase warrants

	Number of Warrants		Weighted-Average Exercise Price
Balance at December 31, 2002	-	$	-
Issued on conversion of Special Warrants	1,500,000		0.20
Issued on conversion of Special Warrants	450,000		0.40
Issued in connection with issuance of common shares	5,750,000		0.75
Issued to agents in connection with issuance of common shares	1,150,000		0.50
Exercised and converted to common shares	(5,183,995)		0.59
Balance at December 31, 2003	3,666,005		0.63
Exercised and converted to common shares	(424,250)		0.41
Balance at March 31, 2004	3,241,755	$	0.66

(d) Shares held in escrow

As a result of the completion and approval of the Company's Qualifying Transaction on April 15, 2003, the 1,500,000 of the Company's common shares held in escrow are to be released as to one-third on each of April 15, 2004, 2005 and 2006.

5. SPECIAL WARRANTS

During the year ended December 31, 2002, the Company:

(i) issued 1,500,000 special warrants for $0.10 per special warrant, which were convertible into one common share and one common share purchase warrant until the earlier of five business days following the date of the Company's final prospectus (April 3, 2003) or September 9, 2003. Each common share purchase warrant is exercisable into one common share of the Company at $0.20 per share until September 9, 2004.

(ii) issued 900,000 special warrants for $0.25 per special warrant, which were convertible into one common share and one-half of one common share purchase warrant until the earlier of five business days following the date of the Company's final prospectus (April 3, 2003) or December 20, 2003. Each whole common share purchase warrant is exercisable into one common share of the Company at $0.40 per share until December 20, 2004.

In 2003, each of the special warrants were converted into one common share and one share purchase warrant, with exercise terms as described above.

6. INCOME TAXES

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the pre-tax loss due to the following:

	2003	2002	2001
Statutory tax rate	37.60%	39.60%	45.60%
Recovery of income taxes computed at standard rates	$ 314,915	$ 48,561	$ 127,515
Non-taxable portion of capital loss	-	(700)	(56,715)
Non-deductible expenses	(28,316)	-	-
Lower effective tax rate on loss in foreign jurisdictions	(1,603)	-	-
Future tax benefits not recognized in the period that the loss arose	(284,996)	(47,861)	(70,800)
	$ -	$ -	$ -

The approximate tax effect of each type of temporary difference that gives rise to the Company's future income tax assets are as follows:

	2003	2002
Operating loss carry forwards	$ 323,750	$ 64,768
Capital losses carried forward	44,100	49,979
Less valuation allowance	(367,850)	(114,747)
	$ -	$ -

At December 31, 2003, the Company has non-capital loss carry-forwards of $925,000, expiring between 2006 and 2010, available for tax purposes and capital loss carryforwards of $252,000 which are available only to offset future capital gains for tax purposes and may be carried forward indefinitely.

7. MINERAL RIGHTS AND DEFERRED EXPLORATION COSTS

Period ended March 31, 2004

	Juanicipio	Don Fippi	Guigui	Lagartos	Sierra Ramirez	Adargas	Total
Acquisition costs of mineral rights							
Balance, beginning of year	$ 894,379	$ 173,534	$ 181,812	$ 21,519	$ 43,434	$ -	$ 1,314,678
Incurred during year				1,538		-	1,538
Balance, end of year	$ 894,379	$ 173,534	$ 181,812	$ 23,057	$ 43,434	$ -	$1,316,216
Deferred exploration costs							
Camp costs	$ 7,701	$ 13,561	$ 12,734	$ -	$ 228	$ 3,831	$ 38,055
Drilling	-	-	191,968	-	-	-	191,968
Geochemical	1,508	9,964	11,014	-	-	-	22,486
Geological	23,215	63,805	31,415	1,813	573	8,641	129,462
Geophysical	-	-	-	-	-	-	-
Maps, fees and licenses	15,581	14,231	12,930	7,955	1,211	4,994	56,902
Research	-	-	-	-	-	-	-
Travel	5,363	10,030	58	-	-	-	15,451
Transport and shipping	-	-	-	-	39	12	51
Site administration	8,847	8,115	5,107	-	2,212	2,395	26,676
	62,215	119,706	265,226	9,768	4,263	19,873	481,051
Balance, beginning of year	1,145,332	335,793	558,456	17,961	-	-	2,057,542
Balance, end of year	$ 1,207,547	$ 455,499	$ 823,682	$ 27,729	$ 4,263	$ 19,873	$ 2,538,593

(a) Juanicipio Property

The Company, through its subsidiary, Minera Los Lagartos, S.A. de C.V. ("Lagartos"), holds a 100% interest in an exploration concession on the Juanicipio property, located in the Fresnillo District, Zacatecas, Mexico. This exploration concession enables Lagartos to explore the mining claim covered by the concession for the period to August 8, 2005.

Previously, as a condition to acquiring the concession, Lagartos was obligated to make payments totalling US$2,500,000 over a period of four years.

As a result of the Company's acquisition of Lexington Capital Group Inc. (Note 9 (b)), this obligation, as well as any future royalty payments, were removed.

7. MINERAL RIGHTS AND DEFERRED EXPLORATION COSTS (Continued)

(b) Don Fippi Property

Lagartos has entered into an agreement which gives it the right to explore and acquire a 100% interest in mining concessions located in the Batapilas, Chihuahua district of Mexico. Under the terms of the agreement, Lagartos is obligated to:

i) make scheduled payments totalling US$550,000 plus applicable value added tax (of which US$50,000 has been paid) by April 21, 2007;

ii) incur exploration expenditures totalling US$4,000,000 by April 21, 2008; and

iii) issue an aggregate of 2,100,000 common shares of the Company, of which 100,000 common shares have been issued.

(c) Guigui Property

Lagartos has entered into an agreement which gives it the right to explore and acquire a 100% interest in mining concessions located in the Santa Eulalia, Chihuahua district of Mexico. Under the terms of the agreement, Lagartos is obligated to:

i) make scheduled payments totalling US$550,000 plus applicable value added tax (of which US$50,000 has been paid) by April 21, 2007;

ii) incur exploration expenditures totalling US$2,500,000 by April 21, 2007; and

iii) issue an aggregate of 2,100,000 common shares of the Company, of which 100,000 common shares have been issued.

(d) Sierra Ramirez Property

Lagartos has entered into an agreement, which is subject to acceptance by the TSX Venture Exchange, which gives it the right to explore and acquire a 100% interest in mining concessions located in the Sierra Ramirez district in Durango, Mexico. Under the terms of the agreement, Lagartos is obligated to:

i) make scheduled payments totalling US$1,505,000 within 60 months after the date of acceptance by the TSX Venture Exchange, of which US$30,000 has been paid;

ii) issue 20,000 common shares of MAG Silver Corp. upon acceptance of the agreement by the TSX Venture Exchange; and

iii) incur exploration expenditures totalling $750,000 within 60 months after the date of acceptance by the TSX Venture Exchange.

7. MINERAL RIGHTS AND DEFERRED EXPLORATION COSTS (Continued)

(e) Lagartos

Lagartos has acquired an exploration concession on mining claims on the Fresnillo trend to the northwest and southeast of the Juanicipio property. This exploration concession enables Lagartos to explore the mining claim covered by the concession to December 2009.

(f) Lagartos has entered into an agreement, which is subject to acceptance by the TSX Venture Exchange, which gives it the right to explore and acquire a 100% interest in the Adargas property (the "Adargas Property"), subject to a 2.5% net smelter returns royalty. Under the terms of the agreement, Lagartos is obligated to:

i) make scheduled payments totalling US$1,000,000 within 60 months after the date of acceptance by the TSX Venture Exchange.

ii) issue 75,000 common shares of MAG Silver Corp. upon acceptance of the agreement by the TSX Venture Exchange; and

iii) incur exploration expenditures totalling $1,000,000 within 60 months after the date of acceptance by the TSX Venture Exchange.

8. RELATED PARTY TRANSACTIONS

For the quarter ended March 31, 2004 the Company's president received $23,820 in compensation for legal and management services (2003 - $17,054).

During the year ended December 31, 2003, the Company borrowed $150,000 on a short-term loan from a shareholder of the Company. The loan has been fully repaid, as well as $12,500 related to interest.

During 2003, the Company entered into a office rental and services agreement with Platinum Group Metals Ltd. ("PTM"), a company with a common director and common officer. During the quarter ended March 31, 2004 the Company paid PTM $38,000 under the common service agreement (2003 - $Nil).

9. ACQUISITIONS

(a) Minera Los Lagartos, S.A. de C.V. ("Lagartos")

The Company announced on November 25, 2002 that it was proceeding with the acquisition of a 99% interest in the issued and outstanding common shares of Lagartos. This acquisition was completed by the Company on January 15, 2003. The remaining 1% of Lagartos is held, in trust for the Company, by a director and officer of the Company. Upon acquisition by the Company, Lagartos held the interests in the Juanicipio concessions and the options to acquire interests in the Don Fippi and Guigui concessions.

9. ACQUISITIONS (Continued)

(a) Minera Los Lagartos, S.A. de C.V. ("Lagartos")(continued)

The total purchase price of Lagartos and its allocation to the fair value of net assets acquired is as follows:

Cash advanced to Lagartos in respect of option on Juanicipio property (US$50,000) paid in 2002	$	78,750
Cash paid for the 100% interest in the common shares of Lagartos (US$5,000)		7,500
Finders' fee shares		250,000
Advances to Lagartos prior to acquisition		113,139
	$	449,389

The fair value of net assets acquired		
Mineral rights	$	449,389

The Company issued 500,000 common shares with a fair value of $0.50 per share in connection with the completion of the transaction as a finders' fee to two officers and a company with directors and officers in common.

The acquisition of Lagartos has been accounted for using the purchase method and the results of operations of Lagartos have been included in the Company's results of operations from January 15, 2003.

There were no other significant assets or liabilities acquired in this transaction. As such, the total of the acquisition of Lagartos has been allocated to acquired mineral rights being the right or the underlying right to explore a mining property.

(b) Lexington Capital Group Inc. ("Lexington")

On July 16, 2003, the Company completed the acquisition of Lexington whose main asset is its indirect interest in the Juanicipio I claim that encompasses the Company's Juanicipio Project near Fresnillo, Zacatecas, Mexico. Under the terms of the agreement, MAG paid the vendor US$250,000 (Cdn$350,000) and 200,000 common shares of the Company. This acquisition reduced future required option payments and work commitments described in Note 8 (a). This also eliminated a net smelter return royalty obligation.

The acquisition is accounted for using the purchase method. An allocation of the purchase price is as follows:

Cash	$	350,000
200,000 common shares		180,000
	$	530,000

9. ACQUISITIONS (Continued)

(b) Lexington Capital Group Inc. ("Lexington") (continued)

Fair value of net assets acquired:

Cash	$	4,219
Working capital deficiency		(13,196)
Mineral rights		538,977
	$	530,000

10. SUBSEQUENT EVENTS

Subsequent to March 31, 2004, the Company:

(a) Issued a total of 107,000 common shares at $0.75 per share on the exercise of warrants.

(b) Issued 224,938 common shares at $1.40 per share to maintain the Don Fippi property agreement (see Note 7.b.iii).

(c) Issued 403,967 common shares at $1.40 per share to maintain the Guigui property agreement (see Note 7.c.iii).

MAG SILVER CORP.

(formerly Mega Capital Investments Inc.)
(An exploration stage company)

Supplementary Information and MD&A
For the three month period ended March 31, 2004

Filed: May 25, 2004

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

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The attached statements have not been reviewed by the Company's auditors.

MAG SILVER CORP.
(formerly Mega Capital Investments Inc.)
(An exploration stage company)

Supplementary Information
For the Period ended March 31, 2004

1. ANALYSIS OF EXPENSES AND DEFERRED COSTS

Refer to Financial Statements for details

2. RELATED PARTY TRANSACTIONS

For the quarter ended March 31, 2004 the Company's president received $23,820 in compensation for legal and management services (2003 - $17,054).

During the period ended December 31, 2003 the Company borrowed $150,000 on a short-term loan from a shareholder of the Company. The loan has been fully repaid, as well as $12,500 related to interest.

During 2003, the Company entered into an office rental and services agreement with Platinum Group Metals Ltd. ("PTM"), a company with a common director and common officer. During the three month period ended March 31, 2004 the Company paid PTM $38,000 under the common service agreement (2003 - $Nil)

3. SUMMARY OF SECURITIES ISSUED AND OPTIONS GRANTED

Refer to Financial Statements Note 4b for details.

a) Summary of securities issued during the quarter:

Issue Date	Security Type	Type of Issue	Number Issued	Price	Total Proceeds	Consideration Type
Jan.14/04 - Mar.22/04	Common Shares	Warrants Exercised	237,500	$0.20	$47,500	Cash
Jan.13/04	Common Shares	Warrants Exercised	32,000	$0.40	$12,800	Cash
Jan.7/04	Common Shares	Warrants Exercised	8,000	$0.50	$4,000	Cash
Jan.8/04 - Mar.10/04	Common Shares	Warrants Exercised	146,750	$0.75	$110,063	Cash
Jan.9/04	Common Shares	Options Exercised	100,000	$0.20	$20,000	Cash
Feb.18/04 - Mar.30/04	Common Shares	Options Exercised	40,000	$0.77	$30,800	Cash

Refer to Financial Statements Note 4b for details of securities issued to date.

b) Options granted during the quarter:

Issue Date	Optionees	Number Issued	Exercise Price	Expiry Date
		Nil		

4. SUMMARY OF SECURITIES AS AT THE END OF THE REPORTING PERIOD

a) Authorized and issued share capital at March 31, 2004:

Class	Par Value	Authorized	Issued and o/s	Amount
Common	N.P.V.	1,000,000,000	23,658,245	$9,730,147

b) Options outstanding at March 31, 2004:

Name of Optionee	Date Granted	Exercise Price	Expiry Date	No. of Shares
Dave Pearce	April 19,2000	$0.20	April 19,2005	100,000
Dave Pearce	April 15,2003	$0.50	April 15,2008	75,000
Eric Carlson	April 15,2003	$0.50	April 15,2008	75,000
George Young	April 15,2003	$0.50	April 15,2008	175,000
R. Michael Jones	April 15,2003	$0.50	April 15,2008	175,000
Consultant	April 15,2003	$0.50	April 15,2008	75,000
Dave Pearce	May 12,2003	$0.70	May 12,2008	50,000
Eric Carlson	May 12,2003	$0.70	May 12,2008	50,000
George Young	May 12,2003	$0.70	May 12,2008	50,000
R. Michael Jones	May 12,2003	$0.70	May 12,2008	50,000
Frank Hallam	May 12,2003	$0.70	May 12,2008	75,000
Consultants	May 12,2003	$0.70	May 12,2008	80,000

c) Warrants outstanding at March 31, 2004:

The following warrants are exercisable into one common share of the Company as follows**:**

No. of Warrants	Exercise Price	Expiry Date
412,500	$0.20	September 9, 2004
218,000	$0.40	December 20, 2004
16,000	$0.50	April 15, 2005
2,595,255	$0.75	April 15, 2005

d) Shares in escrow or subject to pooling restrictions at March 31, 2004:

1,725,000 Common Shares in escrow

5. LIST OF DIRECTORS AS AT THE DATE THIS REPORT WAS SIGNED AND FILED:

George S. Young
Eric Carlson
David Pearce
R. Michael Jones

6. LIST OF THE OFFICERS AS AT THE DATE THIS REPORT SIGNED AND FILED:

George S. Young, President and Chief Executive Officer
Dave Pearce, Corporate Secretary
Frank Hallam, Chief Financial Officer

MAG SILVER CORP.
(formerly Mega Capital Investments Inc.)
(An exploration stage company)

Management Discussion & Analysis
For the Period ended March 31, 2004

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1. DESCRIPTION OF BUSINESS OF MAG SILVER CORP.

The Company was originally incorporated under the *Company Act* (British Columbia) on April 21, 1999 under the name "583882 B.C. Ltd.". On June 28, 1999, in anticipation of becoming a capital pool company, the Company changed its name to "Mega Capital Investments Inc.". On April 22, 2003, the Company changed its name to "MAG Silver Corp." to reflect its new business consequent upon the completion of its Qualifying Transaction. The principal business of the Company is the acquisition, exploration and development of mineral properties.

The Company is a "reporting" company in the Provinces of British Columbia, Alberta and Ontario. The Company's Common Shares were listed and posted for trading on the TSX Venture Exchange (TSXV: MGA) on April 19, 2000. Concurrent with the Company's name change to MAG Silver Corp. on April 22, 2003, the trading symbol was changed to "MAG".

At the time of writing the Company continues to conduct exploration programs on its properties in Mexico, such as rehabilitation work on existing underground workings on the Don Fippi property, drilling at the Adargas property, and a drilling program on the Guigui property. The Company remains in strong financial condition as a result of the April 15, 2003 financing as described above and the exercise of share purchase warrants during and subsequent to the Company's March 31, 2004 quarter end. The Company continues to follow its business plan as set forth in April 2003.

2. DISCUSSION OF OPERATIONS AND FINANCIAL CONDITION

Revenues

During the quarter ended March 31, 2004 the Company earned interest income of $26,395 (2003 - $142) on short-term investments and cash on hand. There were no other revenues realized by the Company during the period. Cash at March 31, 2004 amounted to $4,172,042 (Mar. 31, 2003 – $60,804).

General and Administrative Expenses

Interest earned during the period of $26,395 (2003 - $142) was applied as a reduction to general and administrative expenses of $139,527 (2003 - $99,612), resulting in an operating loss for the period of ($113,132) (2003 – ($99,470)).

The increase in expenses is directly related to the Company's newly active status and the costs of identifying and completing the Company's Qualifying Transaction in April 2003. The Company has also incurred additional professional fees during the period for the preparation and filing of a Form 20F Registration Document with the United States Securities and Exchange Commission.

Travel and accommodation expenses for the period totaled $7,215 (2003 - $35,612), management and consulting fees totaled $40,546 (2003 – nil). Consulting and management fees have been paid to three individuals including one director. (See related party transactions).

Services provided by the company's president, the company's lawyer, consulting geologists include project management, investor relations, legal, geological and administrative services. Such services were originally budgeted for within "general and administrative costs" in the Company's Prospectus dated March 31, 2003, however, the scope and nature of the Company's activities since that time have necessitated the hiring of a full time president and the provision of more paid services than originally budgeted for. During the first quarter legal fees amounted to $22,017 (2003 - $29,899), filing fees totaled $5,989 (2003 - $18,968) while accounting and audit expenses totaled $22,000 (2003 - $187). Bank charges and interest totaled $647 (2003 – $8,626). Other smaller expense items account for the balance of general and administrative costs for the period. The Company now occupies office space and receives administrative services on a contract basis.

The following tables set forth selected financial data from the Company's Audited Financial Statements and should be read in conjunction with these financial statements.

	Year ended Dec. 31, 2003	**Year ended Dec. 31, 2002**	**Year Ended Dec. 31, 2001**
Revenues	Nil	Nil	Nil
Net Income (Loss)	($837,539)	($122,631)	($279,639)
Net Income (Loss) per Share	($0.06)	($0.08)	($0.19)
Total Assets	$8,534,794	$408,125	$110,904
Long Term Debt	Nil	Nil	Nil
Dividends	Nil	Nil	Nil

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

Quarter Ending	**Revenue**	**Net Earnings (Loss)**	**Net Loss per share**
December 31, 2003	Nil	(302,473)	0.01
September 30, 2003	Nil	(260,541)	0.01
June 30, 2003	Nil	(175,055)	0.01
March 31, 2003	Nil	(99,470)	0.03
December 31, 2002	Nil	(71,745)	0.04
September 30, 2002	Nil	(35,602)	0.03
June 30, 2002	Nil	(10,857)	0.01
March 31, 2002	Nil	(4,427)	0.00

The Company has not declared nor paid dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

Trend Information

Other than the obligations under the Company's property option agreements set out in Tabular Disclosure of Contractual Obligations, 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 December 31, 2004. It is unlikely that the Company will generate sufficient operating cash flow to meet these ongoing obligations in the foreseeable future. Accordingly, subsequent to December 31, 2004, the Company may need to raise additional capital by issuance of equity. 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.

Tabular Disclosure of Contractual Obligations (in U.S. dollars, as per agreement)

Contractual Obligations	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 years
Don Fippi Property	$4,500,000	$300,000	$2,000,000	$2,200,000	Nil
Guigui Property	$3,000,000	$150,000	$1,650,000	$1,200,000	Nil
Sierra Ramirez Property	$2,255,000	$130,000	$550,000	$1,575,000	Nil
Adargas Property	$2,000,000	$200,000	$700,000	$1,100,000	Nil
Cinco de Mayo Property	$2,000,000	$200,000	$700,000	$1,100,000	Nil
Total	$13,755,000	$980,000	$5,600,000	$7,175,000	Nil

Other Items

During the period the Company did not write down or abandon any mineral property. No material capital equipment was purchased or disposed of. The Company does not pay any person for marketing or investor relation services. The Company has attended seminars and from time to time and does visit brokers, market analysts and investors who request information about the Company's business. 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.

In 2003 the MAG completed the acquisition of Lexington Capital Group Inc. ("Lexington") whose main asset is its indirect interest in the Juanicipio I claim that encompasses MAG's Juanicipio

Project near Fresnillo, Zacatecas, Mexico, which has now been drilled by MAG, and further work is recommended. Under the terms of the agreement MAG paid the vendor US$250,000 and issued 200,000 shares of its common stock. This acquisition could potentially save the Company US$1,150,000 in option payments and US$2,500,000 in work commitments. This also eliminates a net smelter return royalty obligation.

Resource Expenditures

During the first quarter the Company incurred $1,538 in property acquisition costs related to staking activities. This amount is comprised of staking costs. Exploration expenditures in cash for the first quarter amounted to $481,051. The majority of these costs relate to the Guigui property where the Company has spent $265,226 on a rotary diamond drilling program.

During 2003 a total of 6,147 metres were drilled on seven different holes at the Juanicipio property. The company had originally budgeted to drill 4,500 metres at a cost of $200 per metre, totaling $900,000, but increased this amount to approximately 6,200 metres at an actual cost of $1,132,731, due to the nature, extent and grade of the mineralization encountered and in order to better delineate the mineralization discovered. Another consideration was the fact that actual cost was below budget on a per metre basis, approximately $184 per metre, compared to $200 per metre budgeted.

Results from the 7 holes drilled on the Juanicipio property have been encouraging and continue to confirm the Company's concepts and exploration models, adding great confidence for future exploration of structures throughout the property.

Phase 1 drilling at Juanicipio targeted six major surface-mapped structures coincident with strong NSAMT geophysical anomalies along the projection of veins being mined in the adjoining Fresnillo Mine area. Drilling results from the last 2 holes showed that silver dominant mineralization lies well above the base-metal rich "root zone" mineralization that appears to cause the deep NSAMT anomalies (See Press Release of November 13, 2003).

Phase 2 exploration activities have begun, following the completion and evaluation of Phase 1 drilling, at its 100% controlled Juanicipio project. Exploration work includes detailed surface mapping and sampling to locate vein segments where mineralization may widen along the 2 to 5 kilometre lateral continuations of the drilled structures. Initial Phase 2 exploration will incorporate further NSAMT geophysics along these wider vein segments to help define targets in the silver dominant zones. Existing permits cover this program, allowing drilling to begin in early 2004.

During 2003 the Company staked claims to approximately 120,000 hectares of open ground northwest and southeast of its Juanicipio I claim, which has been the focus of its recent drilling program.

The Company has completed aerial photography of the historic Batopilas District and is currently carrying out rehabilitation of some of the principal underground workings in its Don Fippi property that contains the historic Batopilas District. During the quarter the Company incurred approximately $63,805 ($245,208 to date) in geological costs on this rehabilitation. Batopilas produced 250 million ounces of silver from very high-grade native-silver ore bodies prior to being shut down by the Mexican Revolution in 1913. As well the company has carried out 50% of its planned geological mapping, and 40% of its planned orientation geophysical survey. During 2004, MAG plans to complete the rest of its geological mapping, geophysical survey and to commence drilling at Batopilas.

Drilling began on October 20, 2003 on its 4,553-hectare Guigui Project in the Santa Eulalia District in Chihuahua, Mexico. The Santa Eulalia District hosts a carbonate replacement silver deposit that has produced over 450 million ounces of silver from nearly 50 million tonnes of ores averaging 350 g/T (11.3 Oz/T) silver, 8.2% lead and 7.8% zinc. Despite nearly 300 years of continuous mining of interconnected high-grade deposits, these have never been traced back to the style of near-source intrusion-related mineralization typical of these deposits worldwide. MAG and others have performed geological and geochemical zoning studies and gravity, magnetic, CSAMT and NSAMT geophysical surveys to define the near-source mineralization targets on the property. The planned 3,500-metre drill program on Guigui consisted of 6 holes to test these targets, the largest of which centers on a geophysical anomaly more than 1 kilometre in diameter that MAG infers to reflect a buried intrusive body. Four holes were drilled by the end of 2003 for a total of 3,009 metres. The drill program finished in February 2004 with a total of 4,576 metres drilled over 6 different holes. The Company has recently received assay results from this drilling program. The original budget was for 4 holes, but after some exploration work the Company drilled a further 2 holes in the San Antonio Graben which added over 1,000 metres more than it had originally planned. This along with other additional geological work carried out on the property accounted for the exploration activities to come in above the originally planned budget.

All of the above expenses were deferred. There were no mineral properties written down during the period or in 2003. A complete table of mineral property costs can be found in Note 7 of the Company's Financial Statements for the period ended March 31, 2004.

During 2003 the Company announced that it has entered into agreements in principle to acquire the option to earn a 100% interest in the Adargas and Cinco de Mayo properties, two large exploration projects in the Mexican silver belt.

3. SUBSEQUENT EVENTS

Subsequent to March 31, 2003, the Company:

(a) Issued a total of 107,000 common shares at $0.75 per share on the exercise of warrants.

(b) Issued 224,938 common shares at $1.40 per share to maintain the Don Fippi property agreement (see Note 7.b.iii).

(c) Issued 403,967 common shares at $1.40 per share to maintain the Guigui property agreement (see Note 7.c.iii).

4. FINANCINGS, PRINCIPAL PURPOSES AND MILESTONES

On April 15, 2003, concurrent with the completion of its Qualifying Transaction, the Company raised gross proceeds of $5,750,000 from the sale of 11,500,000 units at a price of $0.50 per unit. The following is a table comparing the stated use of proceeds for that financing as shown in the Company's Prospectus dated March 31, 2003 as compared to actual expenditures to March 31, 2004 since that financing closed on April 15, 2003:

Description	**Notes**	**Budget**	**Actual April 15/03 to Mar. 31/04**	**% of Budget**
Gross Proceeds of Offering	i.	$5,000,000	$5,750,000	115.0 %
Costs, fees and commissions of the Offering	i.	$474,538	$635,234	134%
Juanicipio Option Payments and Taxes	ii.	$363,372	$815,629	224%
Juanicipio Exploration Expenditures	iii.	$1,184,500	$1,194,946	101%
Don Fippi Option Payments and Taxes		$178,000	$173,534	98%
Don Fippi Exploration Expenditures	iv.	$483,000	$442,898	92%
Guigui Option Payments and Taxes		$185,924	$181,812	98%
Guigui Exploration Expenditures	v.	$281,750	$811,082	288%
Working Capital Deficiency Feb 28/03		$158,045	N/A	N/A
Net G & A Expenses for 12 months	vi.	$275,000	$851,201	310%
Working Capital	i.	$1,415,871	$4,552,202	322 %
Total		$5,000,000	$9,658,538	

i. Higher than expected interest resulted in offering being increased

ii. Acquisition of Lexington Capital Group Inc. (see below)

iii. Exploration program completed for the year (see Resource Expenditures section)

iv. Exploration program will carry in to 2004 (see below)

v. Exploration program expanded for the year (see below and Resource Expenditures section)

vi. Actual number reflects twelve months ended March 31, 2004. Higher than expected volume of exploration, market and financial activity has resulted in G&A expenses being incurred at a faster rate then originally budgeted for. (see below)

During 2003 the Company completed the acquisition of Lexington Capital Group Inc. ("Lexington") whose main asset is its indirect interest in the Juanicipio I claim that encompasses its Juanicipio Project near Fresnillo, Zacatecas, Mexico, which has just been drilled by MAG. Under the terms of the agreement MAG paid the vendor US$250,000 and issued 200,000 shares of its common stock. This acquisition could potentially save the Company US$1,150,000 in option payments and US$2,500,000 in work commitments, as well as eliminate a net smelter return royalty obligation.

The Company has completed aerial photography of the historic Batopilas District and is currently carrying out rehabilitation of some of the principal underground workings in its Don Fippi property that contains the historic Batopilas District. During the quarter the Company has incurred approximately $63,805 ($245,208 to date) in geological costs on this rehabilitation. Batopilas produced 250 million ounces of silver from very high-grade native-silver ore bodies prior to being shut down by the Mexican Revolution in 1913. MAG plans to commence drilling at Batopilas during 2004 following additional exploration work in the spring of 2004.

The Company has completed the surface mapping and sampling program at its Guigui property, as set out in the Company's prospectus. Four holes were drilled by the end of the year for a total of 3,009 metres. The drill program finished in February 2004 with a total of 4,576 metres drilled over 6 different holes. Guigui exploration is based on a geological, geochemical and geophysical model designed to find the source zones of the adjoining Santa Eulalia District near Chihuahua, Mexico. Santa Eulalia is another historic district that has produced at least 450 million ounces of silver over the last 300 years, but the Guigui area has never been explored.

The Company budgeted for general and administrative costs of $275,000 for the 12 month period starting April 1, 2003, but has currently incurred $851,201 in the twelve months following the prospectus. There are a number of reasons for the variances from the budgeted amounts, which will be discussed.

Included in expenses for 2003 is $75,308 for stock options granted to consultants using a fair value based method as now required under recommendation of the Canadian Institute of Chartered Accountants. This amount was not previously budgeted for. Please refer to Notes 2g and 5c in of the Financial Statements for the period ended March 31, 2004, which explains the accounting methods followed by the Company when granting stock options.

The Company is currently pursuing a United States Securities and Exchange Commission ("SEC") Registration (Form 20-F), which was not budgeted for, and has incurred approximately $30,000 in the first quarter of 2004 and at least $180,000 to date, on accounting and legal costs relating to this goal. Accounting and legal costs total approximately $265,000 for the twelve months which brings the actual budget variance (net of the $180,000 incurred in connection with the Form 20-F) to about $35,000 above the budgeted amount of $50,000 for the twelve months since the prospectus. The increased amounts were due to increased legal opinions on property and other acquisitions carried out during the year, which was beyond what was originally budgeted for.

The Company also paid stock exchange and filing fees of $5,989 in the first quarter of 2004, and $35,374 for the period April 1, 2003 to December 31, 2003 which totals $41,363 for the last twelve months. This is presently included in general and administrative costs, but was originally included in the category of "other", to which $50,000 was budgeted for over the next 12 months.

A net foreign exchange loss of ($25,351) was incurred over the twelve months ending March 31, 2004, (gain of $20,136 from January 1, 2004 to March 31 2004; combined with a loss of ($45,487) between April 1, 2003 to December 31, 2003), which is attributed to the Company holding US dollars (which it uses to pay some of its exploration costs in Mexico) as the Canadian dollar rose against the US dollar during this time period. This amount was not previously budgeted for.

Transfer agent costs of $4,216 in the first quarter of 2004, and $19,550 for the period April 1, 2003 to December 31, 2003 which totals $23,766 is much higher than the budgeted figure of $3,500 for twelve months, but the transfer agent has processed 5,608,245 warrants and 240,000 options in this time, from investors exercising their share purchase warrants and warrants. This rate of exercise exceeds original estimates.

Travel, lodging and related expenses for the management of the company amounted to $7,215 in the first quarter of 2004, and $130,732 for the period April 1, 2003 to December 31, 2003. This total of $137,947 greatly exceeded the $20,000 which was budgeted for twelve months. The increase was due to the increased level of activity to accommodate the level of interest in the company and attendance at additional trade shows across North America.

5. CRITICAL ACCOUNTING POLICIES

The Company's accounting policies are set out in Note 2 of its Consolidated Financial Statements for the period ended March 31, 2004.

There are two policies that, due to the nature of the mining business, are more significant to the financial results of the Company. These policies relate to the capitalizing of mineral exploration expenditures and the use of estimates:

Under Canadian GAAP, the Company deferred all costs relating to the acquisition and exploration of its mineral properties. Any revenues received from such properties are credited against the costs of the property. When commercial production commences on any of the Company's properties, any previously capitalized costs would be charged to operations using a unit-of-production method. The Company regularly reviews deferred exploration costs to assess their recoverability and when the carrying value of a property exceeds the estimated net recoverable amount, provision is made for impairment in value.

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

6. LIQUIDITY AND SOLVENCY

Although, the expenses incurred have been higher than the original budgeted amounts, the Company has experienced a higher than expected volume of exploration, market and financial activity do to the results of its drilling and exploration program at its Mexican properties.

The Company had $4,162,042 in working capital as at March 31, 2004 compared to $60,804 at March 31, 2003. In the opinion of management of the Company, the Company is able to meet its ongoing obligations as they become due. Management refers the reader to the contents of the Financial Statements for the period ended March 31, 2004, the audited Financial Statements for the period ended December 31, 2003, as well as the subsequent events section above.

The Company had $4,162,042 in working capital as at March 31, 2004 compared to $(249,868) at March 31, 2003. Expenses incurred during the quarter ended March 31, 2004 are the result of ongoing general and administrative expenses and costs related to the Qualifying Transaction and Offering completed April 15, 2003, the acquisition of Lagartos and resource property expenditures.

Current liabilities of the Company at March 31, 2004 amounted to $61,051, mostly being attributable to accrued exploration expenses.