

BC FORM 51-901F

QUARTERLY AND YEAR END REPORT

Incorporated as part of: Schedule A
 Schedule B & C

ISSUER DETAILS:

NAME OF ISSUER Mega Capital Investments Inc.

ISSUER ADDRESS 3310 Mathers Avenue, West Vancouver, B.C. V7V 2K5

ISSUER TELEPHONE NUMBER (604) 922-0010

CONTACT NAME David Pearce

CONTACT'S POSITION Director

CONTACT TELEPHONE NUMBER (604) 922-0010

FOR QUARTER ENDED December 31, 2002

DATE OF REPORT February 25, 2003

CERTIFICATE

THE SCHEDULE B AND C REQUIRED TO COMPLETE THIS REPORT ARE ATTACHED AND THE DISCLOSURE CONTAINED THEREIN HAS BEEN APPROVED BY THE BOARD OF DIRECTORS. A COPY OF THIS REPORT WILL BE PROVIDED TO ANY SHAREHOLDER WHO REQUESTS IT.

Dave Pearce (signed) Dave Pearce 02/25/03
NAME OF DIRECTOR SIGN (TYPED) DATE SIGNED(MM/DD/YY)

Eric Carlson (signed) Eric Carlson 02/25/03
NAME OF DIRECTOR SIGN (TYPED) DATE SIGNED(MM/DD/YY)

Auditors' Report and Financial Statements of

MEGA CAPITAL INVESTMENTS INC.
(dba MAG Silver)

Auditors' Report

To the Shareholders of
Mega Capital Investments Inc.
(dba MAG Silver)

We have audited the balance sheets of Mega Capital Investments Inc. (dba MAG Silver) (a development stage company) as at December 31, 2002 and 2001 and the statements of loss and deficit and cash flows for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether this financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements presents fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years ended December 31, 2002 and 2001 in accordance with Canadian generally accepted accounting principles applied on a consistent basis.

(Signed) Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
February 7, 2003

MEGA CAPITAL INVESTMENTS INC.

(dba MAG Silver)

Balance Sheets

December 31

	2002	2001
ASSETS		
CURRENT		
Cash	\$ 167,276	\$ 90,904
Interest receivable	76	-
	167,352	90,904
ADVANCES TO ADVANCED DISC MANUFACTURING CORPORATION (Note 3)	-	20,000
ADVANCES TO MINERA LOS LAGARTOS SA de CV (Note 8)	113,139	-
RESOURCE PROPERTY (Note 8)	116,552	-
DEFERRED FINANCING FEES	7,500	-
CAPITAL ASSETS (Note 4)	3,582	-
	\$ 408,125	\$ 110,904
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 58,880	\$ 14,028
SHAREHOLDERS' EQUITY		
Share capital (Note 5)		
Authorized		
1,000,000,000 common shares without par value		
Issued		
	390,222	390,222
Special warrants (Note 6)	375,000	-
Deficit	(415,977)	(293,346)
	349,245	96,876
	\$ 408,125	\$ 110,904

ON BEHALF OF THE BOARD:

(Signed) Eric Carlson

Eric Carlson, Director

(Signed) David Pearce

David Pearce, Director

MEGA CAPITAL INVESTMENTS INC.
(dba MAG Silver)
Statements of Loss and Deficit

	Year ended December 31, 2002	Year ended December 31, 2001
REVENUE		
Interest	\$ 905	\$ 8,810
EXPENSES		
Accounting	24,849	11,080
Filing and transfer agent fees	29,166	7,925
Legal	58,849	16,100
Telephone, office and miscellaneous	7,010	1,913
Write-off of advances (Note 3)	3,662	248,758
Write-off of computer software	-	2,673
	123,536	288,449
LOSS FOR THE YEAR	(122,631)	(279,639)
DEFICIT, BEGINNING OF YEAR	(293,346)	(13,707)
DEFICIT, END OF YEAR	\$ (415,977)	\$ (293,346)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.04)	\$ (0.09)
WEIGHTED AVERAGE SHARES OUTSTANDING	3,491,507	3,000,000

MEGA CAPITAL INVESTMENTS INC.
(dba MAG Silver)
Statements of Cash Flows

	Year ended December 31, 2002	Year ended December 31, 2001
OPERATING ACTIVITIES		
Loss for the year	\$ (122,631)	\$ (279,639)
Items not involving cash:		
Write-down of investment	3,662	248,758
Write-off of computer software	-	2,673
Changes in operating assets and liabilities		
Interest receivable	(76)	-
Accounts payable and accrued liabilities	44,852	4,351
	<u>(74,193)</u>	<u>(23,857)</u>
INVESTING ACTIVITIES		
Term deposit	-	380,296
Advances to Advance Disc Manufacturing Corporation	16,338	(268,758)
Purchase of computer software and hardware	(3,582)	(2,673)
Advances to Minera Los Lagartos SA de CV	(113,139)	-
Resource property	(116,552)	-
	<u>(216,935)</u>	<u>108,865</u>
FINANCING ACTIVITIES		
Issue of special warrants	375,000	-
Deferred financing costs	(7,500)	-
	<u>367,500</u>	<u>-</u>
INCREASE IN CASH	76,372	85,008
CASH, BEGINNING OF YEAR	90,904	5,896
CASH, END OF YEAR	\$ 167,276	\$ 90,904

SUPPLEMENTAL CASH FLOW INFORMATION:

Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

MEGA CAPITAL INVESTMENTS INC.

Notes to the Financial Statements

(dba MAG Silver)

1. INCORPORATION AND NATURE OF BUSINESS

The Company was incorporated under the Company Act (British Columbia) on April 21, 1999 and is classified as a Venture Capital Pool Company as defined in the former Vancouver Stock Exchange (the "Exchange") Policy 30. The Company was originally known as 583882 B.C. Ltd. and changed its name to Mega Capital Investments Inc. (dba MAG Silver) with effect from June 28, 1999.

The Company was originally required to complete its Qualifying Transaction within 18 months of listing on the Exchange. This deadline was extended to October 25, 2002.

The Company is currently in the development stage and proposes initially to identify and evaluate businesses and assets that have profit potential and, once identified, to pursue discussions with a view to completing a Qualifying Transaction (Note 8).

The Company's shares listed on the TSX Venture Exchange on April 21, 2000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Use of estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that reflect the reported amounts of revenue and expenditures during the reported period. Actual results may differ from those reported.

(b) *Fair value of financial instruments*

The Company believes based upon current information that the carrying value of the Company's cash, interest receivable and accounts payable and accrued liabilities approximates fair value due to the short term maturity of those instruments.

(c) *Income taxes*

Future income taxes relate to the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

(d) *Capital assets*

Capital assets are recorded at cost. Depreciation is charged on a straight-line basis to amortize costs over a five year term.

MEGA CAPITAL INVESTMENTS INC.
Notes to the Financial Statements
(dba MAG Silver)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Stock-based compensation

The Company has adopted the recommendations of the new CICA Handbook section 3870, *Stock-Based Compensation and Other Stock-Based Payments*, effective January 1, 2002. This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for good and services. The standard requires that all stock-based awards made to non-employees be measured and recognized using a fair value based method. The standard encourages the use of a fair value based method for all awards granted to employees, but only requires the use of a fair value based method for direct awards of stock, stock appreciation rights, and awards that call for settlement in cash or other assets. Awards that a company has the ability to settle in stock are recorded as equity, whereas awards that the entity is required to or has a practice of settling in cash are recorded as liabilities.

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 exercise of stock options is credited to share capital. If stock options are repurchased the excess of consideration paid over the carrying amount of the stock option is charged to deficit.

Compensation expense is determined when stock options are issued to non-employees and is recognized over the vesting period of the option. The compensation expense is determined as the fair value of the option at the date of grant using an option pricing model.

This policy applies to all stock options grants issued subsequent to January 1, 2002. As no stock options have been issued since that date no expense has been recorded in the year ended December 31, 2002 and no further disclosure is required.

(f) Loss per share

The Company has adopted the treasury stock method for the calculation of fully diluted earnings per share in accordance with the new accounting recommendations issued by the Canadian Institute of Chartered Accountants ("CICA"). As a result of this change, fully diluted earnings per share is computed using the weighted average number of common and common equivalent shares outstanding during the year. Common equivalent shares consist of the incremental common shares exercisable upon the exercise of stock options and are excluded from the computation if their effect is anti-dilutive.

MEGA CAPITAL INVESTMENTS INC.

Notes to the Financial Statements

(dba MAG Silver)

3. ADVANCES TO ADVANCED DISC MANUFACTURING CORPORATION

On May 2, 2001, the Company entered into a share exchange agreement with Advanced Disc Manufacturing Corporation (“ADMC”) and the shareholders of ADMC. The Company would purchase all of the issued and outstanding common shares of ADMC in exchange for the issuance of 3,000,000 common shares of the Company (the “Mega Shares”) to ADMC’s shareholders. In contemplation of the closing of this agreement, the Company advanced ADMC a total of \$268,758 to finance operations.

Due to the failure to complete the transaction, the Company wrote down its advance to \$20,000 and took a \$248,758 charge to operations in 2001. Subsequently, the Company accepted \$16,338 as full settlement of the obligation and therefore recognized a further charge to operations of \$3,662 in 2002.

4. CAPITAL ASSETS

	December 31, 2002		December 31, 2001	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 3,582	\$ -	\$ 3,582	\$ -

5. SHARE CAPITAL

(a) *Authorized*

1,000,000,000 common shares, without par value.

(b) *Issued*

	Number of shares	Amount
Balance, December 31, 2001 and 2002	3,000,000	\$ 390,222

MEGA CAPITAL INVESTMENTS INC.
Notes to the Financial Statements
(dba MAG Silver)

5. SHARE CAPITAL (Continued)

(c) Stock options

At December 31, 2002, there were 280,000 options outstanding to directors and officers. Under TSX policies, the Company can grant stock options to purchase up to 10% of the outstanding common shares of the Company. The options are exercisable for a period of five years from the date of the shares listing on the Exchange (April 19, 2000) exercisable at a price of \$0.20 per share.

The changes in stock options were as follows:

	Year ended December 31, 2002	Weighted Average Exercise Price	Year ended December 31, 2001	Weighted Average Exercise Price
Balance outstanding, beginning of year	280,000	\$ 0.20	300,000	\$ 0.20
Activity during the year				
Options cancelled	-	-	(20,000)	0.20
Balance outstanding, end of year	280,000	\$ 0.20	280,000	\$ 0.20

As at December 31, 2002, the following stock options were outstanding:

Number of Common Shares	Exercise price per share	Expiry date
260,000	\$ 0.20	April 19, 2005
20,000	0.20	February 8, 2003
280,000		

(d) Agent's purchase warrants

Pursuant to the agency agreement dated January 6, 2000 the Company granted to the Agent 150,000 common share purchase warrants, exercisable at \$0.20 per share, expiring 18 months from the shares' date of listing (April 19, 2000). These warrants expired during 2001.

MEGA CAPITAL INVESTMENTS INC.
Notes to the Financial Statements
 (dba MAG Silver)

5. SHARE CAPITAL (Continued)

(e) *Original issuance*

During the period ended October 31, 1999, the Company issued 1,500,000 common shares to its directors, officers and founders for cash consideration of \$150,000. These shares will be held in escrow and are to be released as to one-third at the end of each of the three years following the Company's Qualifying Transaction, subject to approval of the Executive Director of the British Columbia Securities Commission.

6. 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 are 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 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 are 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 on 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.

7. 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 loss before tax provision due to the following:

	<u>2002</u>	<u>2001</u>
Statutory tax rate	39.60%	45.60%
Recovery of income taxes computed at standard rates	\$ 48,561	\$ 127,515
Non-taxable portion of capital loss	(700)	(56,715)
Tax losses and benefits not recognized in the period that the benefit arose	(47,861)	(70,800)
	<u>\$ -</u>	<u>\$ -</u>

MEGA CAPITAL INVESTMENTS INC.

Notes to the Financial Statements

(dba MAG Silver)

7. INCOME TAXES (Continued)

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

	<u>2002</u>	<u>2001</u>
Operating loss carry forwards	\$ 64,768	\$ 18,750
Capital losses carried forward	49,979	56,715
Less valuation allowance	(114,747)	(75,465)
	<u>\$ -</u>	<u>\$ -</u>

At December 31, 2002, the Company has non-capital loss carry-forwards of \$140,000, expiring between 2006 and 2008, available for tax purposes and capital loss carryforwards of \$252,000.

8. ADVANCES TO MINERA LOS LAGARTOS SA de CV ("LAGARTOS")

The Company announced on November 25, 2002 that it is proceeding with the acquisition of a 99% interest in the issued and outstanding common shares of Lagartos. The remaining 1% of Lagartos is held, in trust for the Company, by a director and officer of the Company. The consideration on acquisition is US\$55,000 (US\$50,000 has been paid by the year end). The Company will also issue 500,000 common shares at \$0.50 per share on the completion of the transaction as a finders' fee. The Company has advanced to Lagartos \$113,139 which is non-interest bearing and has no specific terms of repayment and has incurred \$116,552 on resource property expenditures as a cost of the acquisition. The proposed acquisition by the Company will serve as the qualifying transaction pursuant to Policy 2.4 of the TSX Venture Exchange.

Lagartos holds an option to acquire the Juanicipio property, located in the Fresnillo District, Zacatecos, Mexico. Obligations exist under the option agreement which entails property payments and exploration commitments of US\$3,725,000 over the next five years.

Lagartos has also entered into option agreements to acquire 100% interests in the Don Fippi and Guigui properties located in the Batopilas, Chihuahua district and the Santa Eulalia, Chihuahua district of Mexico, respectively. To exercise the Don Fippi and Guigui options, Lagartos must, for each option, pay US\$550,000 during a four year period (US\$50,000 on acceptance of the agreement by regulatory authorities), incur exploration expenditures of US\$4,000,000 over five years and US\$2,500,000 over four years, respectively, and the Company will issue 2,100,000 common shares for each option.

MEGA CAPITAL INVESTMENTS INC.

Notes to the Financial Statements

(dba MAG Silver)

9. RELATED PARTY TRANSACTIONS

Included within accounts payable is \$8,931 (2001 - \$Nil) payable to either an officer or companies affiliated with an officer.

10. SUBSEQUENT EVENT

Subsequent to December 31, 2002, the Company:

- (a) has entered into a public financing agreement pursuant to which the Company has filed a preliminary prospectus with the TSX Venture Exchange to raise between \$2,000,000 and \$3,000,000 of gross proceeds through the issuance of between 4,000,000 and 6,000,000 units of the Company at \$0.50 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share at \$0.50 per share within twenty-four months of the completion of the prospectus.
 - (b) completed the acquisition of Minera Los Lagartos SA de CV through payment of the remaining US\$5,000 of the purchase price (Note 8).
 - (c) issued 20,000 common shares at \$0.20 per share on the exercise of stock options.
 - (d) proposes to issue, at the closing of the qualifying transaction (Note 8), 595,000 stock options with an exercise price of \$0.50 per share and exercisable within five years of issue.
-

SCHEDULE B
SUPPLEMENTARY INFORMATION

**MEGA CAPITAL INVESTMENTS INC.
SCHEDULE B - SUPPLEMENTARY INFORMATION
FOR THE QUARTER ENDED DECEMBER 31, 2002**

FOR THE CURRENT YEAR TO DATE PERIOD:

1) ANALYSIS OF EXPENSES AND DEFERRED COSTS

Refer to financial statements for details

2) RELATED PARTY TRANSACTIONS

Included within accounts payable is \$8,831 (2001 - \$Nil) payable to either an officer or companies affiliated with an officer.

3) SUMMARY OF SECURITIES ISSUED AND OPTIONS GRANTED DURING THE PERIOD

During the period, a Private Placement occurred whereby the Company issued 900,000 special warrants for \$0.25 per special warrant, which are 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 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.

AS AT THE END OF THE QUARTER:

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

AUTHORIZED AND ISSUED SHARE CAPITAL AND SPECIAL WARRANTS AS AT DECEMBER 31, 2002

<u>Class</u>	<u>Par Value</u>	<u>Authorized</u>	<u>Issued and o/s</u>	<u>Amount</u>
Common	N.P.V.	1,000,000,000	5,400,000	\$765,222

OPTIONS AND WARRANTS OUTSTANDING AS AT DECEMBER 31, 2002

<u>Description</u>	<u>Exercise Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Options	280,000	\$0.20	April 19, 2005
Warrants	1,500,000	\$0.20	September 9,2004
Warrants	900,000	\$0.40	December20,2004

SHARES IN ESCROW OR SUBJECT TO POOLING RESTRICTIONS AS AT DECEMBER 31, 2002

1,500,000 Common Shares in escrow

5) LIST OF DIRECTORS AS AT THE DATE THIS REPORT SIGNED AND FILED

David Pearce
Eric Carlson
Robert Thornton

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

David Pearce, President and Chief Executive Officer
Gregory Dennie, Chief Financial Officer and Secretary
Eric Carlson, Robert Thornton, Audit Committee

MEGA CAPITAL INVESTMENTS INC.

FOR THE FOURTH QUARTER ENDED DECEMBER 31, 2002

SCHEDULE C

MANAGEMENT DISCUSSION AND ANALYSIS

DESCRIPTION OF BUSINESS OF MEGA CAPITAL INVESTMENTS INC.

Mega Capital Investments Inc. ("Mega" or the "Company") was established as a "venture capital pool company" under the policies of the Vancouver Stock Exchange, now the Canadian Venture Exchange (the "Exchange"), to identify and evaluate potential acquisitions, and subsequently negotiate the acquisition of selected assets or business.

On August 12, 2002 the Company announced an agreement to acquire 98% of the issued and outstanding common shares of Minera Los Lagartos, S.A. de C.V. ("Lagartos") for the sum of US\$5,000 plus US\$50,000 to be used for repayment of funds advanced in respect of an option by Minera Cascabel S.A. de C.V., plus applicable purchase and transfer costs. Lagartos holds an option to acquire a 100% interest in the Juanicipio Property located in the Fresnillo District, Zacatecas, Mexico.

The Company announced on November 25, 2002 that it is proceeding with the acquisition of a now 99% interest in the issued and outstanding common shares of Minera Los Lagartos, S.A. de C.V. ("Lagartos") The remaining 1% of Lagartos is held, in trust for the Company, by a director and officer of the Company. The consideration on acquisition is US\$55,000 (US\$50,000 has been paid by the year end).

The proposed acquisition by the Company of Lagartos will serve as the Company's qualifying transaction pursuant to Policy 2.4 of the TSX Venture Exchange.

DISCUSSION OF OPERATIONS AND FINANCIAL CONDITION

Revenues

During the fourth quarter ended December 31, 2002 the Company earned interest and other income of \$300 and held its cash in an operating account.

General and Administrative Expenses

During the fourth quarter ended December 31, 2002, the Company incurred G&A expenses of \$72,044. This increase is directly related to legal and other fees in respect of the Lagartos acquisition.

Share Capital

During the period, the Company issued a Private Placement of 900,000 special warrants, at \$0.25 per share, for total proceeds of \$225,000. Each special warrant is convertible into one common share and one-half of on common share purchase warrant. Each whole common share purchase warrant is exercisable into one common share of the company at \$0.40 per share until December 20, 2004.

SUBSEQUENT EVENTS

The Company has entered into a public financing agreement pursuant to which the Company has filed a preliminary prospectus with the TSX Venture Exchange to raise between \$2,000,000 and \$3,000,000 of gross proceeds through the issuance of between 4,000,000 and 6,000,000 units of the Company at \$0.50 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share at \$0.50 per share within twenty-four months of the completion of the prospectus.

The Company completed the acquisition of Minera Los Lagartos SA de CV through payment of the remaining US\$5,000 of the purchase price.

The Company issued 20,000 common shares at \$0.20 per share on the exercise of stock options.

The Company proposes to issue, at the closing of the qualifying transaction, 595,000 stock options with an exercise price of \$0.50 per share and exercisable within five years of issue.

On closing of the Transaction, George S. Young will become the new President of the Company. Mr. Young is an attorney and engineer by profession, currently practicing law with the firm of Pruitt Gushee and Bachtell in Salt Lake City, Utah.

LIQUIDITY AND SOLVENCY

The Company had \$108,472 in working capital as at December 31, 2002. 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 December 31, 2002 yearend financial statements.