MAG SILVER CORP
Form 6-K
December 08, 2004

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of **November 2004**

MAG Silver Corp.

(SEC File No. 0-50437)

328 - 550 Burrard Street, Vancouver BC, V6C 2B5, CANADA

Address of Principal Executive Office

The registrant files annual reports under cover:

Form 20-F X

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:
Yes No X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):
82-__________

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: **December 7, 2004**

"*George Young*"

GEORGE S. YOUNG

President, CEO

FORM 6K - November 2004

MAG Silver Corp.

328-550 Burrard Street Vancouver, B.C. V6C 1T2
Phone: (604) 630-1399 Fax: (604) 484-4710

NR 04-11

TSX-V: MAG

November 12, 2004

MAG SILVER ANNOUNCES STRONG GOLD INDICATIONS IN DRILLING AT LAGARTOS NW AND THE ACQUISISION OF 12,000 HECTARES OF

NEW GROUND AT SIERRA RAMIREZ

MAG Silver Corp. (TSX-V:MAG) announces completion of the 1500 metre, Stage 1 drilling program at its Lagartos Project, 25 kilometres northwest of the Fresnillo District, Zacatecas, along the famous Fresnillo Trend. Drill targets are in areas of virtually-complete cover flanking a rhyolite flow-dome emplaced into structures related to the Fresnillo Trend. The rhyolites are affected by pervasive advanced argillic alteration and silicification. Drilling was targeted on coincident NSAMT geophysical, soil geochemical, and SWIR-detected (Short-Wave Infra-Red) alteration assemblages.

Hole 1 was drilled on the northwest side of the flow dome complex in an area with a strong NSAMT anomaly. Advanced argillic alteration in the top 25 metres of the hole was moderately strong and Hg in the upper 200 metres of the hole ranged from 100 to 5400 ppb. One intercept at 35 m depth returned 251 ppb Au. The deep anomaly proved to reflect a rhyolite dike rather than a vein.

In strong contrast, Hole 2 was drilled on the southern flank of the flow dome complex nearer the projection of the major regional NW-trending structure. The hole cut 65 m of pervasive advanced argillic alteration before entering 700 metres of pervasively silicified and variably pyritic (2-20% dispersed and veinlet pyrite) volcanic rocks. This zone is cut by numerous high-angle structures, some of which control variable argillic alteration and others that control partial to complete oxidation. One of these structures, at 235 metres depth, carries 1.3 g/T Au with 13 g/T Ag. This zone is profoundly oxidized and recovery was only 50%. Three other 0.7 to 1.2 metre intervals over the next 100 metres carry 200-300 ppb Au. Results are not yet complete, but the silicified and argillically altered materials show a strong toxic metals response (Sb: 20-460 ppm; As: 300-7770 ppm; and Hg: 50-1180 ppb).

MAG President George Young said "All the signs are indicating that the Lagartos NW area is the high level manifestation of a potentially major epithermal system. We have traced a major regional structure 30 kilometres from the world's biggest silver mine into an area of nearly complete cover and hit strong indications of gold-silver mineralization on our second hole. Although we have a lot less exposure to work with than at Juanicipio and we don't have the benefit of drilling next-door, the alteration appears much stronger than at Juanicipio and the mineralization hit so far is much shallower. We have completed a detailed regional structural analysis and expect to use that to guide more NSAMT, SWIR, Biogeochem and drilling in the immediate future.

MAG is also pleased to report that reconnaissance examination of the Sierra Ramirez district reveals that the widespread high-grade Ag-Pb-Zn mineralization previously reported (See Press Release of August 30, 2004) extends well beyond their 4,443 hectare core claim into open ground. Based on these reconnaissance results, MAG has claimed 11,167 hectares of this adjacent open ground, including a vacated claim internal to their original holding. This brings their total holdings in the district to over 15,500 hectares. Additional district-scale sampling has been completed and assays are pending. These results will be compiled with existing data to evaluate district-scale metals ratio zoning patterns and generate targets for drilling in early 2005.

The exploration program at Sierra Ramirez forms a part of the $2,000,000 exploration program for 2004 previously approved by the MAG board of directors, which includes further drilling at Lagartos and drilling later in the fall at the Batopilas project; both described below.

Exploration Update

MAG is also pleased to provide below an update on activity on its other projects in Mexico. Since inception in 2003, MAG has maintained a focus on projects in proven silver districts with potential in any conceivable silver-gold market including the current volatile markets.

Juanicipio Project, Zacatecas, Mexico: MAG's Phase 1 drilling verified that the mineralization common in the adjacent Fresnillo Mine continues into Juanicipio from the historic mining areas on at least four structures. Phase 2 targeted a structure not reached in Phase 1 due to drilling problems (Hole 8) and a structural intersection 800 metres west of the zone of Phase 1 intercepts (Hole 9). Hole 8 cut a strong fault zone 0.8 m wide running 1.3 g/T Au and 13 g/T Ag at 630 m downhole. Recovery was 65%. These results indicate that significant gold mineralization continues into this area, but has been disrupted by post-mineral faulting. The degree of faulting indicates that the principal target structure in this area has still not been reached. Hole 9 cut 18 narrow quartz and calcite veinlets between 600 and 725 m, one of which ran 106 g/T Ag. Note that neither of the Phase 2 holes were offsets of mineralized veins cut in Phase 1; MAG intends to focus Phase 3 exploration on these structures.

Don Fippi Project, Batopilas District, Chihuahua: The drill permitting process has been initiated and MAG is pleased to report that the local community gave unanimous approval of MAG's request for surface access. Drilling is slated to begin as soon as a suitable helicopter portable rig is available. Heavy rains in late October destroyed some of the access roads to the area further delaying progress.

Cinco de Mayo Project, Benito Juarez District, Chihuahua State: Heavy rains washed out roads leading to the property, so planned detailed geochemical sampling and geophysical surveys will be undertaken as soon as access roads are navigable. This will delay drilling until first quarter of 2005.

Guigui Project, Santa Eulalia District, Chihuahua: MAG continues to reexamine the results of its Phase 1 drilling program near the recently reactivated San Antonio Mine. MAG's Phase 1 Holes 5 and 6 both cut 40-100 m wide breccias laced with Ag-Pb-Zn sulfide stringers along the same structure which hosts the principal San Antonio orebody 1200 m north. A downhole BHUTM survey indicated a conductive anomaly adjacent to the drill holes.

Qualified Person and Quality Assurance and Control

Dr. Peter Megaw, Ph.D., C.P.G., has acted as the Qualified Person as defined in National Instrument 43-101, for this disclosure and supervised the preparation of the technical information in this release. Dr. Megaw has a Ph.D. in geology and more than 20 years of relevant experience focussed on silver and gold mineralization, and exploration and drilling in Mexico. He is a Certified Professional Geologist (CPG 10227) by the American Institute of Professional Geologists and an Arizona Registered Geologist (ARG 21613). Dr. Megaw is not independent as he is a MAG Silver shareholder and a vendor of two projects, other than Juanicipio, whereby he may receive additional shares. Readers are referred to the qualifying report dated November 19, 2002 by Pincock, Allen and Holt, Qualified Person, available at www.magsilver.com .

About MAG Silver Corp.

MAG Silver, based in Vancouver Canada, is focussed on exploration targets in the Mexican Silver Belt that are of interest at any conceivable silver price, in districts with known large-scale production.

On behalf of the Board of

MAG SILVER CORP.

"George S. Young"

President, Director

For further information on behalf of MAG Silver Corp. contact **George S. Young**

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FORM 53-901F

MATERIAL CHANGE REPORT

UNDER SECTION 85(1) OF THE SECURITIES ACT (BRITISH COLUMBIA)

AND SECTION 118(1) OF THE SECURITIES ACT (ALBERTA)

ITEM 1. REPORTING ISSUER

MAG SILVER CORP.

800 - 409 Granville Street

Vancouver BC, V6C 1T2

Telephone: (604) 630-1399

Facsimile: (604) 484-4710\

ITEM 2. Date of Material Change: November 12, 2004

ITEM 3. PRESS RELEASE

The Issuer issued a press release at Vancouver BC dated November 12, 2004

ITEM 4. SUMMARY OF MATERIAL CHANGE

MAG announces the completion of the 1500m, Stage 1 drilling program at its Lagartos Project, 25km northwest of the Fresnillo District, Zacatecas, along the Fresnillo Trend. MAG also reports that reconnaissance examination of the Sierra Ramirez district reveals that the widespread high-grade Ag-Pb-Zn mineralization previously reported extends well beyond their 4,443 hectare core claim into open ground. Based on these reconnaissance results, MAG has claimed 11,167 hectares of this adjacent open ground. This brings their total holdings in the district to over 15,500 hectares. Additional district-scale sampling has been completed and assays are pending.

ITEM 5. FULL DESCRIPTION OF MATERIAL CHANGE

See the news release dated November 12, 2004.

ITEM 6. RELIANCE ON SECTION 85(2) OF THE ACT (BRITISH COLUMBIA) AND SECTION 118(2) OF THE ACT (ALBERTA)

N/A

ITEM 7. OMITTED INFORMATION

N/A

ITEM 8. SENIOR OFFICERS

The following senior officer of the Issuer is knowledgeable about the material change and may be contacted by the Commission at the following telephone number: George Young, President Phone: (604) 630-1399

ITEM 9. STATEMENT OF SENIOR OFFICER

The foregoing accurately discloses the material change referred to herein.

Dated at Vancouver, British Columbia this- 15th day of November, 2004.

MAG Silver Corp.

"R. Michael Jones"

R. Michael Jones,

Director

MAG Silver Corp.

MATERIAL CHANGE REPORT

800 - 409 Granville Street, Vancouver BC, V6C 1T2

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

VANCOUVER OFFICE			COLORADO OFFICE			
Suite 328			Suite 104			
550 Burrard Street	604 630 1399	phone	10 Inverness Drive East			TSX.V:MAG
Vancouver, BC V6C 2B5	866 630 1399	toll free	Englewood CO 80112	303 799 9015	phone	www.magsilver.com
	604 484 4710	fax		303 799 9017	fax	info@magsilver.com

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

MAG SILVER CORP.

(formerly Mega Capital Investments Inc.)

(An exploration stage company)

Consolidated Balance Sheets

	Sept. 30, 2004	Dec. 31, 2003
ASSETS		
CURRENT		
Cash and cash equivalents	$ 2,293,676	$ 4,795,822
Accounts receivable	489,211	259,501
Interest receivable	13,602	64,127
Prepaid expenses	18,357	8,750
TOTAL CURRENT ASSETS	2,814,846	5,128,200
MINERAL RIGHT ACQUISITION COSTS (Note 7)	3,094,409	1,314,678
DEFERRED EXPLORATION COSTS (Note 7)	3,953,705	2,057,542
EQUIPMENT & LEASEHOLDS (Note 3)	41,640	34,374
TOTAL ASSETS	$ 9,904,600	$ 8,534,794
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 103,019	$ 208,018
TOTAL LIABILITIES	103,019	208,018
SHAREHOLDERS' EQUITY		
Share capital (Note 4)		
Authorized - 1,000,000,000 common shares,		

without par value		
Issued and outstanding at Sept. 30, 2004		
- 25,565,800 common shares (December 31, 2003		
- 23,093,995)	11,453,087	9,504,984
Contributed surplus (Note 4 (b))	75,308	75,308
Deficit	(1,726,814)	(1,253,516)
TOTAL SHAREHOLDERS' EQUITY	9,801,581	8,326,776
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 9,904,600	$ 8,534,794

ON BEHALF OF THE BOARD:

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

See accompanying Notes to the Consolidated Financial Statements.

MAG SILVER CORP.

(formerly Mega Capital Investments Inc.)

(An exploration stage company)

Consolidated Statement of Operations and Deficit

	For the 3-month period Ended Sept. 30		For the 9-month period Ended Sept. 30	
	2004 (unaudited)	2003 (unaudited)	2004 (unaudited)	2003 (unaudited)
Expenses:				
Accounting and Audit	20,937	$ 46,794	$ 78,643	$ 64,570
Amortization	2,578	(331)	7,735	807
Annual general meeting	145	0	40,119	3,681
Bank charges and Interest	873	750	2,649	14,965
Foreign Exchange (Gain) Loss	2,304	11,900	(58,266)	22,565
Office and Administration	26,889	28,820	90,860	55,808
Office Rent	4,500	4,500	13,500	11,750
Filing fees	7,807	1,447	25,332	35,374
Legal	7,328	41,818	67,954	79,844
Management and consulting fees	33,748	75,542	123,905	156,459
Shareholder Relations	20,178	23,162	78,443	39,692
Telephone	0	2,133	4,868	5,712
Transfer agent fees	1,966	8,225	13,671	12,986
Travel and Accommodation	2,162	43,282	46,342	81,761
Loss before other items	131,415	286,359	535,755	585,974

Other:				
Recoveries	7,069	3,591	7,069	3,591
Interest	12,237	22,227	55,388	47,317
Loss for the period	$ (112,109)	$ (260,541)	$ (473,298)	

$ (535,066)

Deficit, beginning of period

(1,614,705)

(690,502)

(1,253,516)

(415,977)

Deficit, end of period

$(1,726,814)

$ (951,043)

$ (1,726,814)

$ (951,043)

Basic and diluted loss per share

$0.005

$0.013

$0.020

$0.027

See accompanying Notes to the Consolidated Financial Statements.

MAG SILVER CORP.

(formerly Mega Capital Investments Inc.)

(An exploration stage company)

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,	3,000,000	390,222	2,400,000	375,000	-	(415,977)	349,245

2002							
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
Issued to obtain mineral property option rights	1,278,055	1,489,940	-	-	-	-	1,489,940
Warrants exercised	1,053,750	407,363	-	-	-	-	407,363
Stock options exercised	140,000	50,800	-	-	-	-	50,800
Net loss	-	-	-	-	-	(473,298)	(473,298)
Balance, September 30, 2004	25,565,800	$ 11,453,087	-	$ -	$ 75,308	$ (1,726,814)	$9,801,581

MAG SILVER CORP.

(formerly Mega Capital Investments Inc.)

(An exploration stage company)

Consolidated Statements of Cash Flows

	Three months ended Sept. 30, 2004	Three months ended Sept. 30, 2003	Nine months ended Sept. 30, 2004	Nine months ended Sept. 30, 2003
OPERATING ACTIVITIES				
Loss for the period	$ (112,109)	$ (260,541)	$ (473,298)	$ (535,066)
Items not involving cash:				
Amortization	2,578	(331)	7,735	807
Non-cash compensation expense	-	33,908	-	75,308
Changes in operating assets and liabilities				
Accounts receivable	(43,760)	(109,072)	(229,710)	(189,170)
Interest receivable	(1,302)	(19,345)	50,525	(38,256)
Prepaid expenses	(16,774)	(12,500)	(9,607)	(12,500)
Accounts payable and accrued liabilities	(298,527)	8,467	(104,999)	67,952
	(469,894)	(359,414)	(759,354)	(630,925)
INVESTING ACTIVITIES				
Purchase of equipment & leasehold improvements	(15,000)	4,000	(15,000)	
Acquisition of Minera Los Lagartos, S.A. de C.V. (Note 9)	-	-	-	(7,500)
Acquisition of Lexington Capital Group Inc. (Note 9)	-	(350,000)	-	(350,000)

Mineral rights	(180,089)	(5,906)	(289,792)	(142,725)
Deferred exploration costs	(537,329)	(853,370)	(1,896,163)	(1,356,351)
	(732,418)	(1,205,276)	(2,200,955)	(1,856,576)
FINANCING ACTIVITIES				
Issue of share capital	130,000	1,553,930	458,163	6,722,796
Deferred financing costs	-	-	-	-
Proceeds on short-term loan	-	-	-	150,000
Repayment of short-term loan	-	-	-	(150,000)
	130,000	1,553,930	458,163	6,722,796
INCREASE (DECREASE) IN CASH	(1,072,312)	(10,760)	(2,502,146)	4,235,195
CASH, BEGINNING OF PERIOD	3,365,988	4,413,331	4,795,822	167,276
CASH, END OF PERIOD	$ 2,293,676	$ 4,402,571	$ 2,293,676	$ 4,402,571
Income taxes paid	$ -	$ -	$ -	$ -
Interest paid	$ -	$ 12,500	$ -	$ 12,500
Issue of shares in connection with acquisition of Minera Los Lagartos, S.A. de C.V. (Note 10)	$ -	$ -	$ -	$ 250,000
Issue of shares in exchange for mineral property option rights	$ 609,473	$ -	$ 1,489,940	$ 100,000
Issue of shares in connection with acquisition of Lexington Capital Group Inc. (Note 10)	$ -	$ 180,000	$ -	$ 180,000

MAG SILVER CORP.

(formerly Mega Capital Investments Inc.)

(An exploration stage company)

September 30, 2004

I.

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 4 (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.

MAG SILVER CORP.

(formerly Mega Capital Investments Inc.)

(An exploration stage company)

September 30, 2004

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").

(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 9 (b)). 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.

MAG SILVER CORP.

(formerly Mega Capital Investments Inc.)

(An exploration stage company)

September 30, 2004

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.

MAG SILVER CORP.

(formerly Mega Capital Investments Inc.)

(An exploration stage company)

September 30, 2004

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.

MAG SILVER CORP.

(formerly Mega Capital Investments Inc.)

(An exploration stage company)

September 30, 2004

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 as a component of foreign exchange (gain) loss 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 4 (d)).

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

			September 30, 2004				December 31, 2003	
	Cost		Accumulated Depreciation		Net Book Value		Net Book Value	
Leasehold Improvements	$	15,000	$	-	$	15,000	$	-
Computer equipment		11,423						