UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

[Check one]

- o REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934
  OR
- x ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2012** .

Commission File Number **001-33574** .

MAG SILVER CORP.

(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English (if applicable))

BRITISH COLUMBIA
(Province or other jurisdiction of incorporation or organization)

1040
(Primary Standard Industrial Classification Code Number (if applicable))

Not Applicable
(I.R.S. Employer Identification Number (if applicable))

#770 – 800 WEST PENDER STREET, VANCOUVER, BC V6C 2V6 Tel: 604-630-1399
(Address and telephone number of Registrant's principal executive offices)

John L. Mericle
Harris, Mericle & Wakayama
901 Fifth Avenue, Suite 4100
Seattle, Washington 98164, Tel: 206-621-1818
(Name, address (including zip code) and telephone number (including area code)
Of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common Shares, without par value	**NYSE MKT**

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None
(Title of Class)

For annual reports, indicate by check mark the information filed with this Form:

xAnnual information form **x**Audited annual consolidated financial statements

Indicate the number of outstanding shares of each of the Registrant's classes of capital or common stock as of the close of the period covered by the annual report.

60,023,835 outstanding shares of the Registrant's common stock as of the fiscal year ended December 31, 2012.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes **x** No o

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes **o** No o

As a foreign private issuer that prepares its financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), the Registrant is required to submit to the SEC and post on its corporate website Interactive Data Files (as defined by Item 11 of Regulation S-T) pursuant to Rule 405 of Regulation S-T and General Instruction B, paragraph 15 of Form 40-F.

However, it is the view of the SEC's Division of Corporation Finance and Office of the Chief Accountant that the Registrant is not required to submit to the SEC and post on its corporate website Interactive Data Files until the SEC specifies on its website an IFRS taxonomy for use by foreign private issuers in preparing their Interactive Data Files.

As of the submission date of this Annual Report on Form 40-F, the SEC has not specified an IFRS taxonomy for the Registrant to use in preparing its Interactive Data Files.

EXPLANATORY COMMENT

MAG Silver Corp. (the "Company" or the "Registrant") is a British Columbia corporation and a "foreign private issuer" as defined in Rule 3b-4 promulgated under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") by the U.S. Securities and Exchange Commission (the "SEC"). Under the SEC's rules, the Company is eligible to prepare and file this annual report on Form 40-F, and to present the disclosures herein primarily in accordance with Canadian disclosure requirements, which differ in certain material respects from those which the SEC requires of United States companies.

For example, the Company has prepared its financial statements, which are included as Exhibit 99.2 to this annual report on Form 40-F, in accordance with IFRS, and such statements are not in many respects directly comparable to financial statements of United States companies.

Similarly, and as discussed in greater detail below in "ESTIMATES OF RESOURCES AND RESERVES," the resource and reserve estimates included in the accompanying Annual Information Form (including the Schedules thereto), found at Exhibit 99.1 of this Form 40-F Annual Report, and management's discussion and analysis for the fiscal year ended December 31, 2012 filed as Exhibit 99.2 to this Annual Report on Form 40-F, have been prepared in accordance with the requirements of Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"), which differ from the practices used to estimate resources and reserves in reports and other materials filed with the SEC by United States companies.

As a "foreign private issuer" the Company is exempt from certain proxy-related requirements found in Sections 14(a), 14(b), 14(c), and 14(f) of the Exchange Act, and the insider reporting, "short swing profit" and short sale provisions found in Section 16 thereof are not applicable to the Company's common shares.

PRINCIPAL DOCUMENTS

The following documents have been filed by the Company with this Annual Report on Form 40-F, and are incorporated herein by reference:

A. Annual Information Form

The Company's Annual Information Form ("AIF") for the fiscal year ended December 31, 2012: see Exhibit 99.1 of this Annual Report on Form 40-F.

B. Audited Annual Consolidated Financial Statements and accompanying Management's Discussion and Analysis

The Company's Audited Annual Consolidated Financial Statements including the report of Independent Registered Chartered Accountants with respect thereto and accompanying Management's Discussion and Analysis for fiscal year ended December 31, 2012, - see Exhibit 99.2 of this Annual Report on Form 40-F. The Company's Audited Annual Consolidated Financial Statements have been prepared in accordance with IFRS.

FORWARD-LOOKING STATEMENTS

Cautionary Statement on Forward-Looking Information

This AIF contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and forward-looking information within the meaning of Canadian securities laws (collectively, "forward-looking statements") that are based on the beliefs and estimates of management as well as assumptions made by and information currently available to the Company. Such forward-looking statements include, but are not limited to:

- The future price of silver;
- The estimation of Mineral Reserves and Mineral Resources;
- Estimates of the time and amount of future silver production for specific operations;
- Estimated future exploration expenditures and other expenses for specific operations;
- Permitting time lines;
- Requirements for additional capital;
- Litigation risks;
- Currency fluctuations; and
- Environmental risks and reclamation cost.

When used in this document, any statements that express or involve discussions with respect to predictions, beliefs, plans, projections, objectives, assumptions or future events of performance (often but not always using words or phrases such as "anticipate", "believe", "estimate", "expect", "intend", "plan", "strategy", "goals", "objectives", "project", "potential" or variations thereof or stating that certain actions, events, or results "may", "could", "would", "might" or "will" be taken, occur, or be achieved, or the negative of any of these terms and similar expressions), as they relate to the Company or management, are intended to identify forward-looking statements.

Forward-looking statements are made based upon certain assumptions and other important factors that could cause the actual results, performances or achievements of the Company to be materially different from future results, performances or achievements expressed or implied by such statements. Certain important factors that could cause actual results, performances or achievements to differ materially from those in the forward-looking statements include, among others: the Company's lack of cash flow; the Company's history of losses and expectation of future losses; the values attributed to the Company's assets may not be realizable; risks relating to the Company's ability to arrange additional equity or debt financing; risks relating to the Company's ability to finance the exploration and development of its mineral properties; risks relating to the availability of suitable infrastructure; risks relating to challenges to the Company's title to any of its properties; risks relating to the Company's position as minority shareholder of Minera Juanicipio; risks relating to holding interests through joint ventures; risks relating to the Company having a significant shareholder; risks relating to the Company's ability to obtain all necessary licenses and permits that may be required to carry out exploration and development of its mineral properties and business activities; risks and uncertainties relating to the interpretation of exploration results, geology, grade and continuity of the Company's mineral deposits; increased competition in the exploration industry; the Company's properties are in the exploration stage; risks relating to the Company's properties being located in Mexico; economic and political instability; the Company is subject to anti-corruption laws; human rights laws may delay the advancement of the Company's projects; the Company is subject to Mexican Foreign Investment and Income Tax Laws; commodity price fluctuations (particularly gold and silver commodities); currency fluctuations and inflationary pressures; none of the Company's properties have Mineral Reserves; risks related to governmental regulations, including environmental regulations; insurance coverage may not cover all potential risks; rights to use the surface of the Company's mineral properties are not guaranteed; the Company may be subject to litigation; the Company's ability to attract and retain qualified management and the Company's dependence upon such management in the development of its mineral properties; risks relating to potential conflicts of interest of the Company's directors and officers; and, risks relating to compliance with the Dodd-Frank Wall Street Reform and Consumer Protection Act. These risks are not an exhaustive list of the factors that may affect any of the Company's forward-looking statements. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may vary materially from those described herein. Although MAG has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

Assumptions have been made regarding, among other things, the Company's ability to carry on exploration activities and meet its obligations under its property agreements, the timing and results of drilling programs, successful project permitting, the Company's ability to operate in a safe and efficient manner and obtain financing as and when required and on reasonable terms. The Company's forward-looking statements are based on what management believes to be reasonable beliefs, expectations and opinions on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by applicable law.

For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

Adjacent Property Disclosure

The staff of the United States Securities and Exchange Commission takes the position that mining companies, in their filings with the SEC, should describe only those mineral deposits that the companies themselves can economically and legally extract or produce. The AIF filed as Exhibit 99.1 to this Annual Report on Form 40-F contains information regarding adjacent properties on which we have no right to explore or mine, and is considered by management to be of material importance to the Company and its land holdings in the area. Investors are cautioned that mineral deposits on adjacent properties are not necessarily probative of the existence, nature or extent of mineral deposits on our properties.

ESTIMATES OF RESOURCES AND RESERVES

The Company's AIF filed as Exhibit 99.1 to this Annual Report on Form 40-F and management's discussion and analysis for the fiscal year ended December 31, 2012 filed as Exhibit 99.2 to this Annual Report on Form 40-F have been prepared in accordance with the requirements of Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") — *CIM Definition Standards on Mineral Resources and Mineral Reserves* , adopted by the CIM Council, as amended. NI 43-101 is a rule developed by the Canadian Securities Administrators, which establishes standards for disclosure a Canadian public company makes of scientific and technical information concerning its mineral projects, differs from the requirements of SEC Industry Guide 7 under the United States Securities Act of 1993, as amended (the "Securities Act").

For example, the terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with NI 43-101 and the CIM standards. These definitions differ from the definitions in SEC Industry Guide 7 ("SEC Industry Guide 7") under the Securities Act.

In addition, the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by NI 43-101; however, these terms are not defined under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. It should not be assumed that any part or all of mineral deposits in these categories will ever be converted into reserves. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category.

Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC Industry Guide 7 standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this Annual Report and the documents incorporated by reference herein contain descriptions of mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws.

DISCLOSURE CONTROLS AND PROCEDURES

After evaluating the effectiveness of the Company's disclosure controls and procedures as required by paragraph (b) of Exchange Act Rule 13a-15, the Chief Executive Officer and Chief Financial Officer of the Company have concluded that, as of the end of the period covered by this Annual Report on Form 40-F, the Company's disclosure controls and procedures were effective to ensure that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rule 13a-15(f).

Management recognizes that effective internal control over financial reporting may nonetheless not prevent or detect all possible misstatements or frauds. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management has evaluated the effectiveness of the Company's internal control over financial reporting as of the end of the Company's fiscal year ended December 31, 2012 using the framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that, as of December 31, 2012, the Company maintained effective internal control over financial reporting.

ATTESTATION REPORT OF THE INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

Under the "Jumpstart Our Business Startups Act" ("JOBS Act"), enacted by Congress in April 2012, "emerging growth companies" ("EGCs") are exempt from the requirements of Section 404(b) of the Sarbanes-Oxley Act, which requires that public companies, in connection with the filing of their annual reports under the Securities Exchange Act of 1934, as amended, provide an attestation by their independent auditors regarding management's assessment of the effectiveness of internal controls over financial reporting. The Company qualifies as an EGC under the JOBS Act, and is therefore now exempt from the requirement of obtaining such an auditor attestation.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the period covered by this Annual Report on Form 40-F, no changes occurred in the Company's internal control over financial reporting that were identified in connection with the evaluation required by paragraph (d) of Exchange Act Rule 13a-15 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

NOTICES PURSUANT TO REGULATION BTR

Not applicable.

AUDIT COMMITTEE FINANCIAL EXPERT

The Company's Board of Directors has determined that it has at least one audit committee financial expert serving on its Audit Committee. Derek White has been determined by the Company's Board of Directors to meet the "audit committee financial expert" criteria prescribed by the Securities and Exchange Commission and is an "independent director" as that term is defined under the listing standards applicable to the Company contained in Section 803A of the NYSE Amex LLC Company Guide. Mr. White holds an undergraduate degree in Geological Engineering and is a Chartered Accountant. The SEC has indicated that the designation of Derek White as an audit committee financial expert does not make him an "expert" for any purpose, impose any duties, obligations or liability on him that are greater than those imposed on members of the Audit Committee and Board of Directors who do not carry this designation, or affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

CODE OF ETHICS FOR CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER, AND OFFICERS AND DIRECTORS

The Company has adopted a Code of Business Conduct and Ethics (the "Code") for its Chief Executive Officer, Chief Financial Officer, directors and officers. The Company previously furnished the latest version of the Code with the SEC on February 7, 2012 as Exhibit 99.1 to its Form 6-K. Shareholders may obtain a copy upon request, addressed to The Secretary, MAG Silver Corp., #770-800 West Pender Street, Vancouver, British Columbia, V6C 2V6. The Company has also posted the Code on its internet website at www.magsilver.com. All amendments to the Code and all waivers of the Code with respect to any of the persons covered by them will be furnished on the SEC's Electronic Data Gathering, Analysis and Retrieval (EDGAR) system at www.sec.gov.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The aggregate fees billed by the Company's current external auditor, Deloitte LLP, in each of the last two fiscal years are as follows.

	Year ended December 31, 2012	Year ended December 31, 2011
Audit Fees	$250,465	$260,620
Audit-Related Fees	0	37,100
Tax Fees	$169,205	233,380
All Other Fees	0	0
Total	$419,670	$531,100

The nature of the services provided by Deloitte LLP under each of the categories indicated in the table is described below.

Audit Fees

Audit fees are those incurred for professional services rendered by Deloitte LLP for the audit of the Company's annual consolidated financial statements, for the quarterly interim reviews of the Company's unaudited consolidated financial statements, additional administrative costs and services provided in connection with statutory and regulatory filings or engagements, including for the Company's wholly owned subsidiaries, Minera Los Lagartos, S.A. de C.V., Minera Pozo Seco S.A. de C.V., and Minera Sierra Vieja S.A. de C.V.

Audit-Related Fees

Audit-Related fees in 2011 are those incurred in audit and advisory services relating to IFRS transition.

Tax Fees (tax compliance, tax advice and tax planning)

Tax fees are those incurred for professional services rendered by Deloitte LLP for: tax compliance, including the review of tax returns, tax planning and advisory services relating to common forms of domestic and international taxation (i.e. income tax, capital tax, goods and services tax, payroll tax and value added tax); continued tax planning and advisory services on potential restructuring and spin-out projects; and, preparation of a Transfer Pricing report.

All Other Fees

There are no other fees to report under this category for professional services rendered by Deloitte LLP for the Company.

PRE-APPROVAL POLICIES AND PROCEDURES

It is within the mandate of the Company's Audit Committee to approve all audit and non-audit related fees. The Audit Committee is informed routinely as to the non-audit services actually provided by the auditor pursuant to this pre-approval process. The auditors also present the estimate for the annual audit related services to the Audit Committee for approval prior to undertaking the annual audit of the financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

None.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012
Presented in US$ (unless noted otherwise)

Option Payments Expenditures	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 years
Mojina Property Option [1]	$ 814,131	$ 150,765	$ 663,366	$ -	$ -
Cinco De Mayo [2]	150,000	20,000	130,000	-	-
Subtotal - Option Payments	$ 964,131	$ 170,765	$ 793,366	$ -	$ -
Option Payments -Exploration & Evaluation					
Mojina Property Option [1]	1,383,380	-	1,383,380	-	-
Subtotal - Exploration & Evaluation	$ 1,383,380	$ -	$ 1,383,380	$ -	$ -
Option Payments and Exploration Expenditures – Total	**$ 2,347,511**	**$ 170,765**	**$ 2,176,746**	**$ -**	**$ -**
Office Lease	334,921	167,461	167,461	-	-
Total Obligations	**$ 2,682,432**	**$ 338,226**	**$ 2,344,207**	**$ -**	**$ -**

[1] Mojina Property option consists of $1,383,380 in further exploration commitments and Canadian $805,000 in property option payments.
[2] Cinco De Mayo property option payments of US$150,000 on auxiliary claims acquired in 2010.

IDENTIFICATION OF THE AUDIT COMMITTEE

The Company has a separately designated standing Audit Committee. The members of the Audit Committee are:

Chair:	Derek White
Members:	Richard Colterjohn
	Peter Barnes

MINE SAFETY DISCLOSURE

Not applicable.

UNDERTAKING

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report on Form 40-F to be signed on its behalf by the undersigned, thereto duly authorized.

Registrant: **MAG Silver Corp.**

By: /s/ "*Daniel T. MacInnis*"
Name: Daniel T. MacInnis
Title: President and Chief Executive Officer
Dated: March 27, 2013

EXHIBITS

23.1	Consent of Deloitte LLP, Independent Registered Chartered Accountants
23.2	Consent of David Ross, P.Geo.
23.3	Consent of Henrik Thalenhorst
23.4	Consent of Michael Thomas, MAusIMM(CP)
23.5	Consent of Allen Riles, MAIG
31.1	Certification by the Chief Executive Officer of the Registrant pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer of the Registrant pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by the Chief Executive Officer of the Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by the Chief Financial Officer of the Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Registrant's Annual Information Form for the fiscal year ended December 31, 2012.
99.2	Registrant's Audited Annual Consolidated Financial Statements and accompanying Management's Discussion and Analysis for the fiscal year ended December 31, 2012.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED CHARTERED ACCOUNTANTS

We consent to the use of our reports dated March 27, 2013 relating to the consolidated financial statements of MAG Silver Corp. ("MAG Silver") appearing in this Annual Report on Form 40-F of MAG Silver for the year ended December 31, 2012.

/s/ *"Deloitte & Touche LLP"*
Independent Registered Chartered Accountants

Vancouver, BC, Canada
March 27, 2013

EXHIBIT 23.2

CONSENT OF DAVID ROSS, P.Geo.

I refer to the technical reports prepared by Roscoe Postle Associates Inc. (formerly Scott Wilson Roscoe Postle Associates Inc.) dated September 10, 2010 and February 1, 2012, November 16, 2012 (the "Technical Reports") that are referenced in the Registrant's Annual Information Form ("AIF") of MAG Silver Corp. for the fiscal year ended December 31, 2012, filed as Exhibit 99.1 to this Annual Report on Form 40-F with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. I was responsible for preparing, authoring and certifying the Technical Reports.

I hereby consent to reference to my name and to the use of the Technical Reports in the AIF filed as Exhibit 99.1 to this Annual Report on Form 40-F.

Sincerely,

/s/ "David A. Ross"
David Ross, P.Geo.
March 27, 2013

EXHIBIT 23.3

CONSENT OF HENRIK THALENHORST

I refer to the technical report prepared by Strathcona Minerals Services Limited dated November 11, 2011 and technical report prepared by AMC Mining Consultants (Canada) Ltd. dated July 1, 2012 (the "Technical Reports") referenced in the Registrant's Annual Information Form ("AIF") of MAG Silver Corp. for the fiscal year ended December 31, 2012, filed as Exhibit 99.1 to this Annual Report on Form 40-F with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. I was responsible for preparing, authoring and certifying the Technical Reports.

I hereby consent to reference to my name and to the use of the Technical Reports in the AIF filed as Exhibit 99.1 to this Annual Report on Form 40-F.

Sincerely,

*/s/ "*Henrik Thalenhorst *"*
Henrik Thalenhorst
March 27, 2013

EXHIBIT 23.4

CONSENT OF MICHAEL THOMAS

I refer to the technical report prepared by AMC Mining Consultants (Canada) Ltd. dated July 1, 2012 (the "Technical Report") referenced in the Registrant's Annual Information Form ("AIF") of MAG Silver Corp. for the fiscal year ended December 31, 2012, filed as Exhibit 99.1 to this Annual Report on Form 40-F with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. I was responsible for preparing, authoring and certifying the Technical Report.

I hereby consent to reference to my name and to the use of the Technical Report in the AIF filed as Exhibit 99.1 to this Annual Report on Form 40-F.

Sincerely,

*/s/ "*Michael Thomas*"*
Michael Thomas
March 27, 2013

EXHIBIT 23.5

CONSENT OF ALLEN RILES

I refer to the technical report prepared by AMC Mining Consultants (Canada) Ltd. dated July 1, 2012 (the "Technical Report") referenced in the Registrant's Annual Information Form ("AIF") of MAG Silver Corp. for the fiscal year ended December 31, 2012, filed as Exhibit 99.1 to this Annual Report on Form 40-F with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. I was responsible for preparing, authoring and certifying the Technical Report.

I hereby consent to reference to my name and to the use of the Technical Report in the AIF filed as Exhibit 99.1 to this Annual Report on Form 40-F.

Sincerely,

/s/ "Allen Riles"
Allen Riles
March 27, 2013

EXHIBIT 31.1

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Daniel T. MacInnis, certify that:

1. I have reviewed this Annual Report on Form 40-F of MAG Silver Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 27, 2013

/s/ "*Daniel T. MacInnis*"
Daniel T. MacInnis
Chief Executive Officer

EXHIBIT 31.2

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Larry Taddei, certify that:

1. I have reviewed this Annual Report on Form 40-F of MAG Silver Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 27, 2013

/s/ "*Larry Taddei*"
Larry Taddei
Chief Financial Officer

EXHIBIT 32.1

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

In connection with the Annual Report of MAG Silver Corp. (the "Registrant") on Form 40-F for the fiscal year ending December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel T. MacInnis, Chief Executive Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ "Daniel T. MacInnis"

Name: Daniel T. MacInnis
Title: Chief Executive Officer
March 27, 2013

EXHIBIT 32.2

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

In connection with the Annual Report of MAG Silver Corp. (the "Registrant") on Form 40-F for the fiscal year ending December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Larry Taddei, Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ "*Larry Taddei*"
Larry Taddei
Chief Financial Officer
March 27, 2013

Exhibit 99.1



ANNUAL INFORMATION FORM

March 27, 2013

MAG Silver Corp.

Suite 770 – 800 West Pender Street
Vancouver, BC V6C 2V6

An additional copy of this Annual Information Form for the year ended December 31, 2012 may be obtained upon request from the Corporate Secretary, MAG Silver Corp. at the above address or from the company's web site - www.magsilver.com

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INTRODUCTORY NOTES

In this Annual Information Form ("AIF"), unless the context otherwise dictates, "we", "MAG" or the "Company" refers to MAG Silver Corp. and its subsidiaries.

Date of Information

All information in this AIF is as of December 31, 2012 unless otherwise indicated.

Cautionary Statement on Forward-Looking Information

This AIF contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and forward-looking information within the meaning of Canadian securities laws (collectively, "forward-looking statements") that are based on the beliefs and estimates of management as well as assumptions made by and information currently available to the Company. Such forward-looking statements include, but are not limited to:

· The future price of silver;
· The estimation of Mineral Reserves and Mineral Resources;
· Estimates of the time and amount of future silver production for specific operations;
· Estimated future exploration expenditures and other expenses for specific operations;
· Permitting time lines;
· Requirements for additional capital;
· Litigation risks;
· Currency fluctuations; and
· Environmental risks and reclamation cost.

When used in this document, any statements that express or involve discussions with respect to predictions, beliefs, plans, projections, objectives, assumptions or future events of performance (often but not always using words or phrases such as "anticipate", "believe", "estimate", "expect", "intend", "plan", "strategy", "goals", "objectives", "project", "potential" or variations thereof or stating that certain actions, events, or results "may", "could", "would", "might" or "will" be taken, occur, or be achieved, or the negative of any of these terms and similar expressions), as they relate to the Company or management, are intended to identify forward-looking statements.

Forward-looking statements are made based upon certain assumptions and other important factors that could cause the actual results, performances or achievements of the Company to be materially different from future results, performances or achievements expressed or implied by such statements. Certain important factors that could cause actual results, performances or achievements to differ materially from those in the forward-looking statements include, among others: the Company's lack of cash flow; the Company's history of losses and expectation of future losses; the values attributed to the Company's assets may not be realizable; risks relating to the Company's ability to arrange additional equity or debt financing; risks relating to the Company's ability to finance the exploration and development of its mineral properties; risks relating to the availability of suitable infrastructure; risks relating to challenges to the Company's title to any of its properties; risks relating to the Company's position as minority shareholder of Minera Juanicipio; risks relating to holding interests through joint ventures; risks relating to the Company having a significant shareholder; risks relating to the Company's ability to obtain all necessary licenses and permits that may be required to carry out exploration and development of its mineral properties and business activities; risks and uncertainties relating to the interpretation of exploration results, geology, grade and continuity of the Company's mineral deposits; increased competition in the exploration industry; the Company's properties are in the exploration stage; risks relating to the Company's properties being located in Mexico; economic and political instability; the Company is subject to anti-corruption laws; human rights laws may delay the advancement of the Company's projects; the Company is subject to Mexican Foreign Investment and Income Tax Laws; commodity price fluctuations (particularly gold and silver commodities); currency fluctuations and inflationary pressures; none of the Company's properties have Mineral Reserves; risks related to governmental regulations, including environmental regulations; insurance coverage may not cover all potential risks; rights to use the surface of the Company's mineral properties are not guaranteed; the Company may be subject to litigation; the Company's ability to attract and retain qualified management and the Company's dependence upon such management in the development of its mineral properties; risks relating to potential conflicts of interest of the Company's directors and officers; and, risks relating to compliance with the *Dodd-Frank Wall Street Reform and Consumer Protection Act* . These risks are not an exhaustive list of the factors that may affect any of the Company's forward-looking statements. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may vary materially from those described herein. Although MAG has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

Assumptions have been made regarding, among other things, the Company's ability to carry on exploration activities and meet its obligations under its property agreements, the timing and results of drilling programs, successful project permitting, the Company's ability to operate in a safe and efficient manner and obtain financing as and when required and on reasonable terms. The Company's forward-looking statements are based on what management believes to be reasonable beliefs, expectations and opinions on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by applicable law.

For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

Currency and Exchange Rates

All dollar amounts referred to in this AIF are expressed in United States dollars ("US$") except where indicated otherwise. Effective January 1, 2012, the Company changed its financial statement presentation currency from the Canadian dollar ("C$") to the US$ on a retrospective basis. The change in presentation currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the mining industry. All references to "pesos" are to Mexican pesos. The Company incurs expenditures in primarily in US$, C$, and Mexican pesos.

The following table sets forth the rate of exchange for the Canadian dollar expressed in United States dollars in effect at the end of the periods indicated, the average of exchange rates in effect on the last day of each month during such periods, and the high and low exchange rates during such periods based on the noon rate of exchange as reported by the Bank of Canada for conversion of Canadian dollars into United States dollars:

Canadian Dollars to US dollars	Year Ended December 31		
	2012	2011	2010
Rate at end of period	US$1.0051	US$0.9833	US$1.0054
Average rate for period	US$1.0012	US$1.0111	US$0.9660
High for period	US$1.0299	US$1.0583	US$1.0054
Low for period	US$0.9599	US$0.9430	US$0.9278

The noon rate of exchange on March 27, 2013 as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars was C$1.00 equals US$0.9833.

The following table sets forth the rate of exchange for the Mexican Peso expressed in United States dollars in effect at the end of the periods indicated, the average of exchange rates in effect on the last day of each month during such periods, and the high and low exchange rates during such periods based on Exchange rate published by Banco de Mexico in the Official Journal of the Federation to settle liabilities denominated in foreign currency payable in Mexico, for conversion of Mexican Pesos into United States dollars ("Official Closing Rate"):

Mexican Pesos to US dollars	Year Ended December 31		
	2012	2011	2010
Rate at end of period	US$0.0770	US$0.0715	US$0.0808
Average rate for period	US$0.0760	US$0.0801	US$0.0790
High for period	US$0.0792	US$0.0869	US$0.0823
Low for period	US$0.0695	US$0.0702	US$0.0759

The Official Closing Rate of exchange on March 27, 2013 as reported by the Banco de Mexico for the conversion of Mexican Pesos into United States dollars was $1.00 Pesos equals US$0.0809.

Metric Equivalents

For ease of reference, the following factors for converting Imperial measurements into metric equivalents are provided:

To convert from Imperial	To metric	Multiply by
Acres	Hectares	0.404686
Tons	Tonnes	0.907185
Troy Ounces/ton ("opt")	Grams/Tonne ("g/t")	34.2857

Financial Data in this AIF

Financial information reported in this AIF is in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Defined Terms

A glossary of certain terms used in this AIF is attached as Schedule "B". Terms used and not defined in this AIF that are defined in National Instrument *51-102 - Continuous Disclosure Obligations* shall bear that definition. Other definitions are set out in National Instrument *14-101 - Definitions*.

Cautionary Statement Regarding Non-IFRS Measures

This AIF includes certain terms or performance measures commonly used in the mining industry that are not defined under IFRS, including total cash cost per ounce of silver. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance. The data presented is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Non-IFRS measures should be read in conjunction with the Company's financial statements.

CORPORATE STRUCTURE

MAG Silver Corp. 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 upon the completion of its qualifying transaction on the TSX Venture Exchange. Effective March 29, 2004, the *Company Act* (British Columbia) was replaced by the *Business Corporations Act* (British Columbia). Accordingly, on July 27, 2005, the Company transitioned under the *Business Corporations Act* (British Columbia) and adopted new articles and concurrently increased its authorized capital from 1,000,000,000 Common Shares to an unlimited number of Common Shares without par value and an unlimited number of Preferred Shares without par value.

The Company's head office is located at Suite 770, 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6. The Company's registered office is located at 1600 – 925 West Georgia Street, Vancouver, British Columbia Canada, V6C 3L2.

Intercorporate Relationships

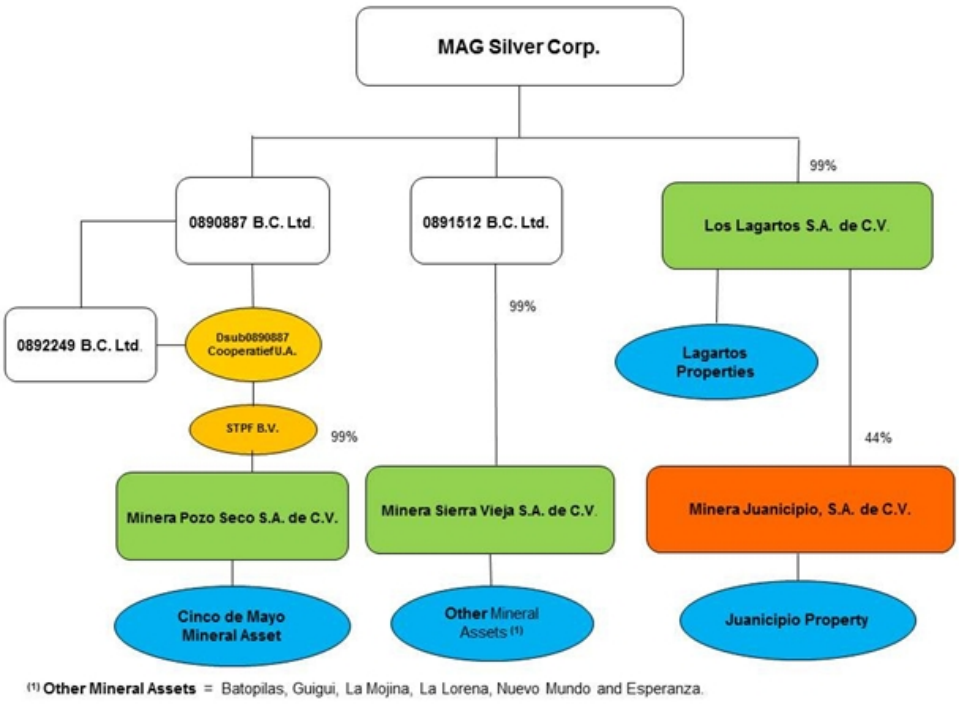
The Company is the registered owner of 99% of the issued Class I shares of Minera Los Lagartos, S.A. DE C. V. ("Lagartos"), a corporation incorporated under the laws of Mexico. The remaining 1% of the issued Class I shares of Lagartos are held by Dan MacInnis, President, CEO and a director of the Company, in trust for the Company. The Company effectively has 100% beneficial ownership of Lagartos. The registered and records office of Lagartos is located at Paseo de Los Tamarindos 60, Bosques de Las Lomas, 05120 Mexico, D.F., Mexico.

Lagartos is the registered owner of a 44% interest in Minera Juanicipio, S.A. DE C.V. (“Minera Juanicipio”), and Fresnillo plc (“Fresnillo”), a London Stock Exchange listed company that is controlled by Industrias Peñoles, S.A. DE C.V. (“Peñoles”), holds the remaining 56% interest in Minera Juanicipio. In December 2007, Lagartos and Peñoles established Minera Juanicipio to hold and operate all mineral and surface rights related to the Juanicipio property located in Zacatecas State, Mexico. Minera Juanicipio is governed by a shareholders agreement dated October 10, 2005 (the “Shareholders Agreement”). Pursuant to the Shareholders Agreement each shareholder is to provide funding to Minera Juanicipio pro rata to its interest in Minera Juanicipio, with Fresnillo contributing 56% and MAG, through Lagartos, contributing 44% (the “Juanicipio Joint Venture”). See more detail at “Description of the Business – The Juanicipio Property” below. The registered and records office of Minera Juanicipio is located at Moliere 222- 4th Floor, Los Morales-Palmas, C.P. 11540, México, D.F.

On October 18, 2010 the Company internally restructured its Mexican property holdings. Two new Mexican subsidiaries were created, Minera Pozo Seco S.A. de C.V. (“Minera Pozo Seco”) and Minera Sierra Vieja S.A. de C.V., (“Sierra Vieja”), and properties with common attributes were grouped together in order to provide the Company with more flexibility in managing its properties. The Cinco de Mayo property was transferred to Minera Pozo Seco, and the Don Fippi (Batopilas), Guigui, Lorena, and Nuevo Mundo properties were transferred to Sierra Vieja, along with the Company’s Mojina and Esperanza option rights. The Company’s other properties, including the Lagartos properties and its 44% interest in Minera Juanicipio remain in Lagartos. See Exhibit I below.

The Company, through various newly created subsidiaries which are detailed in Exhibit 1 below, is the beneficial owner of 99% of the issued Class I shares of both Minera Pozo Seco and Sierra Vieja. The remaining 1% of the issued Class I shares of each of Minera Pozo Seco and Sierra Vieja are held by Dan MacInnis, President, CEO and a director of the Company, in trust for the Company. The Company effectively has 100% beneficial ownership of both Minera Pozo Seco and Sierra Vieja. The registered and records office of each is located at Paseo de Los Tamarindos No. 60, 3rd floor, Colonia Bosques de Las Lomas, 05120 Mexico, Federal District, Mexico.

Exhibit 1: Corporate structure as at December 31, 2012 (and March 27, 2013):



The following table lists the subsidiaries of the Company and a company in which MAG holds a significant interest, together with the jurisdiction of incorporation and the direct or indirect percentage ownership by the Company of each such subsidiary:

Name	Percentage of Ownership	Jurisdiction of Organization
Minera Los Lagartos, S.A. DE C.V.	100%(1)	Mexican Republic
Minera Juanicipio, S.A. DE C.V.	44%(2)	Mexican Republic
0890887 B.C. Ltd.	100%(3)	Canada
0891512 B.C. Ltd.	100%(3)	Canada
0892249 B.C. Ltd.	100%(3)	Canada
DSUB0890887 Cooperatief U.A.	100%(4)	Netherlands
STPF B.V.	100%(5)	Netherlands
Minera Pozo Seco S.A. DE C.V.	100%(6)	Mexico
Minera Sierra Vieja S.A. DE C.V.	100%(6)	Mexico

Notes:

(1) On October 9, 2005 the assets of Lexington Capital Group Inc., previously a subsidiary of the Company, were merged with Lagartos, so that all of the Company's interests in the Juanicipio claim were held by Lagartos.

(2) 44% interest is owned by Lagartos, which in turn is wholly owned by the Company.

(3) 0890887 B.C. Ltd., 0892249 B.C. Ltd., and 0891512 B.C. Ltd. were incorporated on September 21, 2010, September 28, 2010, and October 6, 2010, respectively and are wholly owned by the Company.

(4) DSUB0890887 Cooperatief U.A. was incorporated on October 11, 2010 in the jurisdiction of the Netherlands, and is wholly owned by 0890887 B.C. Ltd. and 0892249 B.C. Ltd.

(5) STPF B.V. was acquired by DSUB0890887 Cooperatief U.A. on October 12, 2010.

(6) Minera Pozo Seco and Sierra Vieja were incorporated in Mexico on September 27, 2010.

GENERAL DEVELOPMENT OF THE BUSINESS

MAG is a company based in Vancouver, British Columbia, Canada focused on the acquisition, exploration and development of district scale projects located in the Mexican Silver Belt. The Company's Common Shares trade on the Toronto Stock Exchange under the symbol MAG and on the NYSE MKT (formerly NYSE.A) under the symbol MVG. The Company is a "reporting issuer" in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador and is a reporting "foreign issuer" in the United States of America.

The Company's two material properties at the date of this AIF are its 44% joint venture interest in the Juanicipio property and the 100% owned Cinco de Mayo property. The Juanicipio property is the most advanced and has been the most important valuation factor for the Company.

All drilling on the Juanicipio property is conducted by the project operator Fresnillo, with the Company's share of costs funded primarily through its 44% interest in Minera Juanicipio, and to a lesser extent directly to cover other costs related to direct oversight of the field and drilling programs executed on the Juanicipio property. Drilling on Cinco de Mayo and on the Company's other properties is managed and contracted directly by MAG.

THREE YEAR HISTORY

Year Ended December 31, 2010

On May 18, 2010, the Company closed a brokered private placement for 4,603,500 Common Shares of the Company at a price of C$7.65 per share for gross proceeds of $32,089,760 (the "2010 Offering"). The net proceeds of the 2010 Offering were used to fund exploration and predevelopment of the Juanicipio property and the Cinco de Mayo property, as well as the Lagartos properties and other properties, as well as for general working capital. During the year ended December 31, 2010, 1,241,545 stock options were exercised for cash proceeds of $3,300,187.

Juanicipio Property

In 2010, exploration on the Juanicipio property focused on two significantly identified high grade silver (gold/lead and zinc) veins: the Valdecañas Vein and the Juanicipio Vein. During 2010 a total of 28,401 metres of diamond drilling was completed on the Juanicipio property. Of that total, 11,336 metres were drilled on the Valdecañas Vein, 9,138 metres on the Juanicipio Vein and 7,927 metres were drilled on testing "other" targets. The 2010 drill program continued to yield high grade silver, gold, lead and zinc assays. Since drilling began in 2003, a total of approximately 113 bore holes had been completed to December 31, 2010. Collectively these intersections combined to show the high grade silver/gold Valdecañas Vein to have a vertical height of almost 450 metres (starting at 350 metres below surface) and have established a strike length for this zone of approximately 1,500 metres from the eastern to northwestern boundary of the property.

For the year ended December 31, 2010, the Company's joint venture advances and direct expenditures totaled $2,947,384 comprising $2,782,903 as its 44% share of cash advances, and a further $164,481 expended directly by the Company on project oversight and on a Mineral Resource estimate on the property.

In mid-2010, Minera Juanicipio had engaged AMC Mining Consultants (Canada) Ltd ("AMC") to undertake the preparation of a technical study for the development of a 'standalone' underground silver mine on the Valdecañas Vein of the Juanicipio property (the "AMC Study"). The AMC Study was commissioned as one of the studies necessary to evaluate the manner in which the Juanicipio Property might be developed and was expected to include a compilation of possible mine development scenarios and their associated economic advantages. The AMC Study when completed, would comply with NI 43-101, and is to be issued in the form of an updated Preliminary Economic Assessment ("UPEA"), based on both Indicated and Inferred Resources.

In December 2010, the Company announced an updated Mineral Resource estimate for the Juanicipio property prepared by Scott Wilson RPA / Roscoe Postle Associates Inc. ("RPA") on behalf of the Company. The updated Mineral Resource estimate was based on drill results available to September 8, 2010 and used methods similar to the previous resource estimate of March 2009. A National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101") technical report documenting the Mineral Resource estimate and titled "Technical Report on the Mineral Resource Update for The Juanicipio Joint Venture, Zacatecas State, Mexico" was filed on SEDAR on January 18, 2011.

Cinco de Mayo Property

During 2010, MAG announced a number of assay results from approximately 59,192 metres drilled in 175 holes at the Cinco de Mayo property. The 2010 program, initially planned at approximately $4.7 million dollars, started very aggressively with 5 drills to outline and delineate the Pozo Seco molybdenum-gold zone. Exploration results warranted accelerated and expanded programs, and the Company increased its 2010 Cinco de Mayo expenditure plans, and by year end December 31, 2010, the Company had incurred exploration and evaluation expenditures of $10,399,006 at the Cinco de Mayo property. The Company also acquired a 150.8 hectare claim which lay directly along the north western projection of the Pozo Seco molybdenum-gold zone and completed control of the northern western extension of Pozo Seco.

In August 2010, the Company announced its first Mineral Resource estimate for the Pozo Seco molybdenum-gold deposit effective as of July 12, 2010. RPA prepared a NI 43-101 technical report entitled "Technical Report on the Pozo Seco Mineral Resource Estimate, Cinco de Mayo Project, Chihuahua, Mexico" (the "Pozo Seco Technical Report") dated and filed on SEDAR on September 10, 2010. At a cut-off grade of 0.022% molybdenum, the Indicated Mineral Resources were estimated at 29.1 million tonnes grading 0.147% molybdenum and 0.25 g/t gold, containing 94.0 million pounds molybdenum and 230,000 ounces gold. Inferred Mineral Resources were estimated at 23.4 million tonnes grading 0.103% molybdenum and 0.17 g/t gold, containing 53.2 million pounds molybdenum and 129,000 ounces gold.

Year Ended December 31, 2011

During the year ended December 31, 2011, 505,525 stock options were exercised for cash proceeds of $1,978,174. There were no equity financings undertaken during the year. The combined 2011 exploration and evaluation expenditures on all properties totaled $11,916,570.

On May 5, 2011, the Company announced that it had received a favourable unanimous ruling dated April 28, 2011 with respect to the arbitration proceedings commenced by the Company in 2009 against Fresnillo. The International Court of Arbitration of the International Chamber of Commerce ("ICC") upheld MAG's interpretation that Fresnillo's unsolicited hostile takeover offer in late 2008 and 2009 breached the standstill provision in the Shareholders Agreement and, in accordance with Mexican law, awarded MAG $1.86 million in damages. The damage award represented MAG's direct costs of defending Fresnillo's improper take-over bid. More importantly, by upholding the standstill provision, the ICC confirmed that MAG and its shareholders are protected from a further opportunistic take-over bid by Fresnillo (there is no expiry on the standstill provision). On May 31, 2011, MAG received payment of the $1.86 million award from Fresnillo.

Juanicipio Property

For the year ended December 31, 2011, the Company's joint venture advances and direct expenditures totaled $2,583,367, comprising $2,151,600 as its 44% share of cash advances to Minera Juanicipio, and a further $431,767 expended directly by the Company on project oversight and on a parallel resource estimate on the property.

For 2011, exploration expenditures incurred directly by Minera Juanicipio amounted to $5.5 million, with 27,870 metres of drilling completed on the Juanicipio property in 37 holes, representing approximately 90% of the final 2011 budgeted drilling.

Proceeding with the AMC Study commissioned in 2010, in July 2011, it was determined that the AMC Study should be completed based on an updated independent resource estimate. Strathcona Mineral Services Limited ("SMS") was contracted by Minera Juanicipio to prepare the independent NI 43-101 Mineral Resource estimate based on drilling done up to June 2011, which would be used by AMC as a basis for the AMC Study. The updated SMS resource estimate was completed in November and was filed on SEDAR on December 1, 2011. In November 2011, the SMS NI 43-101 independent resource estimate was forwarded by Minera Juancipio to AMC, where the block model developed by SMS was used to form the basis for the AMC Study.

On December 19, 2011, the Company announced an independent updated Mineral Resource estimate completed by RPA (the "August 2011 RPA estimate") for the Juanicipio property. The August 2011 RPA estimate was based on drill results available to August 5, 2011 and was prepared on behalf of the Company, in parallel with the June 2011 estimate by SMS. The August 2011 RPA estimate was filed on SEDAR on February 2, 2012.

Cinco de Mayo Property

During the year ended December 31, 2011, exploration and evaluation expenditures incurred at the Cinco de Mayo property totaled $6,271,072 with 25,716 metres drilled in 49 holes.

In November 2011, the Company announced results of seven holes that were drilled on 200-250 metre centres over the 1,200 metre strike length of the Bridge Zone. All seven holes cut massive sulphides at 220 to 365 metres vertical depth. Combined with earlier drilling, continuous silver-lead-zinc manto mineralization now appears to extend for at least 4,000 metres from the northern end of the Jose Manto zone to the Cinco de Mayo Ridge intercepts.

In March 2011, the Company announced high-grade, silver-rich sulphide and skarn-altered intrusion intercepts from exploration drilling in the "Polaris" area in the northwestern part of the Cinco de Mayo property. The first two holes in the area hit what appeared to be the same set of sheeted sulphide replacement veins. The intercepts were approximately 50 metres apart with mineralization in both holes consisting of a series of parallel veins ranging from 0.25 to 3.5 metres in width that occur within an overall zone 20 to 35 metres wide. These holes were the first to hit a significant intrusive body in the ongoing search for large-scale intrusive-contact mineralization that is believed to exist at Cinco de Mayo.

Year Ended December 31, 2012

In September 2012, the Company closed a brokered private placement for 3,526,210 common shares of the Company at a price of C$9.40 per share for gross proceeds of $33,451,321 (the "2012 Private Placement"). The Company intends to use the net proceeds from the offering of $31,286,353 to fund its share of the recently approved permitting and underground development program for Juanicipio, for the exploration advancement of Cinco de Mayo and its other properties, and for general corporate purposes. During the year ended December 31, 2012, 824,901 stock options were exercised for cash proceeds of $5,464,805. As at December 31, 2012, the Company had cash on hand of $40,621,158.

In 2012, costs were incurred dealing and negotiating with a dissident group of MAG shareholders which collectively held approximately 9.76% of MAG's outstanding shares. The Company ultimately reached an agreement on September 4, 2012 whereby MAG agreed to nominate Richard Clark and Peter Barnes for election at the annual and special meeting ("Annual Meeting") of shareholders held on October 5, 2012. At the Annual Meeting, Mr. Clark and Mr. Barnes along with seven of the existing members of MAG's board were elected.

In total, MAG drilled over 42,000 metres on four of its projects in 2012, and an additional 28,888 metres was drilled by the Juanicipio Joint Venture, Minera Juanicipio.

Juanicipio Property

For the year ended December 31, 2012, the Company's joint venture advances and direct expenditures totaled $4,577,611 comprising $3,697,760 as its 44% share of cash advances to Minera Juanicipio, and a further $879,851 expended directly by the Company on project oversight and on a parallel resource estimate on the property.

UPEA

In June 2012, the Company announced the results of the UPEA carried out by AMC and a NI 43-101 technical report, entitled "Technical Report for Minera Juanicipio S.A. de C.V." documenting the economic assessment, was filed on SEDAR on July 16, 2012. See "Mineral Projects" below for a summary of the highlights of the UPEA. The AMC Study is expected to provide an important catalyst for Minera Juanicipio and open a pathway for the next step in its development.

Underground Development Program

With the completion of the AMC Study, MAG and Fresnillo now have a framework on which the joint venture Technical Committee can build upon for the continued advancement of the Juanicipio Project. On August 15, 2012, the Company announced that the board of directors of Minera Juanicipio (based on the recommendation of the Minera Juanicipio Technical Committee) had approved an 18 month mine permitting and underground development budget of $25 million. Originally, $10 million was expected for 2012 with the remaining $15 million earmarked for 2013, but the majority of this budget has been rolled over into 2013 and the early part of 2014 because of development permitting delays resulting from the Mexican government changeover late in 2012. The budgeted program covers mine permitting, surface preparation and the commencement of the first 2,500 metres of underground decline development. The proposed work plan is based on recommendations provided to Minera Juanicipio in the UPEA.

The development program will be managed by Fresnillo as operators of the Joint Venture.

Cinco de Mayo Property

During the year ended December 31, 2012, exploration and evaluation expenditures incurred at the Cinco de Mayo property totaled $8,329,879 with 33,067 metres drilled in 54 holes. Overall, the 2012 drilling demonstrated that mineralization is continuous from the Jose Manto through the Bridge Zone to Cinco Ridge, which is now collectively referred to as the "Upper Manto" to differentiate it from mineralization hit at depth in the "Pegaso Zone."

Hole CM12-431: The Pegaso Zone

In mid-June 2012, exploration hole CM12-431 drilled deep beneath the overlap zone between the Bridge Zone and the Jose Manto, cut four significant sulphide intervals within a 300 metre wide skarn and marble zone. The largest and deepest interval was 61 metres of high-grade massive sulphides that lies behind (to the southwest of) the structures that host the Upper Manto mineralization. This is an entirely new mineralization zone named the "Pegaso Zone", which shows all of the hallmarks of being a near-source part of the Carbonate Replacement Deposit ("CRD") system that MAG has been systematically seeking at Cinco de Mayo. The mineralization in the upper intercepts of hole CM12-431 are likely connected to the high-grade silver-lead-zinc mineralization in the 4 kilometre long Upper Manto, indicating that continuous mineralization exists from 125 to 900 metres vertical depth.

Upper Manto Inferred Mineral Resource

In October 2012, the Company announced that RPA completed the first independent Mineral Resource estimate for the Upper Manto (Bridge Zone/Jose Manto). Inferred Mineral Resources are estimated to be 12.45 million tonnes at 132 g/t (3.9 opt) silver, 0.24 g/t gold, 2.86% lead and 6.47% zinc (9.33% lead plus zinc). An economic cut-off grade set at a net smelter return ("NSR") of US$100 per tonne was applied as the base case for this initial resource estimate. The NI 43-101 Technical Report, entitled "Technical Report on the Upper Manto Deposit, Chihuahua, Mexico" was filed on SEDAR on November 16, 2012.

Overall, the near-surface Upper Manto mineralization appears higher in silver and lead than deeper Pegaso Zone mineralization which is richer in zinc, copper and gold. The combined vertical metals and alteration zoning and broadening of mineralization is typical in CRD systems worldwide and strongly indicates that the source intrusion is being approached. The overall strength and style of mineralization and alteration further indicate that this source zone may be very large. The strongest mineralization has been found within the overlap zone between the fault slices that host the shallow Jose Manto and the Bridge Zone, suggesting that this structurally complex zone acted as a major conduit for mineralizing fluids and perhaps intrusive emplacement. The degree of mineralization seen so far indicates that the source intrusion could be surrounded by very large-scale mineralization.

"Soil Use Change Permit" and surface access

As of May, 2012, exploration drilling permits in Mexico require a "Soil Use Change Permit," reflecting conversion of land from agricultural to industrial use. These permits incorporate verification of mining concession title, compliance with environmental norms, and surface access permissions. During the latter part of 2012, the Company was in the process of negotiating ordinary course surface access permissions with the Ejido Benito Juarez (the "Ejido") as the final component in the application for the necessary Soil Use Change Permits. The Company had previously purchased 41 specific rights relating to relevant areas of the Cinco de Mayo project area for $660,000 from the Ejido members, who along with the Federal Agrarian Authority had ratified the purchase. The Company was awaiting formal title transfer of the surface rights, when certain members of the Ejido challenged the purchase, claiming the 41 rights purchased represented a 41/421 undivided interest in the Ejido owned surface rights , rather than rights to exclusive areas of the property.

The Company had anticipated obtaining the requisite access permission and final permit approval sometime in the first quarter of 2013. However, on November 17, 2012 at what the Company believes was an illegally constituted meeting, the Ejido voted to expel MAG from its Cinco de Mayo property and establish a 100 year mining moratorium over Northern Chihuahua. The Company notes that the Ejido assembly has no ability at law to impose a ban on mining as mining is an activity that falls under Federal jurisdiction. Ejido members challenged the meeting on the grounds that proper notice was not given, key signatures required to properly call the meeting were fraudulent, and that the vote taken at the meeting was fraught with irregularities, including a significant number of votes being cast by unverified proxies. A court hearing was held on February 6, 2013 in Chihuahua where the ejiditarios calling for the meeting to be declared illegal presented their evidence. The opponents who had organized the illegal meeting failed to appear in court on time and their testimony was dismissed by the judge. The judge ordered the Ejido administration to provide original documents for the meeting, which to date they have failed to provide. It is expected to take the judge one to two months to write his decision on the legality of the meeting once he has settled the original documents questions.

MAG remains highly confident that the meeting and the illegal resolutions will be nullified. Once the expected nullification of the November 17, 2012 meeting is issued, the Company will ask government officials to oversee a new assembly meeting of the Ejido to ensure that the necessary procedural and governance rules are respected and the vote is properly conducted. Permission of the Ejido assembly is required to obtain surface access, and although there is no certainty that a new vote would produce a favourable outcome for the Company, MAG believes that the opposition group and its supporters do not represent the will of the majority of the 421 voting members of the Ejido (or of the 12,000 other citizens in the project area).

Current Fiscal Year (Subsequent to December 31, 2012)

The Company maintains a strong cash position at March 27, 2013 of $37.9 million. MAG continues to work with Fresnillo to progress the Juanicipio Property in accordance with the recommendations of the AMC Study, and the Company continues to explore its own properties in Mexico.

Juanicipio Property

Minera Juanicipio is currently still operating under the two approved budgets from 2012, an $8.5 million exploration budget and the $25.4 million development budget. There is approximately $2.2 million or 7,000 metres of the 2012 exploration budget that was not completed in 2012 and is currently being expended and drilled in 2013. The 2013 exploration budget will be determined in the second quarter of 2013, likely at the next meeting of the Technical Committee.

Minera Juancipio began the development permitting process in the fall of 2012 and has since commenced a variety of development studies. A hydrogeology (water management) study has been commenced. A geotechnical study has been completed with the assistance of Peñoles' (a related party of Fresnillo) Geotechnical & Construction Group, which has included a visit to the nearby Fresnillo Saucito operation in order to analyze rock quality in anticipation of stope preparation and development at Juanicipio. As well, a division of Peñoles (CIDT) has been contracted to run the recommended metallurgical tests, with almost 254 kilograms of ore bearing material collected systematically along the deposit for metallurgical studies to be carried out.

Originally expected in the first quarter of 2013, the operator Fresnillo now reports that it expects the underground decline ground breaking to commence on April 29, 2013. Five different contractors from North and South America have been asked to tender for the decline construction and a decision is pending.

Cinco de Mayo Property

Further exploration and drilling can resume only upon obtaining the Soil Use Change Permit, drill permits and a surface access agreement with the local Ejido (see '"Soil Use Change Permit" and surface access' above in 'The year ended December 31, 2012'). The Company believes the Ejido access issue is a temporary delay and is working to resolve the issue on a permanent basis with the Ejido, with the expectation of resuming drilling on the property late in 2013.

The Company remains eager and willing to work with the Ejido and the greater community to define a comprehensive Corporate Social Responsibility Program ("CSR") to coincide with the next phases of our exploration activity. CSR commitments already presented to the Ejido include: repair to the existing medical clinic and staffing it with a full-time doctor and nurse; improving the infrastructure at the local elementary school; offering scholarships to the regional secondary, high school and college programs; developing micro-business opportunities in the town of Benito Juarez; and a cash component. The Company believes that this proposed agreement, valued at approximately $500,000, is generous for the size and stage of the Cinco de Mayo exploration project and is rooted in the Company's approach to business. MAG's goal is to continue its strong working relationship and ensure the Ejido and the greater community benefit from the expected successes and growth at Cinco de Mayo.

For more information on the Company's progress and intentions for its material properties please refer to the "Mineral Projects" section below.

DESCRIPTION OF THE BUSINESS

General

The Company is in the mineral acquisition, exploration and development business. The Company is in the exploration and predevelopment stage and there is no assurance that a commercially viable mineral deposit exists on any of our properties. Further exploration will be required before a final evaluation as to the economic and legal feasibility of any of the Company's properties is determined. Even if the Company completes its exploration program and is successful in identifying a mineral deposit, it will have to spend substantial funds on further drilling and engineering studies before it will know if it has a commercially viable mineral deposit or reserve.

Principal Markets

The Company is a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador and is a reporting "foreign issuer" in the United States of America.

The Company's Common Shares were listed and posted for trading on the TSX Venture Exchange (formerly CDNX) on April 19, 2000 under the symbol "MGA". Concurrent with the Company's name change to MAG Silver Corp. on April 22, 2003, the trading symbol was changed to "MAG". On July 9, 2007, the Company's Common Shares were listed on the American Stock Exchange (now the NYSE MKT) under the symbol "MVG". On October 5, 2007, the Company delisted from the TSX Venture Exchange concurrent with its listing on the Toronto Stock Exchange, with the Company's Common Shares continuing to trade under the symbol "MAG".

Adjacent Property Disclosure

The staff of the United States Securities and Exchange Commission (the "SEC") take the position that mining and mineral exploration companies, in their filings with the SEC, should describe only those mineral deposits that the companies themselves can economically and legally extract or produce. This AIF contains information regarding adjacent properties on which we have no right to explore or mine, and is considered by management to be of material importance to the Company and its land holdings in the area. Investors are cautioned that mineral deposits on adjacent properties do not necessarily indicate and certainly do not prove the existence, nature or extent of mineral deposits on our properties.

Cautionary Note to Investors Concerning Estimates of Mineral Resources

This AIF uses the terms "Indicated Mineral Resources" and “Inferred Mineral Resources”. MAG advises investors that although these terms comply with Canadian reporting standards under NI 43-101, the SEC does not recognize these terms and U.S. companies are generally not permitted to disclose resources in documents that they file with the SEC. Furthermore, disclosure of “contained ounces” is permitted under Canadian regulations; however, the SEC permits issuers to report mineralization that does not constitute “reserves” by SEC standards only as in place tonnage and grade without reference to unit measures.

Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves. In addition, "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resources will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies, or economic studies except for a Preliminary Economic Assessment as defined under NI 43-101. Investors are cautioned not to assume that part or all of an Inferred Mineral Resource exists, or is economically or legally mineable.

Technical Information

Unless otherwise indicated, scientific or technical information in this AIF relating to Mineral Reserves or Mineral Resources is based on information prepared by employees of MAG or its joint venture partners, as applicable, under the supervision of, or that has been reviewed by, Dr. Peter Megaw, Ph.D., C.P.G., who is a “Qualified Person” as defined in NI 43-101. A “Qualified Person” means an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these, has experience relevant to the subject matter of the mineral project, and is a member in good standing of a professional association.

Passive Foreign Investment Company

The Company believes it is a Passive Foreign Investment Company (“PFIC”), as that term is defined in Section 1297 of the Internal Revenue Code of 1986, as amended, and believes it will be a PFIC for the foreseeable future. Consequently, this classification may result in adverse tax consequences for U.S. holders of the Company’s Common Shares. For an explanation of these effects on taxation, U.S. shareholders and prospective U.S. holders of the Company’s Common Shares are encouraged to consult their own tax advisers.

Employees

The Company’s business is administered from its head office in Vancouver, British Columbia, Canada. As of December 31, 2012, the Company had ten full time employees.

Specialized Skill and Knowledge

Many aspects of MAG’s business require specialized skill and knowledge. Such skills and knowledge include the areas of geology, engineering, accounting and mine planning. While recent increased activity in the mining industry has made it more difficult to locate competent employees in such fields, MAG has found that it has been able to locate and retain such employees.

Competitive Conditions

Competition in the mineral exploration and production industry is intense. The Company competes with a number of large, established mining companies with greater financial resources and technical facilities, for the acquisition and development of mineral concessions, claims, leases and other interests, as well as for the recruitment and retention of qualified employees and consultants and the equipment required to continue the Company's exploration activities.

Economic Dependence

The Juanicipio property, in which the Company owns a 44% joint venture interest, is considered one of the two material properties of the Company, and of all of the Company's properties, the Juanicipio property is the most advanced and has been the most important valuation factor for the Company. The Company's interest in the Juanicipio property is held through its indirect 44% ownership of Minera Juanicipio, and is governed by the terms of the Shareholders Agreement with Fresnillo.

The terms of the Shareholders Agreement governing the operation of Minera Juanicipio provide effective control to Fresnillo over many of the activities of Minera Juanicipio, as Fresnillo holds a majority (56%) of the shares of Minera Juanicipio. While a limited number of decisions of the shareholders or the directors of Minera Juanicipio require a special majority of 60%, and in one instance 75%, giving the Company an effective veto over any such decisions, the Company is a minority shareholder of Minera Juanicipio and is dependent on Fresnillo to manage the affairs of Minera Juanicipio in compliance with the Shareholders Agreement, the Articles of Minera Juanicipio and applicable law. The Shareholders Agreement also calls for adjustments to the interests of the shareholders in Minera Juanicipio where either shareholder fails to fund cash calls within certain specified periods. If the Company fails to fund cash calls, it risks having its interest reduced, may lose its effective veto power over certain decisions and ultimately could have its interest in Minera Juanicipio diluted entirely.

Please consult the Company's public filings at www.sedar.com and www.sec.gov for further, more detailed information concerning these matters.

Carrying on Business in Mexico

The Company's property interests are located in Mexico. A summary of the regulatory regime material to the business and affairs of the Company is provided below.

Mining Regulation

The exploration and exploitation of minerals in Mexico may be carried out by Mexican citizens or Mexican companies incorporated under Mexican law by means of obtaining concessions (currently covering exploration and exploitation). Concessions are granted by the Mexican federal government for a period of fifty years from the date of their recording in the Public Registry of Mining. The term of mining concessions previously issued by the Mexican federal government (for exploration and/or exploitation) was automatically extended by the enactment of the 2006 amendments to the Mexican Mining Law. Likewise, due to such amendments, the holders of mining concessions for exploration were automatically authorized to carry out not only exploration work, but also exploitation works.

Holders of concessions may, within the five years prior to the expiration of such concessions, apply for their renewal for the same period of time. Failure to apply prior to the expiration of the term of the concession will result in termination of the concession. Concessions are subject to annual work requirements and payment of mining duties which are assessed and levied on a semi-annual basis. Such concessions may be transferred or assigned by their holders, but such transfers or assignments must comply with the requirements established by the Mexican Mining Law and be registered before the Public Registry of Mining in order to be valid against third parties.

Although the Law of Foreign Investment provides that mineral concessions may also be obtained by foreign citizens or foreign corporations, the Mexican Mining Law provides that such concessions may only be granted to Mexican citizens or Mexican corporations. Thus, foreign citizens or corporations may only obtain mineral concessions through the establishment of a subsidiary in Mexico. Foreign investment in Mexican companies must comply with certain requirements set forth in the Law of Foreign Investment.

The Mexican Mining Law does not require payment of finder's fees or royalties to the Government, except for a discovery premium or economic consideration in connection with claims or allotments contracted directly from the Mexican Geological Service that have been awarded pursuant to a public bid process. None of the property interests held by Lagartos, Minera Pozo Seco or Sierra Vieja are under such fee regime. However, holders of mining concessions are required to pay mining duties which are assessed and levied on a semi-annual basis.

Foreign Investment Regulation

Foreign investment regulation in Mexico is primarily governed by the Law of Foreign Investment and its Regulations. Foreign investment of up to 100% in Mexican mining companies is freely permitted. Companies with foreign investment in their capital stock must be registered with the National Registry of Foreign Investment which is maintained by the Ministry of Economy.

Environmental Regulation

Mexico has federal, state and municipal laws and regulations relating to the protection of the environment and natural resources ("Environmental Laws"), including laws and regulations concerning water pollution, air pollution, noise pollution, hazardous substances and forest protection. The principal federal Environmental Law in Mexico is the Ley General del Equilibrio Ecológico y la Protección al Ambiente (the "General Law of Ecological Balance and Environmental Protection" or the "General Law"), pursuant to which general environmental rules and policies have been promulgated addressing air pollution, hazardous substances and environmental impact among various others.

Another federal law particularly relevant for the mining sector is the Ley General para la Gestión Integral de los Residuos and its regulations the Reglamento de la Ley General para la Prevención y Gestión Integal de los Residuos, which regulate the generation, handling, transportation, storage and final disposal of hazardous waste, as well as the import and export of hazardous materials and hazardous wastes, and assign liability for ownership and possession of contaminated sites and for contaminating activities. The Ley General de Desarrollo Forestal Sustentable and its regulations (the "Forestry Protection Laws") are also relevant, as they address reforestation obligations and compensation measures on projects which may have a deforestation impact, such as certain mining projects.

Applicable Environmental Laws contemplate the creation and regulation of Natural Protected Areas (Areas Naturales Protegidas) which along with Ecological Ordinance Programs (Programas de Ordenamiento Ecológico) constitute two of the main instruments that will regulate the use of land in the areas within their jurisdiction, including restrictions on certain activities and sectors, such as the mining sector.

Additionally, there are a series of “Mexican Official Norms” which are technical standards issued by competent regulatory authorities, pursuant to the Ley General de Metrología y Normalización and to other laws that include the aforementioned Environmental Laws, which establish standards relating to air emissions, waste water discharges, the generation, handling and disposal of hazardous wastes and noise control, among others. There are Mexican Official Norms regarding soil contamination (mainly with total petroleum hydrocarbons and heavy metals) and waste management (the “Ecological Standards”). Of particular importance to the mining sector are Mexican Official Norms NOM-120-SEMARNAT-2011 regulating environmental protection of mining activities in certain zones, and NOM-141-SEMARNAT-2003 which addresses certain aspects of tailings (jales de minería) from mining activities, among other Ecological Standards applicable to mining activities.

The Secretaría de Medio Ambiente y Recursos Naturales (the “Ministry of the Environment and Natural Resources” or “SEMARNAT”, for its initials in Spanish) is the federal agency in charge of establishing and overseeing environmental regulation at the federal level, including the General Law and federal statutes and the Environmental Laws, as well as the Ecological Standards. On enforcement matters the SEMARNAT acts mainly through the “Procuraduría Federal de Protección al Ambiente” (the “Federal Bureau of Environmental Protection” or “PROFEPA”, for its initials in Spanish) and in certain cases through other governmental entities under its control, such as the Comisión Nacional del Agua (or National Water Commission).

Environmental Laws also regulate environmental protection in the mining industry in Mexico. In order to comply with these laws, a series of permits, licences and authorizations must be obtained by a concession holder during the exploration and exploitation stages of a mining project. Generally, these permits and authorizations are issued on a timely basis after the completion of an application and the fulfillment of the necessary requirements by a concession holder. Additionally, periodic reporting of hazardous wastes and federal air emissions and federal waste water discharges to Federal authorities is required under the Environmental Laws. To the best of the Company’s knowledge, all of the Company’s property interests are currently in compliance with the Environmental Laws.

In the exploration stage, the cost of complying with such Environmental Laws is included in the exploration budget. Until such time as the Company conducts larger more invasive procedures, such as trenching or bulk sampling, there is only nominal cost associated with compliance with the Environmental Laws. The Company’s programs are not yet sufficiently advanced to allow an estimate of the future cost of such environmental compliance.

Currency

The official monetary unit of Mexico is the Mexican peso. The currency exchange rate freely floats and the country has no currency exchange restrictions. Nevertheless, following the devaluation of the Mexican peso in December, 1994, uncertainties continue with respect to the financial situation of Mexico. See “Description of the Business - Risk Factors”, specifically those risk factors dealing with currency fluctuation and inflation.

The following table presents a five-year history of the average annual exchange rates to convert one United States dollar into Mexican pesos, calculated by using the average of the exchange rates on the last day of each month during the given year.

Year	Average Exchange Rate (Peso/US$)
2012	13.1657
2011	12.4804
2010	12.6555
2009	13.5542
2008	11.1959

Value Added Tax

In Mexico, VAT is charged on the sale of goods, rendering of services, lease of goods and importation of goods and services at a rate of 16% percent, except along the border regions where the general rate is 11%. Exports and other specified items may be subject to a 0% rate. Proprietors selling goods or services must collect VAT on behalf of the government. Goods or services purchased incur a credit for VAT paid. The resulting net VAT is then remitted to, or collected from, the Government of Mexico through a formalized filing process.

Risk Factors

The exploration, development and mining of natural resources are highly speculative in nature and are subject to significant risks. The risk factors noted below do not necessarily comprise all those faced by the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the business, operations and future prospects of the Company. If any of the following risks actually occur, the business of the Company may be harmed and its financial condition and results of operations may suffer significantly.

The Company's securities should be considered a highly speculative investment and investors should carefully consider all of the information disclosed in the Company's Canadian and U.S. regulatory filings prior to making an investment in the Company. Without limiting the foregoing, the following risk factors should be given special consideration when evaluating an investment in the Company's securities.

Risks Relating to the Company's Business Operations

Mineral exploration and development is a speculative business and most exploration projects do not result in the discovery of commercially mineable deposits. Exploration for minerals is a speculative venture necessarily involving substantial risk. The expenditures made by the Company described herein may not result in discoveries of commercial quantities of minerals. The failure to find an economic mineral deposit on any of the Company's exploration concessions will have a negative effect on the Company.

None of the properties in which the Company has an interest has any Mineral Reserves. Currently, there are no Mineral Reserves (within the meaning of NI 43-101) on any of the properties in which the Company has an interest. The Company cannot provide any assurance that future feasibility studies will establish Mineral Reserves at its properties. The failure to establish Mineral Reserves could restrict the Company's ability to successfully implement its strategies for long-term growth.

The properties in which the Company has an interest are in the exploration stage, and most exploration projects do not result in commercially mineable deposits. All of the Company's property interests are at the exploration stage and there are no known commercial quantities of minerals on such properties. Further exploration will be required before a final evaluation as to the economic and legal feasibility of any of the Company's properties is determined. Even if the Company completes its exploration program and is successful in identifying a mineral deposit, it will have to spend substantial funds on further drilling and engineering studies before it will know if it has a commercially viable mineral deposit or reserve. Most exploration projects do not result in the discovery of commercially mineable deposits of ores.

Estimates of reserves, mineral deposits and production costs can be affected by such factors as environmental permit regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of precious metals ultimately discovered may differ from that indicated by drilling results. There can be no assurance that precious metals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale. The probability of an individual prospect ever having reserves is extremely remote. If a property does not contain any reserves, any funds spent on exploration of that property will be lost. The failure of the Company to find an economic mineral deposit on any of its exploration concessions will have a negative effect on the Company.

Rights to use the surface of the Company's mineral properties are not guaranteed. The majority of the Company's mineral properties are located in remote and relatively uninhabited areas. Some properties, like Juanicipio, are near towns and other habitations, but there are currently no areas of interest to the Company within its mineral concessions that are overlain by significant habitation or industrial users. However, there are potential overlapping surface usage issues in some areas. Some surface rights are owned by local communities or "Ejidos" and some surface rights are owned by private ranching or residential interests. The Company will be required to negotiate the acquisition of surface rights in those areas where it may wish to develop mining operations. Exploration activities are not typically materially impacted by competing surface rights issues, although in some areas the Company has been required or is in the process of negotiating compensation for surface rights holders in order to secure right of access (see '"Soil Use Change Permit" and surface access' above in 'The year ended December 31, 2012'). The Company's interest in a property could be adversely affected by an inability to obtain Ejido surface access permissions.

There is no guarantee that licenses and permits required by the Company will be obtained, which may result in the Company losing its interest in the subject property. The Company's ability to explore and exploit its property interests is subject to ongoing approval of local governments. The operations of the Company may require licenses and permits from various governmental authorities. The Company may not be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects. Failure to obtain such licenses and permits may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration, development or mining work, which may result in it losing its interest in the subject property.

The properties in which the Company has an interest are in Mexico. The Company's operations are currently conducted in a foreign jurisdiction, Mexico, and, as such, the Company's operations are exposed to various levels of political, economic and other such risks and uncertainties as extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licences, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

In the past, Mexico has been subject to political instability, changes and uncertainties, which may cause changes to existing governmental regulations affecting mineral exploration and mining activities. Mexico's status as a developing country may make it more difficult for the Company to obtain any required financing for its projects.

Any changes in governmental laws, regulations, economic conditions or shifts in political attitudes or stability in Mexico are beyond the control of the Company and may adversely affect its business. See “Description of the Business – General - Carrying on Business in Mexico”.

Economic and political instability may affect the Company’s business. The volatile global economic environment has created market uncertainty and volatility in recent years. From mid calendar 2008 until early 2009 there was a negative trend with regard to the market for metal commodities and related products as a result of global economic uncertainty, reduced confidence in financial markets, bank failures and credit availability concerns. Those macro-economic events negatively affected the mining and minerals sectors in general, and the Company’s market capitalization was significantly reduced during that period.

Although general market conditions have improved, and the market for metal commodities and related products strengthened considerably since then, there are no assurances with respect to the relative strength and stability of future metal markets. Although the Company remains financially strong, its liquidity and long term ability to raise the capital required to execute its business plans may be affected by market volatilities. As a result the Company will consider its plans, options, and opportunities carefully going forward into 2013 and beyond.

The Company has assessed the carrying values of its mineral properties. Based on current and expected metals prices and cost structures, management has determined that the values of the Company’s mineral properties have not been impaired at this time. However, should current market conditions and commodity prices worsen and persist in a worsened state for a prolonged period of time, an impairment of mineral properties may be required.

The Company carries on its primary business activities in Mexico and to date this jurisdiction has been stable and favourable. However there have recently been reports of increased political unrest, police and military enforcement action against drug cartels and a corresponding increase in violent crime in Mexico. As noted above (see ‘“Soil Use Change Permit” and surface access’ above in ‘The year ended December 31, 2012’), some members of the Cinco de Mayo Ejido are aligned against the Company having access to the Ejido’s surface rights. Consequently, the Company’s interest in the property could be adversely affected by Ejido decisions. The Company’s interests could also be adversely affected by risks and uncertainties beyond its control, including, without limitation, exchange controls, currency fluctuations, changes in taxation laws or policies, changes in mining or investment policies, shifts in political attitude, terrorism, hostage taking, military repression, expropriation and nationalization, labour unrest, or the risk of civil unrest or civil war. The Company’s operations could be negatively affected by changes in various governmental regulations such as, environmental legislation, land use, land claims of local people, water use and mine safety legislation.

Risks Relating to Financing the Company's Business Operations

Substantial expenditures are required for commercial operations and if financing for such expenditures is not available on acceptable terms, the Company may not be able to justify commercial operations. If mineable deposits are discovered, substantial expenditures are required to establish reserves through drilling, to develop processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit, resources may not be discovered in sufficient quantities to justify commercial operations or the funds required for development may not be obtained at all or on terms acceptable to the Company.

The Company has a lack of cash flow, which may affect its ability to fund future business activities . The Company's expenditures are currently funded from its cash balances, which are the proceeds of previous equity financings. The Company currently has sufficient working capital to maintain all of its properties and currently planned programs for a period in excess of the next year. However, the Company will likely require additional capital in the future to meet its project related expenditures, as it is unlikely that the Company will generate sufficient operating cash flow to meet all of its future expenditure requirements.

The Company has a history of losses and values attributed to the Company's assets may not be realizable. The Company has no proven history of performance, revenues, earnings or success. The amounts attributed to the Company's exploration concessions in its financial statements represent acquisition and exploration costs and should not be taken to represent realizable value with certainty.

The Company's future liquidity will depend upon its ability to arrange additional debt or equity financing. The Company's future liquidity is dependent upon the ability of the Company to obtain the necessary financing to complete the development of its interests and future profitable production or, alternatively, upon the Company's ability to dispose of its interests on a profitable basis. While the Company has been successful in securing financings in the past, given the Company has incurred losses from inception and does not have any operating cash flow, there can be no assurance that additional capital or financing will be available if needed or that, if available, the terms of such financings will be favourable to the Company.

Adequate funding may not be available, resulting in the possible loss of the Company's interests in its properties. Sufficient funding may no be available to the Company for further exploration and development of its property interests. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's properties. If the Company becomes unable to meet its share of costs incurred under agreements to which it is a party, the Company may have its property interests subject to such agreements reduced as a result or even face termination of such agreements. The Company also has options to acquire interests in properties in Mexico and in order to obtain ownership of such properties it must make payments to the current owners and incur certain exploration expenditures on those properties. Accordingly, additional financing will be required to secure ownership of these properties. Failure of the Company to make the requisite payments in the prescribed time periods will result in the Company losing its entire interest in the subject property and the Company will no longer be able to conduct certain aspects of its business as described in this AIF.

The Company may not have sufficient funds to: (a) make the minimum expenditures to maintain its properties in good standing under Mexican law; and (b) make the minimum expenditures to earn its interest in such properties. In such event, in respect of any of the properties, the Company may seek to enter into a joint venture or sell the subject property or elect to terminate its option.

The Company will require new capital to continue to operate its business and to continue with exploration on its properties, and additional capital may not be available when needed, if at all.

Risks Relating to the Company's Property Titles

Title to the properties in which the Company has an interest may be in doubt and any challenge to the title to any of such properties may have a negative impact on the Company. Although the Company has exercised industry standard due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. A full investigation of legal title to the Company's property interests has not been carried out at this time. Accordingly, title to these property interests may be in doubt. Other parties may dispute title or access to the properties in which the Company has an interest. The Company's property interests may also be subject to prior unregistered agreements or transfers or land claims and title may be affected by such undetected defects. Any challenge to the title or access to any of the properties in which the Company has an interest may have a negative impact on the Company as the Company will incur delay and expenses in defending such challenge and, if the challenge is successful, the Company may lose any interest it may have in the subject property.

Title opinions provide no guarantee of title and any challenge to the title to any properties may have a negative impact on the Company. Although the Company has or will receive title opinions for any concessions in which it has or will acquire a material interest, there is no guarantee that title to such concessions will not be challenged or impugned. In Mexico, a title opinion does not provide absolute comfort that the holder has unconditional or absolute title. Any challenge to the title or access to any of the properties in which the Company has an interest may have a negative impact on the Company as the Company will incur expenses in defending such challenge and, if the challenge is successful, the Company may lose any interest it may have in the subject property.

Titles to the properties in which the Company has an interest that are not registered in the name of the Company may result in potential title disputes having a negative impact on the Company. All of the agreements under which the Company may earn interests in properties have either been registered or been submitted for registration with the Mexican Public Registry of Mining, but title relating to the properties in which the Company may earn its interests may be held in the names of parties other than the Company. Any of such properties may become the subject of an agreement which conflicts with the agreement pursuant to which the Company may earn its interest, in which case the Company may incur expenses in resolving any dispute relating to its interest in such property and such a dispute could result in the delay, indefinite postponement of further exploration and development of properties or the possible loss of such properties.

Risks Related to Minority Investment in the Juanicipio Property

The Company is a minority shareholder of Minera Juanicipio and therefore may be dependent on, and subject to, the decisions of the majority shareholder. The terms of the Shareholders Agreement governing the operation of Minera Juanicipio provide effective control to Fresnillo over many of the activities of Minera Juanicipio since it holds a majority (56%) of the shares of Minera Juanicipio. While a limited number of decisions of the shareholders or the directors of Minera Juanicipio require a special majority of 60%, and in one instance 75%, giving the Company an effective veto over any such decisions, the Company is a minority shareholder of Minera Juanicipio and is dependent on Fresnillo to manage the affairs of Minera Juanicipio and to do so in compliance with the Shareholders Agreement, the by-laws of Minera Juanicipio and applicable law.

The Shareholders Agreement calls for adjustments to the interests of the shareholders in Minera Juanicipio where either shareholder fails to fund cash calls within certain specified periods. If the Company fails to fund cash calls, it risks having its interest reduced, may lose its effective veto power over certain decisions and ultimately could be diluted out of Minera Juanicipio altogether. Fresnillo is a much larger entity with far greater access to financial resources than the Company.

The Company holds interests through joint ventures and therefore may be adversely impacted by disputes with joint venture partners. The Company's interest in the Juanicipio property is also subject to the risks normally associated with the conduct of joint ventures. The existence or occurrence of one or more of the following circumstances and events, for example, could have a material adverse impact on the Company's operations and financial condition or the viability of its interests held through joint ventures: disagreement with joint venture partners on how to conduct business efficiently; inability of joint venture partners to meet their obligations to the joint venture or third parties; or litigation arising between joint venture partners.

In 2010, MAG initiated arbitration proceedings with the International Court of Arbitration of the ICC, and in May 2011, the Company announced that it had received a favourable unanimous ruling, dated April 28, 2011, of a three member arbitral panel of the International Court of Arbitration of the ICC with respect to the arbitration proceedings against its joint venture partner, Fresnillo. In its ruling, the arbitral tribunal awarded MAG $1.86 million in damages. Although this dispute between the Company and Fresnillo was ultimately determined in favour of the Company, there can be no guarantee that future disputes between the parties will not arise and lead to further litigation proceedings, the outcome of which is uncertain.

The Company has a significant shareholder that may able to exert influence over the direction of the Company's business. Based upon the Company's review of the insider reports filed with System for Electronic Disclosure by Insiders ("SEDI"), as at March 27, 2013, the Company believes that Fresnillo currently holds approximately 16.2% of the Company's Common Shares. Accordingly, Fresnillo may have significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders of the Company for approval, including mergers and any proposed sale of all or substantially all of the Company's assets. Unless full participation of shareholders takes place in such shareholder meetings, Fresnillo may be able to approve on its own, or effectively prevent the approval, of any such significant corporate transactions.

Further, the significant ownership of Common Shares by Fresnillo may affect the market price and liquidity of the Common Shares. The effect of these rights and Fresnillo's influence may impact the price that investors are willing to pay for Common Shares. If Fresnillo sells a substantial number of Common Shares in the public market, the market price of the shares could decrease.

The presence of a dominant shareholder like Fresnillo, who has: a) made a hostile bid attempt; b) is the Juanicipio Joint Venture operator for the Company; and c) has substantial property holdings surrounding the Juanicipio property, may give rise to potential conflicts of interest, as Fresnillo's interests may differ from, or be adverse to, the interests of the Company's other shareholders. Without the consent and cooperation of Fresnillo, Minera Juanicipio may be prevented from entering into transactions that would be beneficial to the Company and its other shareholders.

Other Business Risks

The Company may be subject to litigation, the disposition of which could negatively affect the Company's profits to varying degrees. All industries, including the mining industry, are subject to legal claims, with and without merit. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the litigation process could take away from management time and effort and there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Company's operations and financial position. Results of litigation are inherently uncertain and there can be no assurances as to the final outcome. See also "— The Company holds interests through joint ventures and therefore may be adversely impacted by disputes with joint venture partners."

Environmental regulations are becoming more onerous to comply with, and the cost of compliance with environmental regulations and changes in such regulations may reduce the profitability of the Company's operations. The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. Failure to comply with such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, and more stringent fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with environmental regulations and changes in such regulations may reduce the profitability of the Company's operations. See "Description of the Business – General – Carrying on Business in Mexico – Environmental Regulation".

Mineral exploration is a highly competitive industry. The mineral exploration industry is intensely competitive and the Company must compete in all aspects of its operations with a substantial number of large established mining companies with substantial capabilities and greater financial and technical resources than the Company. The Company may be unable to acquire additional attractive mineral properties on terms it considers to be acceptable. The inability of the Company to acquire attractive mineral properties would result in difficulties in obtaining future financing and profitable operations.

Suitable infrastructure may not be available.

The Company will require adequate infrastructure, such as roads, bridges and sources of power and water, for future exploration and development activities. The lack of availability of these items on terms acceptable to the Company or the delay in availability of these items could prevent or delay exploitation or development of the Company's properties. In addition, unusual weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect our operations and profitability.

The Company is dependent on its key personnel, some of whom may not have entered into written agreements with the Company and none of whom are insured by the Company. The Company is dependent upon the continued availability and commitment of its key management, employees and consultants, whose contributions to immediate and future operations of the Company are of central importance. The Company relies on its President & CEO, Dan MacInnis, and its other officers, who have entered into written employment agreements with the Company, for the day-to-day operation of the Company, its projects and the execution of the Company's business plan. The Company also relies heavily on Dr. Peter Megaw for the planning, execution and assessment of the Company's exploration programs. Dr. Megaw, is a director of and consultant to the Company and Cascabel is paid a fee for his consulting services based on fair market rates and his submission of invoices for services rendered. The Company has not obtained "key man" insurance for any of its management or consultants. The loss of either Dan MacInnis or Dr. Megaw may have a temporary negative impact on the Company until they are replaced.

The Company's directors and officers may have conflicts of interest which may not be resolved in favour of the Company, which in turn may adversely affect the Company. Most of the Company's directors do not devote their full time to the affairs of the Company. All of the directors and some of the officers of the Company are also directors, officers and shareholders of other natural resource or public companies, and as a result they may find themselves in a position where their duty to another company conflicts with their duty to the Company. Although the Company has policies which address such potential conflicts and the *Business Corporations Act* (British Columbia), has provisions governing directors in the event of such a conflict, none of the Company's constating documents or any of its other agreements contains any provisions mandating a procedure for addressing such conflicts of interest. There is no assurance that any such conflicts will be resolved in favour of the Company. If any such conflicts are not resolved in favour of the Company, the Company may be adversely affected. See "Directors and Officers" for details of other companies that the Company's officers and directors are involved with.

Foreign currency fluctuations and inflationary pressures may have a negative impact on the Company's financial position and results. The Company's property interests in Mexico make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position and results. Option agreements to acquire properties in Mexico may result in option payments by the Company denominated in Mexican pesos, Canadian or US dollars over the next few years. Exploration and development programs to be conducted by the Company in Mexico will also be funded in Mexican pesos or in US dollars. As the Company maintains its accounts in Canadian and US dollars, any appreciation in Mexican currency against the Canadian or US dollar will increase the costs of carrying out operations in Mexico. The steps taken by management to address foreign currency fluctuations may not eliminate all adverse effects and, accordingly, the Company may suffer losses due to adverse foreign currency fluctuations. The Company also bears the risk of incurring losses occasioned as a result of inflation in Mexico.

Mining operations generally involve a high degree of risk and potential liability and insurance coverage may not cover all potential risks associated with the Company's operations. Unusual or unexpected formations, power outages, labour disruptions, flooding, explosions, cave-ins, seismic activity, rock bursts, landslides pollution, fire and the inability to obtain suitable or adequate machinery, equipment or labour are several of the hazards and risks involved in the conduct of exploration programs, any of which could result in personal injury or death, damage to property, environmental damage and possible legal liability for any or all damage. The Company maintains insurance against risks in the operation of its business in amounts that it believes to be reasonable. Such insurance, however, contains exclusions and limitations on coverage and the Company's insurance may not cover all potential risks associated with the Company's operations. There can be no assurance that any such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. In some cases, such as with respect to environmental risks, coverage is not available or considered too expensive relative to the perceived risk. Losses resulting from any uninsured events may cause the Company to incur significant costs that could have a material adverse effect on the Company's operations and financial condition.

Mineral prices and marketability fluctuate and any decline in mineral prices may have a negative effect on the Company. Mineral prices, including gold and silver prices, have fluctuated widely in recent years. The marketability and price of any minerals that may be acquired by the Company may be affected by numerous factors beyond the control of the Company. These factors include delivery uncertainties related to the proximity of potential reserves to processing facilities and extensive government regulation relating to price, taxes, royalties, allowable production land tenure, the import and export of minerals and many other aspects of the mining business.

Declines in mineral prices may have a negative effect on the Company.

Risks Relating to the Regulatory Environment

The Company is subject to anti-corruption laws. The Company is subject to anti-corruption laws under the *Canadian Corruption of Foreign Public Officials Act*, and the *U.S. Foreign Corrupt Practices Act*, which generally prohibit companies from bribing or making other prohibited payments to foreign public officials in order to obtain or retain an advantage in the course of business. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices may occur in Mexico or any other jurisdiction in which the Company may conduct business. The Company cannot ensure that its employees or other agents will not engage in such prohibited practices, for which the Company could face severe penalties, reputational damage and other consequences that could have a material adverse effect on the Company's business and financial condition. The Company has adopted a Code of Business Conduct and Ethics to promote legal and ethical business conduct by its directors, officers and employees. However, the Company cannot provide assurance that this code, or other policies or procedures that it may adopt, will be sufficient to protect against corrupt activity. In particular, the Company may not be able to prevent or detect corrupt activity by employees or third parties, such as sub-contractors or joint venture partners, for which the Company might be held responsible.

The Company may be required by human rights laws to take actions that delay the advancement of its projects. There are various international and national laws, codes, resolutions, conventions, guidelines and other materials that relate to human rights (including rights with respect to health and safety and the environment surrounding our operations). Many of these materials impose obligations on government and companies to respect human rights. Some mandate that government consult with communities surrounding our projects regarding government actions that may affect local stakeholders, including actions to approve or grant mining rights or permits. The obligations of government and private parties under the various international and national materials pertaining to human rights continue to evolve and be defined. One or more groups of people may oppose the Company's current and future operations or further development or new development of its projects or operations. Such opposition may be directed through legal or administrative proceedings or expressed in manifestations such as protests, roadblocks or other forms of public expression against the Company's activities, and may have a negative impact on its reputation. Opposition by such groups to the Company's operations may require modification of, or preclude the operation or development of, its projects or may require the Company to enter into agreements with such groups or local governments with respect to its projects, in some cases causing considerable delays to the advancement of its projects.

Mexican Foreign Investment and Income Tax Laws apply to the Company. Under the Foreign Investment Law of Mexico, there is presently no limitation on foreign capital participation in mining operations; however, the applicable laws may change in a way which may adversely impact the Company and its ability to repatriate profits. Under Mexican Income Tax Law, dividends paid out of "previously taxed net earnings" are not subject to Mexican taxes. Otherwise, dividends are subject to the Mexican income tax at the corporate level, which presently is 30% over a gross up basis (amount of the dividend times 1.4286), payable by the Mexican company as an advance of its annual income tax. Currently, there is no withholding tax on dividends paid by a Mexican company.

Corporations with their tax residence in Mexico are taxed on their worldwide income, which include all profits from operations, income from investments not relating to the regular business of the corporation and capital gains. The current corporate income tax rate in Mexico is 30%.

There is a recent alternative minimum tax imposed on Mexican entities derived only from sales, service, and lease activities. The IETU Flat Tax (*Impuesto Empresarial a Tasa* Unica) is calculated by applying 17.5% to the tax base, which is the excess of the total income derived from the taxable activities over the limited authorized deductions.

The VAT is an indirect tax levied on the value added to goods and services, and is imposed on corporations that carry out activities within Mexican territory, including (i) the sale or other disposition of property; (ii) the rendering of independent services; (iii) the granting of temporary use of property; or (iv) the importation of goods and services. The standard value added tax rate is 16%.

The Company follows Canadian disclosure practices concerning its Mineral Resources which allow for more disclosure than is permitted for domestic U.S. reporting companies. The Company's Mineral Resource estimates are not directly comparable to those made by domestic U.S. reporting companies subject to the U.S. Securities and Exchange Commission (the "SEC") reporting and disclosure requirements, as the Company reports resources in accordance with Canadian practices. These practices are different from the practices used to report resource estimates in reports and other materials filed by domestic U.S. reporting companies with the SEC in that the Canadian practice is to report Measured, Indicated and Inferred Resources. In the United States, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. U.S. investors are cautioned not to assume that all or any part of Indicated Resources will ever be converted into reserves. Further, "Inferred Mineral Resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Disclosure of "contained ounces" is permitted disclosure under Canadian regulations; however, the SEC permits issuers to report mineralization that does not constitute "reserves" by SEC standards only as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization and resources contained in this AIF may not be comparable to information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC. See "Cautionary Note to Investors Concerning Estimates of Mineral Resources."

The Company may fail to maintain adequate internal control over financial reporting pursuant to the requirements of the *Sarbanes-Oxley Act*. During the Company's five most recent fiscal years, management has documented and tested its internal control procedures in order to satisfy the requirements of Section 404 of the *Sarbanes-Oxley Act* ("SOX"). SOX requires an annual assessment by management of the effectiveness of the Company's internal control over financial reporting and, for its fiscal years 2006 through 2011, SOX required an attestation report by the Company's independent auditors addressing the effectiveness of internal control over financial reporting. However, in April 2012 the requirement of auditor attestation was, with respect to "emerging growth companies," repealed by the "Jumpstart Our Business Startups Act" ("JOBS Act"): because the Company is presently an "emerging growth company" within the meaning of the JOBS Act, it is now exempt from the SOX requirement of auditor attestation regarding its internal controls over financial reporting. The Company may fail to maintain the adequacy of its internal control over financial reporting as such standards are modified, supplemented or amended from time to time, and the Company may not be able to conclude, on an ongoing basis, that it has effective internal control over financial reporting in accordance with Section 404 of SOX. The Company's failure to satisfy the requirements of Section 404 of SOX on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its financial statements, which in turn could harm the Company's business and negatively impact the trading price or the market value of its securities. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's operating results or cause it to fail to meet its reporting obligations. If the Company expands, the challenges involved in implementing appropriate internal control over financial reporting will increase and will require that the Company continues to monitor its internal control over financial reporting. Although the Company intends to expend time and incur costs, as necessary, to ensure ongoing compliance, it cannot be certain that it will be successful in complying with Section 404 of SOX.

Risks Relating to the Common Shares

Funding and property commitments will result in dilution to the Company's shareholders. It is likely any additional capital required by the Company will be raised through the issuance of additional equity, which may result in dilution to the Company's current shareholders. Further, the Company, from time to time, may issue Common Shares to fund its acquisition of properties. Such property related Common Share issuances may also result in dilution to the Company's current shareholders.

The price of the Company's Common Shares is volatile. Publicly quoted securities are subject to a relatively high degree of price volatility. In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of many companies, particularly those considered exploration or development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It should be expected that continued fluctuations in price will occur, and no assurances can be made as to whether the price per share will increase or decrease in the future.

There is an absence of a liquid trading market for the Company's Common Shares. Shareholders of the Company may be unable to sell significant quantities of Common Shares into the public trading markets without a significant reduction in the price of their Common Shares, or at all. There can be no assurance that the Company will continue to meet the listing requirements of the Toronto Stock Exchange or the NYSE or achieve listing on any other public listing exchange.

Classification as a Passive Foreign Investment Company has adverse income tax consequences for United States shareholders. The Company believes it is a Passive Foreign Investment Company ("PFIC"), as that term is defined in Section 1297 of the Internal Revenue Code of 1986, as amended, and believes it will be a PFIC in the foreseeable future. Consequently, this classification will result in adverse tax consequences for U.S. holders of the Company's Common Shares. For an explanation of these U.S. tax consequences, shareholders and prospective U.S. holders of the Company's Common Shares are encouraged to consult their own tax advisers.

The Company, its principals and assets are located outside of the United States, which makes it difficult to effect service of process, or enforce within the United States, any judgments obtained against the Company or its officers or directors. All of the Company's assets are located outside of the United States and the Company does not currently maintain a permanent place of business within the United States. In addition, most of the directors and officers are nationals and/or residents of countries other than the United States, and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to effect service of process or enforce within the United States any judgments obtained against the Company or its officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. In addition, there is uncertainty as to whether the courts of Canada, Mexico and other jurisdictions would recognize or enforce judgments of United States courts obtained against the Company or its directors and officers predicated upon the civil liability provisions of the securities laws of the United States or any state thereof, or be competent to hear original actions brought in Canada, Mexico or other jurisdictions against the Company or its directors and officers predicated upon the securities laws of the United States or any state thereof. Further, any payments as a result of judgments obtained in Mexico could be in pesos and service of process in Mexico must be effectuated personally and not by mail.

The Company has outstanding stock options which, if exercised, could cause dilution to existing shareholders. At March 27, 2013, the Company had 3,678,959 stock options issued and outstanding with a weighted average exercise price of $9.33 per share. Stock options are likely to be exercised when the market price of the Company's Common Shares exceeds the exercise price of such stock options. The exercise of such stock options and the subsequent resale of such Common Shares in the public market could adversely affect the prevailing market price and the Company's ability to raise equity capital in the future at a time and price which it deems appropriate. The Company may also enter into commitments in the future which would require the issuance of additional Common Shares and the Company may grant additional share purchase warrants and stock options. Any share issuances from the Company's treasury will result in immediate dilution to existing shareholders' percentage interest in the Company.

The Company has not paid dividends and does not intend to pay dividends in the future. Payment of dividends on the Company's Common Shares is within the discretion of the Company's Board and will depend upon the Company's future earnings, its capital requirements and financial condition, and other relevant factors. 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.

Mineral Projects

The Company's two material properties at the date of this AIF are its 44% joint venture interest in the Juanicipio property and the 100% owned Cinco de Mayo property.

All of the Company's mining concessions are located in Mexico and are issued by the Federal Government of Mexico. All of the concessions held by the Company directly, or through option, are up to date with respect to Mexican Mining Concession Taxes and work filing requirements.

The majority of the Company's mineral properties are located in remote and relatively uninhabited areas. There are currently no areas of interest to the Company within its mineral concessions that are overlain by significant habitation or industrial users. Notwithstanding this there are potential surface usage issues in some areas. Some surface rights are owned by local communities or "Ejido" and some surface rights are owned by private ranching or dwelling interests. Exploration activities are not typically materially impacted by competing surface rights issues, although in some areas the Company has been required to negotiate compensation for surface rights holders in order to secure right of access. The Company is required to negotiate either leases or acquire surface rights outright in those areas where it may wish to develop mining operations. At the Juanicipio property, Minera Juanicipio has acquired some surface rights overlying the Valdecañas and Juanicipio Veins. At the Cinco de Mayo property, the Company is continuing its efforts to renew the surface access arrangements with the local Ejido (see '"Soil Use Change Permit" and surface access' above in 'The year ended December 31, 2012'). The Company believes the Ejido access issue is a temporary delay and is working on a political and local basis to resolve the issue on a permanent basis with the Ejido. No surface rights are held on the remaining properties.

In some of the more remote property locations, the access to water, power and basic infrastructure is limited or non-existent. Any mining operations undertaken in such areas will need to take the supply of such requirements into consideration. For the Juanicipio, and Cinco de Mayo properties, the available supply or the ability to establish supply, of water, power and infrastructure is considered to be adequate or manageable.

Juanicipio Property

The information contained in this section is summarized from the following technical reports, which are available under the Company's profile on SEDAR (www.sedar.com):

1. Filed on SEDAR and dated July 1, 2012: a NI 43-101 technical report, titled "Minera Juanicipio Property, Zacatecas State, Mexico, Technical Report for Minera Juanicipio S.A. de C.V." prepared by Qualified Persons: Michael Thomas, MAusIMM (CP), AMC Consultants Pty Limited; Henrik Thalenhorst, P. Geo., Strathcona Mineral Services Limited; and Allen Riles, MAIG, AMC Mining Consultants (Canada) Limited (the "AMC Study").

2. Filed on SEDAR and dated February 1, 2012: a NI 43-101 technical report, titled “Technical Report on the Mineral Resource Update for the Juanicipio Joint Venture, Zacatecas State, Mexico” prepared by Qualified Person David A. Ross, P.Geo, of Roscoe Postle Associates Inc. (the “RPA Technical Report”).

3. Filed on SEDAR and dated November 11, 2011: a NI 43-101 technical report, titled “Mineral Resource Estimate, Minera Juanicipio, S.A. de C.V.” prepared by Qualified Person Henrik Thalenhorst, an employee of Strathcona Mineral Services Limited.

More detailed information on the Juanicipio property, including project description and location, climate, local resources, infrastructure, physiography, history, geological setting, exploration, mineralization, drilling sampling, and Mineral Resource and Mineral Reserve estimates, can be found in these technical reports.

Introduction

The Juanicipio property is 100% owned by Minera Juanicipio, a Mexican incorporated joint venture company formed in 2007 as a result of a joint venture between the Company and Fresnillo. MAG owns 44% of Minera Juanicipio through its wholly owned subsidiary Minera Los Lagartos S.A. de C.V. Fresnillo holds the remaining 56% interest and operates the Juanicipio property on behalf of the Juanicipio Joint Venture. To December 31, 2012, the Company recorded a total investment in the Juanicipio property to its own account in the amount of $19,502,181.

Project Description and Location

The Juanicipio property covers approximately 7,679 hectares (18,967 acres) and is located in the Fresnillo mining district in the central part of Zacatecas State, Mexico. The project is about 6 km to the south-west of the city of Fresnillo, a town that is located about 60 km north-west of the state capital, Zacatecas City. The Juanicipio property location is illustrated in Figure 1.

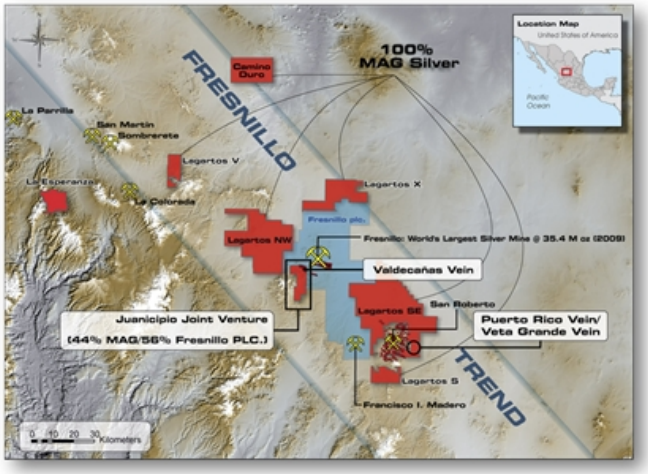


Figure 1 - Juanicipio property, Zacatecas State

The Juanicipio property is located at roughly 102° 58' longitude and 23° 05' latitude and comprises one mining concession, Juanicipio, granted on 13 December 2005. The total area of the concession is 7,679.21 hectares and the title number is Tx 226 339. The concession expires 12 December 2055 and the recorded owner of the concession is Minera Juanicipio S.A. de C.V. Concessions are renewable for an equal term so long as the concession is not cancelled by any act or omission sanctioned by the Mexican Mining Law and an application is filed within five years prior to its expiration.

Figure 2 is a map of the concession showing the location of the main Valdecañas, Desprendido, and Juanicipio vein structures which host the Mineral Resources, as well as surface ownership.

There is no entitlement to royalty payments on the Juanicipio property.

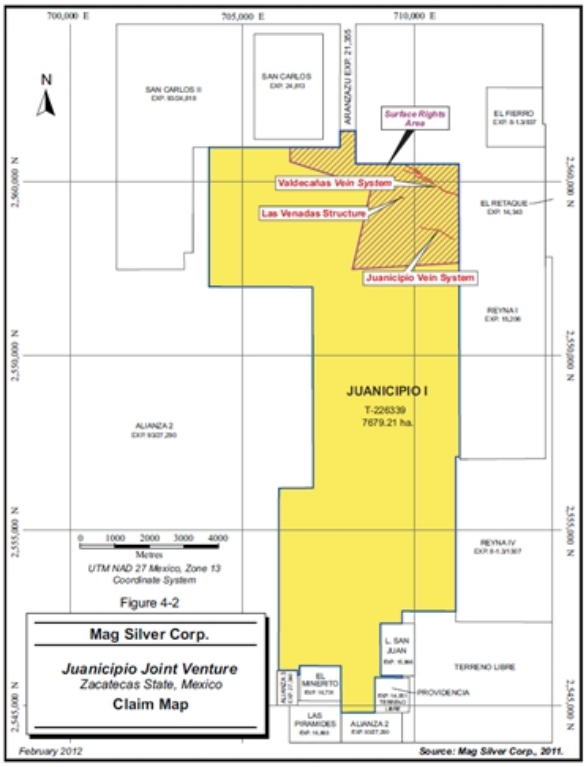


Figure 2 – Map of the Juanicipio Concession Showing Vein Structures.

Surface rights to the northern part of the concession where Mineral Resources have been identified have been acquired by Minera Juanicipio. Surface rights were originally held by the Valdecañas Ejido and Ejido Saucito de Poleo.

The Company is not aware of any environmental liabilities to which the Juanicipio property is subject, other than the normal licensing and permitting requirements that must be met prior to undertaking certain operations and environmental restrictions as set forth by the Mexican Government.

Accessibility

The Juanicipio property is located 70 km by road north-west of Zacatecas City in central Zacatecas State. The Juanicipio property is accessible by taking Federal Highway 49 north-west from Zacatecas City to Fresnillo. The project area is about 7 km to the south-west of Fresnillo and is accessible from Fresnillo along Federal Highway 23 and then by dirt road via the hamlets of Valdecañas or Saucito de Poleo.

Climate

The climate is warm and arid with the average annual precipitation in Fresnillo around 350 mm. June through to September are the wettest months. Average monthly temperatures vary from 11°C to 22°C, and extreme temperatures recorded are -12˚C and 37˚C. Exploration and development can be carried out all year round.

Local Resources and Infrastructure

The municipality of Fresnillo, the closest full service town, has a population of more than 200,000 and has a long history of mining, providing all of the services required to support a mining operation including a trained workforce, hospital, and accommodations. The closest airport with daily air service to Mexico City is located at Zacatecas City. Both Zacatecas City and Fresnillo are serviced by rail. There is an electric power substation in Fresnillo.

Although the only permanent infrastructure on the Juanicipio property is a series of exploration roads used to access drill sites, nearby mining infrastructure is excellent. Nearby infrastructure includes one established mine complex (the Fresnillo Mine with production of 41 Moz of silver in 2011) and the Saucito/Jarillas mine complex which is in the development stage. The Saucito/Jarillas complex is located just to the east of the Juanicipio property. The Fresnillo and Saucito/Jarillas mining complexes are owned and operated by Fresnillo, part owner of Minera Juanicipio.

Physiography and Vegetation

The Juanicipio property lies over part of the Sierra Valdecañas range on the western flank of the Central Altiplano. The Altiplano is dominated by broad alluvium-filled valleys with an average elevation of approximately 1,700 metres above mean sea level (“AMSL”). Elevations on the property itself range from 2,350 metres to 2,900 metres AMSL and the terrain is moderate to rugged.

Vegetation is sparse and consists mainly of grasses, low thorny shrubs and cacti, with scattered forests at higher elevations. Surface water is rare, but groundwater is available.

Ownership and Exploration History

The Juanicipio concession was originally granted in 1998, although prior prospecting on the Juanicipio property likely took place due to its proximity to Fresnillo. The concession was held under the name of Juan Antonio Rosales and covered an area of approximately 28,000 ha. The concession was acquired the same year by Martin Sutti who optioned it to Minera Sunshine de Mexico S.A de C.V. (Minera Sunshine) until 2001.

Minera Sunshine completed property-wide (1:50,000 scale) geological mapping, preliminarily rock chip sampling, Landsat image and air photo analysis, localized geochemical sampling and a limited amount of Natural Source Audio Magnetotelluric (“NSAMT”) geophysical surveying (Megaw and Ramirez, 2001). Minera Sunshine identified the north-east corner of the concession as the most prospective. Drill permits were acquired but Minera Sunshine failed to raise the capital to drill and the property reverted back to Martin Sutti.

Minera Los Lagartos S.A. de C.V. (“Lagartos”) optioned the concession in July 2002. MAG Silver, formerly Mega Capital Investments Inc., subsequently purchased 98% of Lagartos in August 2002, later increasing its interest to 99%. MAG Silver reduced the size of the property, acquired drilling permits, and drilled nine drillholes (7,346 m), between 2003 and 2004.

On April 4, 2005, MAG Silver announced that it had entered into a joint venture agreement with Industrias Peñoles S.A. de C.V. (“Peñoles”) whereby Peñoles could earn a 56% interest in the property. All earn-in requirements were met and on December 21, 2007, Peñoles and MAG Silver announced the incorporation of Minera Juanicipio S.A. de C.V. as the legal entity to operate the Juanicipio Joint Venture. Peñoles interest in Minera Juanicipio was subsequently transferred to Fresnillo, in which Peñoles holds a majority interest.

In December 2005, the high grade segment of the Valdecañas Vein was intersected. Between 2005 and 2007, numerous holes were drilled to delineate the Valdecañas silver-gold-lead-zinc deposit enabling the preparation of an initial Mineral Resource estimate.

Minera Juanicipio has continued drilling on the Juanicipio property since 2007 and as of December 31, 2012, 196 holes totaling 155,184 metres have been drilled on the property on behalf of the Juanicipio Joint Venture.

In addition, in 2007, MAG Silver conducted a helicopter-borne geophysical test survey using Aeroquest’s AeroTEM II time domain electromagnetic system employed in conjunction with a high-sensitivity caesium vapour magnetometer. The total survey coverage presented was 351 line kilometres. The survey was flown at 100 metre line spacing in a north-south flight direction.

The survey was successful in mapping the magnetic and conductive properties of the geology throughout the survey area.

Resource Estimate History

Numerous Mineral Resource estimates and two Preliminary Economic Assessments (“PEA”) have been conducted on the Juanicipio property. These are summarized in Table 1.

Table 1 - Resource Estimate and PEA Reports on the Juanicipio Property

No	Report Type	Prepared by	Audited by	Data Cut off	Report Date
1	Resource estimate	Fresnillo	SRK (UK)	Year end 2007	July 2008
2	Resource estimate	Fresnillo	SRK (Canada)	Year end 2008	April 2009
3	PEA based on report No 2	Wardrop Engineering	n/a	Year end 2008	August 2009
4	Resource estimate	SWRPA[1]	n/a	Jan 2009	April 2009
6	Resource estimate	Fresnillo	SRK (Canada)	Year end 2009	n/a

7	Resource estimate	Fresnillo	SRK (Canada)	Mid-2010	n/a
8	Resource estimate	SWRPA[1]	n/a	Sept 2010	January 2011
9	Resource estimate	Fresnillo	SRK (Canada)	Year end 2010	n/a
10	Resource estimate	Fresnillo	Internal report	May 2011	n/a
Current Reports					
11	Resource Estimate	SMS[3]	n/a	June 2011	November 2011
12	Resource estimate	RPA	n/a	August 2011	February 2012
13	UPEA based on report No 12	AMC[4]	n/a	June 2011	July 2012

[1]SWRPA=Scott Wilson Roscoe Postle Associates Inc. [2]RPA= Roscoe Postle Associates Inc. [3]SMS=Strathcona Mineral Services Limited
[4] AMC=AMC Mining Consultants (Canada) Limited

For information on current Mineral Resources see the section below titled “Mineral Resources” and for information on the current PEA see “Updated Preliminary Economic Assessment” section below.

Geological Setting

The Juanicipio property lies on the western flank of the Central Altiplano, just east of the Sierra Madre Occidental range. Basement rocks underlying the western Altiplano are a late Palaeozoic to Mesozoic assemblage of marine sedimentary and submarine volcanic rocks belonging to the Guerrero Terrane that were obducted onto older Palaeozoic and Precambrian continental rocks during the early Jurassic. These were then overlapped by a Jurassic-Cretaceous epi-continental marine and volcanic arc sequence that in the Fresnillo area is represented by the Proaño Group and Chilitos Formation. The late Cretaceous to early Tertiary Laramide Orogeny folded and thrust faulted the basement rocks in the entire area and preceded the emplacement of mid-Tertiary plutons and related dykes and stocks.

Unconformably overlying the Mesozoic basement rocks in the western Altiplano are units from the late Cretaceous to Tertiary, Sierra Madre Occidental magmatic arc. These rocks consist of a lower assemblage of late Cretaceous to Tertiary volcanic rocks, volcaniclastic sandstone and conglomerate, the “lower volcanic complex”, This is overlain by the mid-Tertiary (approximately 25 to 45 million years (“Ma”) ago “upper volcanic supergroup” of caldera-related, rhyolite ash-flow tuffs and flows. Eocene to Oligocene intrusions occur throughout the Altiplano and are related to the later felsic volcanic event. These units are locally unconformable.

A late north-east-south-west extensional tectonic event accompanied by major strike-slip fault movement affected the Altiplano starting approximately 35 Ma ago. This extension was most intense during the Miocene and developed much of the current basin and range topography. Calcrete cemented alluvium material covered the basins within the Fresnillo area.

Local Geology

Geological mapping on the Juanicipio property was conducted by IMDEX Inc. (“IMDEX”) and Cascabel on behalf of Minera Sunshine from 2000 to 2001. The results of this mapping are summarized below.

Cretaceous Rocks

The lowest stratigraphic units in the Fresnillo district are the early Cretaceous greywacke and shale units of the Proaño Group. The Proaño Group is informally sub-divided into four formations. The “lower greywacke” is composed of thinly bedded greywacke and shale. The “upper greywacke” is composed of carbonaceous and calcareous shale at the base grading upward to immature sandstone units.

The Fortuna and Cerro Gordo Limestones (unit Klc) locally separate the two greywacke units. However, Laramide thrust faulting has complicated the stratigraphy of the greywacke and limestone units, and of the Chilitos Formation volcanic and volcaniclastic rocks, obscuring the original stratigraphic sucession.

Regionally, the volcanic and volcaniclastic rocks of the Chilitos Formation (unit Kch) are likely late Cretaceous in age and represent the earliest phase of volcanism identified in the area, and possibly correlate to the base of the “lower volcanic complex” of the Sierra Madre volcanic arc. Within this stratigraphy is a quartz-monzonite stock/dyke that intruded the Fresnillo Mine area in mid-Tertiary (approximately 32.4 Ma) and is associated with the introduction of silver-lead-zinc mineralized skarn within surrounding greywacke and calcareous units. More recent age dating by Velador and others (2010) suggests that the quartz-monzonite is the earliest intrusion in the district and the vein mineralization is significantly younger.

The oldest rocks observed in the Juanicipio area are fragments of greywacke found in dumps south of the Juanicipio property that presumably belong to the Proaño Group. The oldest rocks observed in outcrop are calcareous shale and andesitic volcaniclastic rocks of the Chilitos Formation locally exposed at the base of Linares Canyon. They are highly deformed and sheared and are locally boudinaged and dip shallowly to moderately north-east.

The upper contact of the Chilitos Formation forms an irregular unconformity to the overlying Tertiary volcanic and volcaniclastic rocks. Drilling in 2002 and 2003 intersected significant sections of the Chilitos Formation and Proaño Group greywackes, including polymictic intermediate volcanic breccias with exhalite layers.

Tertiary Rocks

In the Fresnillo District felsic to intermediate volcanic rocks accompanied by local intrusions were erupted in two main pulses during the Eocene and Oligocene epochs with a combined thickness of more than 500 metres. These rocks are divided into the informally named Linares and Altamira volcanic assemblages. While the lower Linares unit is intimately associated with the silver mineralization in the Juanicipio area and the Fresnillo district, the Altamira assemblage is a younger formation with no known associated mineralization.

The Linares Volcanics, are an Eocene sequence (>29 Ma) of welded rhyolitic ash-flow tuffs and coeval rhyolite flow domes that lie unconformably on the Cretaceous units. The Linares sequence starts with a conglomerate of Palaeocene to early Eocene age known as the Fresnillo conglomerate. The basal unit is composed of 5 to 20 metres of epiclastic volarenites and arkoses.

The main part of the Linares Volcanics consists of volcaniclastic sedimentary units, welded and non-welded crystal lithic tuff, flow breccia, and rhyolite flow domes. It starts with a 20 metres to 100 metres thick sequence of variably welded, rhyolitic to dacitic composite ash-flow tuff that resembles, and may correlate with, Fresnillo Formation volcanic rocks (Megaw and Ramirez, 2001). Overlying the ash-flows is a well bedded volarenite layer and then 100 metres to 150 metres of welded ash-flow tuff, which are less silicified than the lower unit. Rhyolite domes occur locally. This unit generally hosts the pervasive silicification “sinter”, advanced argillic alteration (kaolinite-alunite) and iron-oxide alteration found on the Juanicipio property. Textural variation and Landsat interpretation within this unit suggests several eruptive centres (calderas) for these volcanic rocks in the Sierra Valdecañas range.

The Linares volcanic rocks are block-faulted along north-north-west trending faults with shallow to moderate south-west dips. Silicification appears to post-date the faulting as the faults only locally cut or displace silicified units.

The Linares Volcanics are capped by aerially extensive alteration consisting of silicification of varying intensity and kaolinization. This alteration was interpreted to represent the surface expression of a hydrothermal system that may have been associated with the deposition of the Fresnillo District silver veins.

The silver mineralization on the Juanicipio property is thus broadly coincident with the Linares felsic volcanism. Age-dating results provide a well-constrained age of approximately 29.7 million years for the Jarillas Vein, and by implication for the Valdecañas Vein, its apparent strike extension. The age for the alteration along the unconformity at the top of the Linares Volcanics is slightly older at 30.5 to 31 million years. This age difference is interpreted to reflect the longevity of the large and complex, multi-stage Fresnillo mineralization system.

The flat-lying, unaltered rhyolites of the Altamira Volcanics (unit Tav) rest with angular inconformity on the older and tilted Linares volcanic rocks. The Altamira volcanic package is named after the tallest peak in the area, Cerro Altamira, where the thickest section of these volcanic rocks outcrop. The lower part of the Altamira Volcanics is termed the Piedras Unit which starts with a 20 metre to 50 metre thick layer of well bedded conglomerate and coarse volarenite. Rounded fragments of silicified Linares volcanic rocks occur within the conglomerate. Overlying these clastic rocks is a 20 metre to 350 metre thick section of welded rhyolite to rhyodacite ash-flow tuff. Several caldera complexes have been identified within this package. This unit is post-alteration and presumably post-mineralization.

The youngest Tertiary rocks on the Juanicipio property are olivine basalt flows of Miocene age that locally overlie the felsic mid-Tertiary volcanic and volcaniclastic rocks.

The area has since been subjected to prolonged weathering and deep oxidation. As a result, much of the Fresnillo District is now covered by surficial erosional deposits with few outcrops of the older rocks, with attendant difficulties for mineral exploration.

Structural Geology

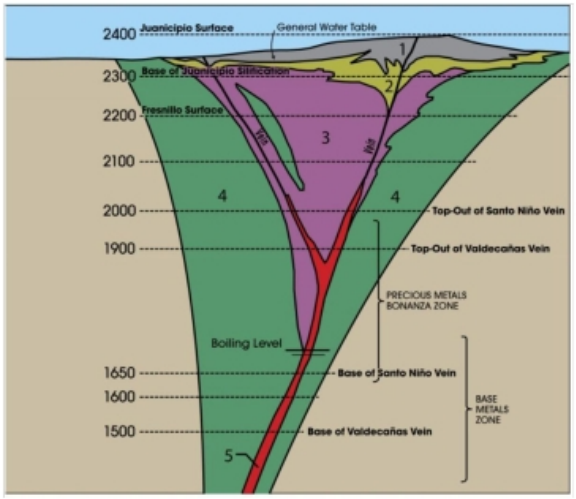
Regional satellite image interpretation suggests that the Sierra Valdecañas range is a topographically high, but structurally down-dropped block that is bounded by several major orthogonal north-east and north-west structures. The most notable of these is the more than 200 km long Fresnillo strike-slip fault and its parallel structure, the San Acacio-Zacatecas fault, to the east of the Juanicipio property.

On the Juanicipio property, the dominant structural features are: (i) 340° to 020°, or north-south structures; (ii) 290° to 310° trending, steeply dipping faults; and (iii) lesser 040° to 050° structures. From field observations, the north-south structures appear to be steeply dipping normal faults that cut and down-drop blocks of silicified tuff. More important to the silicification appears to be the 290° to 310° trending, steeply to moderately dipping faults. These faults occur where silicification and advanced argillic alteration are most intense and may have served as major hydrothermal fluid pathways.

Deposit Types

The veins of the Fresnillo District, including the veins found on the Juanicipio concession, belong to the class of epithermal intermediate sulphidation veins in spatial association with Tertiary volcanic and lesser intrusive rocks and accompanied by a typical alteration envelope. Figure 3 provides a conceptual cross section for the Valdecañas and Santo Niño veins.

Figure 3 – Epithermal Vein Model as Adapted to the Fresnillo District



Elevations of specific features of the Fresnillo mining district superimposed on Buchanan's (1981) epithermal vein model, which relates vertical mineralization and alteration zoning to boiling level. Vertical scale reflects elevations of these features in the Fresnillo district. Alteration Explanation: 1) Siliceous residue: opal, chalcedony, cinnabar, pyrite, specularite. 2) Advanced argillic alteration: ammonium alunite, kaolinite, buddingtonite. 3) Silicification: usually with adularia. 4) Propyllitic alteration: chlorite, epidote, calcite, pyrite, montmorillonite. 5) Adularization: albite increases below the boiling level. Notes: Alteration boundaries more diffuse than shown.

Epithermal veins of this type are typically formed at a depth of a few hundred metres below the palaeo-surface. Boiling of the hydrothermal solutions leads to rapid mineral deposition within, and subsequent sealing of the structure in which the vein is being formed, with the process repeating multiple times as can be deduced from the rhythmic mineral banding in the veins. Epithermal veins in this setting are characterized by the limited extent of the economic mineralization above the boiling point, and this is classically the case for the Fresnillo District.

Mineralization

The Fresnillo District contains two main types of mineralization; mantos and chimneys, and epithermal veins. Epithermal veins are the most important manifestation of the mid-Tertiary mineralizing event. Mineralization on the Juanicipio property belongs to this vein type. There are two main silver-gold epithermal structures discovered on the property to date, the Valdecañas and Juanicipio veins.

Valdecañas Vein and Desprendido Veins

The Valdecañas Vein hosts the majority of the Mineral Resources currently estimated on the Juanicipio property and hence is the most studied. It has an overall strike of approximately 120° and dips to the south-west at 50° to 60° The Valdecañas Vein has been traced over a strike length of 1.2 km to 1.6 km on the property. Throughout its length on the concession, the vein is very continuous below an elevation of 1,900 metres. This is similar to the other major veins in the Fresnillo mining district. The true width of the vein varies from a few centimetres to nearly 20 metres and averages more than 4 metres for the area covered by the present resource estimate.

The Valdecañas Vein has a number of subsidiary structures, the most significant of which is the footwall vein, Desprendido. To the west of the ID Fault, the Desprendido Vein is fairly continuous over a strike length of 400 m, splitting off the main Valdecañas Vein with a somewhat shallower dip. To the east of the ID Fault, the vein carries on with similar continuity to about a distance of up to 200 metres. Beyond 200 metres, the interpretation of the Desprendido Vein is tenuous.

A fault, identified as the ID Fault, has been interpreted to offset both the Valdecañas and Desprendido veins. It is inferred from the differing positions and attitudes of the Valdecañas Vein to the east and to the west. The fault itself has not been definitively identified in drill core and its location and attitude are therefore subject to change.

The vein paragenesis of the Valdecañas Vein has been described as consisting of five main phases: 1) deposition of mostly base metal sulphides; 2) quartz and calcite with fewer sulphides; 3) alternating bands of chalcedonic quartz, calcite, adularia, epidote, base metals and silver sulphosalts; 4) quartz, calcite and dolomite-ankerite with coarse grained pyrargyrite; and 5) barren quartz, calcite and fluorite. Phases 3 and 4 are the economically most important.

The main minerals in the Valdecañas Vein are sphalerite (ZnS), galena (PbS), pyrargyrite (Ag_3SbS_3), polybasite ($[Ag,Cu]_{16}Sb_2S_{11}$), acanthite (Ag_2S) often pseudomorph after its high-temperature polymorph (equivalent) argentite (also Ag_2S). The main gangue sulphide minerals are pyrite (FeS_2) and arsenopyrite (FeAsS), while the main non-sulphide gangue minerals are quartz (SiO_2) and calcite ($CaCO_3$). The Centro de Investigacion y Desarrollo Technologio (“CIDT”), a division of Peñoles, identified additional minerals as part of the metallurgical test work. They identified aguilarite (Ag_4SeS) as an important silver-bearing mineral, and freibergite ($[Ag,Cu,Fe]_{12}[Sb,As]_4S_{13}$), proustite ($Ag_3AsS_3$) and electrum (a gold-silver alloy of varying gold-silver proportions) as subordinate silver-bearing minerals.

Juanicipio Vein

The Juanicipio Vein is located some 1.2 km to the south of the Valdecañas Vein. It has been identified by drilling over a strike length of approximately 1.3 kilometres. The vein is generally narrow, with an average true vein width of less than 1 metre. It has a similar orientation to the Valdecañas Vein, striking at approximately 100° and dipping to the south at 45° to 55°.

Exploration

Exploration on the Juanicipio property prior to MAG's involvement is outlined above in "Ownership and Exploration History".

In 2007, the Company arranged helicopter-borne geophysical test survey using Aeroquest's AeroTEM II time domain electromagnetic system employed in conjunction with a high-sensitivity caesium vapour magnetometer. Ancillary equipment includes a real-time differential GPS navigation system, radar altimeter, video recorder, and a base station magnetometer. Full-waveform streaming electromagnetic data are recorded at 36,000 samples per second. The total survey coverage presented was 351 line kilometres. The survey was flown at 100 metre line spacing in a north-south flight direction. The survey was successful in mapping the magnetic and conductive properties of the geology throughout the survey area. The Company believes the reliability of the results of the geophysical test survey discussed above is at an industry standard for the methods employed.

Drilling

Drilling on the Juanicipio property has been contracted to various companies since 2003. All the drilling has been diamond core. Fresnillo currently contracts drilling to Perforservice S.A. de C.V. ("Perforservice"), an agent of Boart Longyear, headquartered in Aguascalientes, Mexico. Diamond drillholes are commonly collared using HQ (64 mm core diameter) equipment and reduced to NQ (48 mm core diameter) or BQ (37 mm core diameter) as drilling conditions dictate.

Fresnillo uses a Datamine database and 3D model to plan borehole locations and orientations. Spacing is designed to be 100 metres along strike and 70 metres to 100 metres down dip in the plane of mineralization. All drillhole collars are surveyed using differential GPS or a transit system. Because of topographical and access limitations, fans of holes are drilled in different directions from a single set-up. Downhole deviation is monitored using a Flexit instrument with readings at intervals ranging from 50 metres to 100 metres. Drilling by MAG recorded surveys every 15 metres. Once a drillhole is completed, casing is pulled and collars are identified with cement monuments with the drillhole number engraved. The site is then revegetated according to local law.

As of December 31, 2012, 205 holes have been completed on the Juanicipio property for a total of approximately 162,530 metres. From May 2003 to June 2004, MAG completed nine core holes for a total of 7,346 metres. From August 2005 to December 31, 2012, Fresnillo completed approximately 196 core holes for a total of approximately 155,184 metres. Of this total, approximately 86,293 metres were drilled on the Valdecañas Vein, 32,251 metres on the Juanicipio Vein and 36,640 metres drilled on other structural or vein targets (includes lost holes). Collectively these intersections combined to show the high grade silver/gold zone of the Valdecañas Vein to have a vertical height of almost 450 metres and have established a strike length for this zone of approximately 1,500 metres. The picture of the Juanicipio Vein is still emerging, but an Inferred Mineral Resource has been calculated for part of what appears to be an emerging coherent mineralized shoot on its eastern end.

Core Recovery

Core recoveries for the vein intercepts were generally satisfactory and in most cases 100%. A few holes have recoveries below 90%, which is considered to be the threshold at which the grade information may be compromised. The proportion of holes with poor recovery in the Valdecañas Vein is low and of little concern. The proportion of holes with poor core recovery in the other two veins would be of concern but has been considered during resource classification. One hole in each of the Valdecañas (OD) and Juanicipio veins (JU1) was not used for grade interpolation because of poor core recovery.

Sample Preparation, Analyses and Security

MAG Samples

Drill core was delivered to a core logging facility in Fresnillo where it was labelled, photographed, logged, and sampled under the supervision of the Company's geologists. Samples were collected from half core and split lengthwise with a manual wheel splitter. Sample intervals ranged from 0.1 metres to more than 3.0 metres in length, and mostly honour geological, alteration, and mineralization contacts. Several metres were also sampled above and below mineralized zones. Sampling intervals were marked by a geologist and core was typically sampled continuously between sampling marks.

Samples were shipped to BSI Inspectorate laboratories in Durango, Mexico, for sample preparation, and pulps were then sent to Reno, Nevada, for analysis. Some duplicate sample pulps were sent to ALS Chemex in Vancouver, Canada. Analyses were carried out for silver, arsenic, antimony, copper, mercury, lead, and zinc by aqua regia digestion and flame atomic absorption analysis. A standard fire assay was used for gold.

Fresnillo Samples

Drill core was transported by Fresnillo personnel twice daily to a core handling facility located near the Saucito minesite. Geotechnicians checked the depth markers and box numbers, reconstructed the core, and calculated recoveries. Fresnillo geologists logged, mark out sample intervals, and assigned sample numbers. Descriptive information was collected including recovery, lithology, alteration, structure, mineralization and rock quality designation. Sample intervals ranged from three centimetres to twelve metres. One blank and one of two different standards were submitted into each batch of 20 or 30 samples.

Samples were shipped to the ALS Chemex preparatory laboratory in Guadalajara, Mexico, for preparation and pulps were then forwarded to ALS Chemex assay laboratory in Vancouver, British Columbia, Canada, for analysis.

Core was split using either a diamond saw or mechanical splitter. The splitter was cleaned regularly to avoid potential cross-sample contamination. Samples were placed in pre-numbered plastic sample bags, boxed, and stored in a secure facility prior to shipping. Sample batches commonly contained 20 or 30 samples. Samples were shipped to the ALS Chemex preparatory laboratory in Guadalajara, Mexico, for preparation and pulps were then forwarded to ALS Chemex Assay Laboratory in Vancouver, Canada, for analysis. Coarse and pulp reject materials were returned to the core handling facility.

Density was measured using a water displacement method. Volume was estimated to the nearest 10 ml using a beaker with graduations of 100 ml. Mass was measured using a triple beam balance to the nearest half gram. The core was not sealed. The qualified person for the RPA Technical Report recommended that Fresnillo acquire an electronic scale with a lower hook in order to measure density according to Archimedes' principle whereby core is weighed in air and again in water. In the process of implementing the system, the qualified person recommended Fresnillo duplicate at least 50 samples previously measured by the water displacement method and compare the results and test the effect of sealing the core with either paraffin wax or shrink wrapped cellophane.

Each sample is analyzed for a suite of elements including silver, lead, and zinc by ICP-AES analysis and standard fire assay for gold. In the case where the silver ICP-AES upper limit of 100 ppm is reached, the sample is tested using a gravimetric analysis method.

Core Storage and Security

Drill core from the Juanicipio drilling was previously stored in two locations. Mineralized intercepts were stored in a locked shed located at the Fresnillo core handling facility near the Saucito minesite. Other core was stored alongside core from other Fresnillo projects in a large core storage facility located on Fresnillo's private land near the Saucito mine shaft. All Juanicipio drill core was moved to a secure facility dedicated to Juanicipio drill core only.

Split core that has been bagged and readied for shipment is stored in the dedicated facility prior to shipping.

Assay Quality Control

Quality assurance/quality control programs provide confidence in the resource database and help ensure that the database is reliable for resource estimation purposes. Programs include measures and procedures to monitor the precision and accuracy at each stage of the sampling and analysis process. Fresnillo's QA/QC program calls for a blank, one of two standards, and a pulp duplicate in each batch of 20 or 30 samples. Fresnillo also compiles results from the laboratory's own internal blanks, standards, and duplicates.

The regular submission of blank material is used to assess contamination during sample preparation and to identify sample numbering errors. Fresnillo submits blank samples at a rate of one in every 20 samples. Blanks were initially sourced from barren drill core and later from construction materials (cement).

Check Assay Results

Minera Juanicipio has undertaken extensive check assaying of the original ALS Chemex results at Acme and Inspectorate Laboratories, both of Vancouver, British Columbia. Pulps from 577 samples have been assayed by all three laboratories, and the results are in Table 2 below.

Table 2: Check Assay Results (577 Samples)

Laboratory	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)
ALS Chemex Laboratories	462	1.44	1.60	2.57
Inspectorate Laboratories	449	1.42	1.61	2.70
Acme Laboratories	418	1.44	1.59	2.65

There is a potential issue with the silver assays as shown by the lower average value for the 577 results reported by Acme. A detailed evaluation shows that the overall difference arises from high assays above approximately 2,000 g/t. Since the in-house standards were assayed by ALS Chemex to obtain their accepted values, and since the only certified SRM has a much lower silver grade of 206 g/t, the SRM results in Table 2 do not provide guidance as to which of the two laboratories – ALS Chemex or Acme - is biased high or low.

Environmental Studies, Permitting, and Social or Community Impact

No environmental investigations or studies have yet been carried out on the areas likely to be disturbed by the proposed project other than those required for drill permitting. These surveys involve preparing inventories of floral and faunal species and assessments of the impact of road building for drilling. A mine closure plan has not yet been developed.

The project area is located in a region that hosts a number of significant mining operations where the community is accustomed to mining activities.

A variety of permits are required to undertake an exploration program on the scale of the Juanicipio Project. These include Soil Use Change Permits, Environmental Impact Permits, Drilling Permits, and various permits regarding generation, storage and disposal of drilling waste materials. The Juanicipio Joint Venture owns the surface over most of the work area outright, so acquiring surface access permission is obviated.

To the best of the Company's knowledge the joint venture is in good standing with SEMARNAT, the Mexican Environmental Protection Agency.

The only previous surface disturbances on the Juanicipio property were small prospect pits from which there has been no production. Reconnaissance coverage and the fact that chain of ownership/title has been broken indicate that there are no inherited environmental liabilities from these disturbances.

Metallurgical Testing

Mineralogical characterisation, basic work index determinations, and selective flotation tests for lead, zinc, and pyrite test work was carried out on an overall composite sample prepared from 79 individual samples obtained from 10 drillholes on the G, I, K, and M sections of the Valdecañas Vein, as well as separate flotation test composites from sections G, I+K, and M.
No metallurgical test work has been reported relating to the Desprendido or Juanicipio veins.

The test work determined that the gangue matrix consisted mainly of quartz, pyrite, and calcite hosting the base metal sulphides of galena and sphalerite, with silver occurring variously as sulphides (argentite and aguilarite), sulphosalts (mainly pyrargyrite) and minor amounts of native silver and electrum. The mineralogical texture was found to be fine, especially with respect to the silver minerals, requiring a fine grind of 80% passing 40 µm to achieve adequate liberation for effective recovery by flotation. Comminution test work was limited to ball mill work index ("BWI") tests, which showed the mineralization to be hard with a BWI of 17.4. Even at the fine grind size, a significant proportion of gold and to a lesser extent silver, remained finely disseminated in pyrite in the 5 micron size range; hence the tests included production of a pyrite concentrate in order to achieve acceptably low levels of gold and silver in the final tailings.

The main conclusions were that the Valdecañas Vein mineralization responded favourably to a selective flotation process for lead-zinc with high recoveries and acceptable concentrate grades being achieved. Some preliminary tests on pyrite flotation and subsequent cyanidation of the pyrite concentrate indicated the potential for recovering an additional 12% of gold and 5% silver, although insufficient test work was carried out to confirm an economically viable processing route. The presence of small amounts of native gold and silver suggested there could be merit in including a gravity separation stage in the grinding circuit.

An overall composite was prepared from 190 metres of mineralized intersections from 27 drill holes and in addition, four composites were prepared and subjected to flotation tests to determine any metallurgical variability across the mineralized zones.

The flotation tests were carried out under the optimum conditions determined in the 2008 test work program w here the principal requirement was for a fine grind to around 80% passing 40 µm. The concentrate grades and recoveries were considered satisfactory and were generally consistent with the earlier work, taking into account that the sample grades were significantly lower, but also more representative of potential mill head-grades.

Table 3 below presents the four-product metallurgical balance calculated from the optimum conditions of open-circuit flotation testing on a general composite head sample assaying 1.6 g/t Au, 383 g/t Ag, 1.48% Pb, 2.82% Zn, 0.09% Cu, and 8.69 Fe. No locked-cycle tests have been carried out to date. Note that this balance includes a pyrite concentrate to indicate the potential for improving gold and silver recovery through a process of pyrite concentrate production and treatment, in addition to the lead-zinc selective flotation.

Table 3: Metallurgical Balance from General Composite Sample

Product	Weight	Assays (g/t, %)						Distribution (%)					
	%	Au	Ag	Pb	Zn	Cu	Fe	Au	Ag	Pb	Zn	Cu	Fe
Head		1.60	383	1.48	2.82	0.09	8.69						
Pb Conc	3.2	34.67	9,767	43.43	6.86	1.32	8.69	69.0	81.0	93.1	7.7	44.8	3.2
Zn Conc	4.7	1.07	567	0.39	52.00	0.54	10.20	3.2	7.0	1.2	87.0	27.3	5.5
Py Conc	10.2	2.94	225	0.14	0.16	0.02	41.50	18.8	6.0	1.0	0.6	2.4	48.7
Final Tail	81.9	0.18	28	0.08	0.16	0.03	4.52	9.1	6.0	4.7	4.7	25.4	42.6
Total	100	1.60	383	1.48	2.82	0.09	8.69	100	100	100	100	100	100
Pb-Zn Tail	92.1	0.48	50	0.09	0.16	0.03	8.61	27.9	12.0	5.6	5.2	27.9	91.3

No locked-cycle tests have been carried out to date. Note that this balance includes a pyrite concentrate to indicate the potential for improving gold and silver recovery through a process of pyrite concentrate production and treatment, in addition to the lead-zinc selective flotation.

Mineral Resources

The resource estimation process included a thorough review of the geological interpretation, particularly of the Valdecañas and Desprendido veins in the western part of the Juanicipio property, which resulted in a change to the previous interpretation of the two veins in this area. Specifically, the Valdecañas Vein was sub-divided into low-grade and high-grade domains for silver, lead and zinc with assay statistics and capping of high outlier assay values undertaken separately for each domain (domaining proved elusive for the gold assay population of the Valdecañas Vein and for any element in the Juanicipio and Desprendido veins). After compositing of the original drill-hole assay intervals, variography of the various veins and their domains followed. The parameters for the block model were reviewed and changed where considered appropriate. The final steps in the resource estimation process were grade interpolation and resource reporting.

The updated Mineral Resource estimate by SMS was completed in early November 2011 and contained in the AMC Study.

On December 19, 2011, the Company announced the results of the August 2011 RPA estimate for the Juanicipio property contained in the RPA Technical Report (see Table 4 below). The August 2011 RPA estimate was based on drill results available to August 5, 2011 and was prepared in parallel with the SMS resource estimate.

The results of the August 2011 RPA estimate and the SMS estimate are presented in Table 4 below for comparison purposes.

The August 2011 RPA estimate indicates more contained silver and gold as compared to the November 2011 estimate by SMS. The additional contained ounces are explained by RPA's inclusion of several additional drill holes in the Juanicipio Vein, the addition of two extra zones (Stockwork and Hanging Wall Vein 1) and a different approach to the calculation of cut-off grade. The RPA estimate uses a cut-off of US$55/tonne NSR, which includes and considers contained values for silver, gold and base metals. The SMS resource estimate uses 100 g/t contained silver as a cut-off grade for resource reporting. Both approaches are industry acceptable.

Indicated Mineral Resources are estimated by RPA to total 6.2 million tonnes of 728 g/t silver, 1.9 g/t gold, 1.9% lead, and 3.9% zinc at an NSR cut-off value of US$55 per tonne. Total contained metals in the Indicated Mineral Resource are 146 million ounces of silver, 384,000 ounces of gold, 267 million pounds of lead, and 539 million pounds of zinc.

Indicated Mineral Resources according to RPA are higher by 18 million ounces of silver and 36,000 ounces of gold as compared to the June 2011 SMS resource estimate.

At the same cut-off value of US$55 per tonne, Inferred Mineral Resources are estimated by RPA to total 7.1 million tonnes of 373 g/t silver, 1.6 g/t gold, 1.5% lead, and 2.6% zinc. The Inferred Mineral Resources are estimated to contain 85 million ounces of silver, 370,000 ounces of gold, 236 million pounds of lead, and 400 million pounds of zinc.

The Indicated Mineral Resources are located in the Valdecañas Main Vein, the Hanging Wall Vein #1, and for the first time the Footwall Vein #1. The Inferred Mineral Resources are contained within the Valdecañas Main Vein, several hanging and footwall veins, a stock-work zone located within the Valdecañas structure and the Juanicipio Vein, located 1,100 metres to the south of the Valdecañas Vein.

Table 4 - August 2011 RPA Estimate with SMS Resource Estimate for comparison

August 2011 RPA Estimate* $US55 NSR Cut-Off	Tonnage M t	Ag g/t	Au g/t	Pb %	Zn %	Ag M oz	Au K oz	Pb M lb	Zn M lb
INDICATED									
Valdecañas Main Vein	5.6	694	2.1	2.0	4.0	125	371	247	499
Footwall Vein	0.3	1,359	0.4	1.8	4.2	13	3.3	12	27
Hanging Wall Vein 1	0.3	755	0.8	1.1	1.9	8.2	9.2	8.4	14
Total Indicated	6.2	728	1.9	1.9	3.9	146	384	267	539
INFERRED							-		
Valdecañas Main Vein	4.4	332	1.7	1.9	3.2	47	240	181	306
Footwall (Desprendido) Vein	0.7	456	0.8	1.0	1.3	11	18	16	21
Hanging Wall Vein 1	0.1	553	0.5	0.6	1.4	1.4	1.1	1.0	2.5
Footwall Vein 2	0.2	145	1.3	3.2	4.9	0.8	7.3	12	18
Stockwork Zone	0.6	44	1.3	0.6	1.5	0.9	27	8.4	20
Juanicipio Vein	1.1	693	2.2	0.7	1.3	24	77	17	32
Total Inferred	7.1	373	1.6	1.5	2.6	85	370	236	400

SMS Resource Estimate 100 g/t Silver Cut-Off	Tonnage M t	Ag g/t	Au g/t	Pb %	Zn %	Ag M oz	Au K oz	Pb M lb	Zn M lb
INDICATED									
Valdecañas Main Vein	5.7	702	1.9	2.2	4.2	128	346	268	521
Total Indicated	5.7	702	1.9	2.2	4.2	128	346	268	521
INFERRED							-		
Valdecañas Main Vein	2.0	459	2.0	1.6	3.1	30	129	71	137
Footwall (Desprendido) Vein	1.8	540	0.9	1.8	3.2	31	52	71	127
Juanicipio Vein	0.5	638	0.8	0.9	1.7	10	13	10	19
Total Inferred	4.3	513	1.4	1.6	3.0	71	192	152	280

*Parameters and definitions for the RPA estimation

1. CIM definitions were followed for Mineral Resources.
2. Mineral Resources are estimated at an incremental NSR cut-off value of US$55 per tonne.
3. Mineral Resources are estimated using an metal prices of US$19.25/oz Ag, US$1,100/oz Au, US$0.93/lb Pb and US$0.88/lb Zn, and metal recoveries of 95% for Ag, 88% for Au, 94% for Pb, and 87% for Zn.
4. A minimum mining width of 1.5 metres was used.
5. Numbers may not add correctly due to rounding.
6. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.

The August 2011 RPA estimate for the Juanicipio property disclosed in this AIF has been estimated by Mr. David Ross, P.Geo., an employee of RPA and independent of MAG. By virtue of his education and relevant experience Mr. Ross is a "Qualified Person" for the purpose of NI 43-101. The Mineral Resources have been classified in accordance with CIM Definition Standards for Mineral Resources and Mineral Reserves, (November 2010).

The SMS resource estimate for the Juanicipio property disclosed in this AIF has been estimated by Mr. Henrik Thalenhorst, an employee of SMS and independent of MAG. By virtue of his education and relevant experience Mr. Thalenhorst is a "Qualified Person" for the purpose of NI 43-101. The Mineral Resources have been classified in accordance with CIM Definition Standards for Mineral Resources and Mineral Reserves, (November 2010).

Mineral Reserve Estimates

No estimate of Mineral Reserves has been made for the Juanicipio property at this stage.

Updated Preliminary Economic Assessment

The AMC Study, an updated NI 43-101 compliant PEA, was commissioned by Minera Juanicipio and was carried out by AMC Mining Consultants (Canada) Ltd. The information below is excerpted from both the AMC Study and the Company's news release dated June 14, 2012 to summarize the report.

The AMC Study defines the Juanicipio Project as an economically robust, high-grade underground silver project exhibiting minimal financial or development risks that will produce an average of 15.1 million payable ounces of silver per year over the first full six years of commercial production and 10.3 million payable ounces per year over a 14.8 year total mine life.

With the completion of the AMC Study, MAG and Fresnillo now have a framework on which the Juanicipio Joint Venture Technical Committee can build upon for the continued advancement of the Juanicipio property.

The AMC Study constitutes an updated PEA which by definition is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. There can therefore be no certainty that the updated PEA in the AMC Study will be realized. It is also important to note that Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

The AMC Base Case utilizes a discount rate of 5% and three year trailing average metal prices for silver ($23.39 per ounce), gold ($1,257 per ounce), lead ($0.95 per pound) and zinc ($0.91 per pound) to December 31, 2011. The exchange rate for the Mexican Peso was fixed at 12.86 pesos to one US dollar. Unless otherwise indicated, all figures in the AMC Study and in this AIF are in US dollars.

The AMC Study presents a range of metal pricing and discount rate scenarios on both a pre-tax and after-tax basis. Table 5 below shows the sensitivity of the Juanicipio Project NPV to different discount rates.

Table 5: Sensitivity of NPV to Discount Rate:

	NPV (0%)	**NPV (5%) Base Case**	**NPV (8%)**	**IRR Base Case**
Pre-Tax NPV ($M)	3,013	1,762	1,304	54%
After-Tax NPV ($M)	2,162	1,233	897	43%

Table 6 below illustrates the effect of silver and gold prices on key economic measures. Note that the gold price varies with the silver price at a constant ratio of approximately 53.7:1.

Table 6: Silver Price Sensitivity Analysis:

Discount Rate (5%)		Base Case					
Au ($/oz)	1,075	**1,257**	1,342	1,476	1,612	1,746	1,881
Ag ($/oz)	20.00	**23.39**	25.00	27.50	30.00	32.50	35.00
Pre-Tax NPV ($M)	$1,407	**$1,762**	$1,930	$2,192	$2,455	$2,717	$2,979
After-Tax NPV (M)	$976	**$1,233**	$1,355	$1,544	$1,734	$1,923	$2,113
Pre-Tax IRR	47%	**54%**	57%	61%	65%	69%	73%
After-Tax IRR	37%	**43%**	46%	50%	53%	57%	60%
Cash cost $/oz. Ag (net of credits)	0.36	**(0.03)**	(0.21)	(0.49)	(0.79)	(1.07)	(1.36)
Cash cost $/AgEq oz.	6.33	**6.61**	6.73	6.89	7.05	7.20	7.33
Payback (Years) From Plant Start up	4	**3**	3	3	3	2	2

Note: Cash costs include smelter, refining and transportation but exclude project and sustaining capital.

As indicated, project economics are robust across all modeled silver and gold price scenarios, and improve materially as the silver price exceeds the Base Case pricing. For example, at a $30.00 per ounce silver price and a 5% discount rate, the pre-tax NPV and IRR respectively increase to $2,455 million and 65% and $1,734 million and 53% on an after-tax basis. MAG's 44% interest under this scenario equates to $1,080 million (and 65% IRR) and $763 million (and 53% IRR) respectively.

While the results of the AMC Study are promising, the AMC Study constitutes an updated preliminary economic assessment which by definition is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. There can therefore be no certainty that the updated preliminary economic assessment in the AMC Study will be realized. It is also important to note that mineral resources that are not mineral reserves do not have demonstrated economic viability.

Inferred Mineral Resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves.

Resource Summary

The AMC Study is based on the November 2011 SMS resource estimate, shown below in Table 7. All three of the identified veins on the Juanicipio property are included in the mine design and financial model in the AMC Study.

Table 7: Estimate of Mineral Resources for the Juanicipio Project as of November 2011 (as per SMS):

Vein / Classification	Tonnes (millions)	Silver (g/t)	Silver (million Ounces)	Gold (g/t)	Lead (%)	Zinc (%)
Valdecañas / Indicated	**5.7**	**702**	**128**	**1.9**	**2.2**	**4.2**
Valdecañas / Inferred	**2.0**	**459**	**30**	**2.0**	**1.6**	**3.1**
Foot Wall (Desprendido) / Inferred	**1.8**	**540**	**31**	**0.9**	**1.8**	**3.2**
Juanicipio / Inferred	**0.5**	**638**	**10**	**0.8**	**0.9**	**1.7**
Total Indicated	**5.7**	**702**	**128**	**1.9**	**2.2**	**4.2**
Total Inferred	**4.3**	**513**	**71**	**1.4**	**1.6**	**3.0**

Footnotes:

1. *CIM Definition Standards have been followed for classification of Mineral Resources.*
2. *Mineral Resources are reported at a cut-off grade of 100 g/t of silver.*
3. *The Mineral Resource estimate uses drill hole data available as of May 30, 2011.*
4. *Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.*
5. *Totals may not add correctly due to rounding.*

Table 8 below sets out the tonnage and grade of material mined and processed that formed the basis for AMC's economic assessment.

Table 8: Tonnage of Material Mined and Processed as a Basis for the Economic Assessment

	Grade				Contained Metal			
Tonnes	**Au (g/t)**	**Ag (g/t)**	**Pb (%)**	**Zn (%)**	**Au (k-oz.)**	**Ag (M-oz.)**	**Pb (M-lbs.)**	**Zn (M-lb.)**
13.3	**1.30**	**416**	**1.4**	**2.7**	**558**	**178**	**417**	**793**

AMC derived the tonnages and grades shown in Table 8 from the Mineral Resource estimation and vein model prepared by SMS by applying a $65.00 Net Smelter Return ("NSR") cut-off grade to the resource model and then allowing for dilution and mine and design losses. Metal prices used in the NSR calculation were US$1,210 per ounce gold, US$22.10 per ounce silver, US$0.94 per pound lead and US$0.90 per pound zinc and an exchange rate of 12.50 Mexican pesos to one US dollar. In developing the tonnage and grade estimates, AMC excluded all stope blocks that were in contact with the property boundaries and assumed a "zero" grade for the dilution material. Readers should note that approximately 49% of the tonnage and 36% of the silver content of the material that forms the basis of the economic assessment is derived from Inferred Mineral Resources. Inferred Mineral Resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves.

Mine Design

The AMC Study has concluded through a series of trade-off studies that ramp access is the best and most cost effective option for the proposed development of the Juanicipio Project. Primary access to the mine will be via a 14% decline to the top of the mining area from which three internal footwall ramps will provide access to the stopes along the nominal 1,500 metre long strike length. All ore and most of the waste will be hauled to surface via the decline.

The pre-production development period is anticipated by AMC to be three and a half years, based on an average decline advance rate of 115 metres per month, in keeping with what AMC considers to be achievable development rates. This pre-production period would be followed by a 14.8 year mine life.

The mining method recommended for the project is long-hole retreat stoping. Cemented paste fill from mill tailings will be used to fill most of the voids supplemented where possible, with development waste.

Following the pre-production period, production is anticipated to average 880,000 tonnes per year over the first three and half years with mill feed from Valdecañas and Desprendido veins. Once Juanicipio vein is brought on-line, production is expected to average 950,000 tonnes per year over a five year period. For the final full six years of mine life, production is expected to average 865,000 tonnes per year.

Process Plant

The processing plant has been designed to treat a nominal 850,000 tonnes per year of ore. Actual mill throughput will peak as high as 950,000 tonnes per year when Valdecañas, Desprendido and Juanicipio veins are all in production.

The plant will be fed with sulphide ores from the Valdecañas, Desprendido and Juanicipio veins. The proposed process plant is based on metallurgical test work by Centro de Investigacion y Desarrollo Technologio and will consist of a comminution circuit followed by the sequential flotation of a silver-rich lead concentrate, a zinc concentrate, and a gold-rich pyrite concentrate.

Estimated mill recoveries and concentrate grades are summarized in Table 9 below.

Table 9: Mill Recoveries and Concentrate Grades

	Gold	Silver	Lead	Zinc
Recoveries to lead concentrate	69%	81%	93%	8%
Lead concentrate grades	30.3 g/t	10,265 g/t	43.0%	6.7%
Recoveries to zinc concentrate	3%	7%	1%	87%
Zinc concentrate grades	0.95 g/t	637 g/t	0.33%	52.0%
Recovery to pyrite concentrate	19%	6%	–	–

Life-of-Mine Payable Metal Production

Table 10 below sets out the AMC Study estimates of LOM production by metal as recovered and as payable silver and silver equivalent ounces ("silver eq.oz.").

Table 10: Payable / Production

Metals from Pb / Zn / Py Concentrates	Total Metal Recovered to Concentrate	Recovery as % of Mill Feed	Total Payable Metal Production	Payable as % of Recovered Metal
Silver M oz.	**168**	**94**	**153**	**91**
Gold k oz.	**508**	**91**	**430**	**85**
Lead M lbs.	**392**	**94**	**361**	**92**
Zinc M lbs.	**754**	**95**	**584**	**77**

Life Of Mine Production				
	Global	**Annual Average**	**Average Years 1-6**	**Peak Year 6**
Payable Ounces (M)	**153**	**10.3**	**15.1**	**19.3**
Silver Eq. oz. Payable (M)[1]	**213**	**14.4**	**19.3**	**23.8**

Footnotes:

[1] *Silver Equivalent estimated using 3 year Base Case trailing average metal prices.*

Payable production for each metal is based on processing recoveries less smelter deductions and losses during third party treatment of the lead, zinc and pyrite concentrates. The mine is expected to average 10.3 million ounces of silver per year of payable production (MAG's 44% equates to 4.5 million ounces) with the first six years of full production averaging 15.1 million ounces per year (MAG's 44% equates to 6.6 million ounces). Peak production is reached in year 6 at 19.3 million payable ounces.

Initial Capital Costs

The initial capital expenditure for the project as estimated in the AMC Study is $302 million, to be incurred prior to the commencement of commercial operations. Capital costs incurred after start-up are assigned to sustaining capital (see Table 11). Contingency was added at appropriate percentages to each component of the project resulting in $31 million or 11.6%, and Owner's Costs and EPCM are estimated to be $77 million. A breakdown of these costs can be seen in the table below:

Table 11: Initial Capital Cost Estimate [1]

Area	$ millions
Mine	102
Mill	58
Infrastructure	34
Indirect (Including owners costs and EPCM)	77
Contingency	31
Total	**302**

[1] *The cost base for the estimate is 1 January 2012. No escalation has been applied.*

Sustaining Capital Costs:

Sustaining capital of $267 million, to be funded from ongoing operations, will be required throughout the 14.8 year mine life (see Table 12). This capital will primarily be for waste development (footwall) and replacement of equipment in the mine ($234 million), major repairs in the mill ($16 million) and major upgrades and replacement to surface infrastructure and equipment ($16 million).

Table 12: Sustaining Capital Cost Estimate

Area	$ millions
Mine	234
Mill	16
Infrastructure	16
Indirect (including owners costs and EPCM)	1
Total	**267**

The cost base for the estimate is 1 January 2012. No escalation has been applied.

On Site Operating Costs

The estimated on site operating cost for the Base Case study is $66.56 per tonne of mill feed. AMC estimated the OPEX based on industry first principals, proprietary information and experience.

Table 13: On Site Operating Cost:

Area	Cost ($/tonne mill feed)
Mining	43.92
Processing	19.18
G & A	3.46
Total:	66.56

The cost base for the estimate is 1 January 2012. No escalation has been applied.

Off-Site Costs (Concentrate Transport, Treatment and Refining Charges)

Treatment terms and transport charges for the lead and zinc concentrates were provided to AMC by Neil S. Seldon & Associates, specialist consultants in concentrate marketing. It is anticipated that the zinc concentrate will be sold primarily to smelters in Asia while the lead concentrate could potentially be sold to a smelter in Mexico or exported to offshore smelters. For purposes of its analysis, AMC has assumed that both the lead and zinc concentrates will be treated in Asia and subject to a transport cost of $125/wmt. However, AMC notes that in the event that the lead concentrate were treated in Mexico, this would result in a saving in the transport cost, although these savings would need to be shared between the company and the smelters.

LOM off-site costs for lead and zinc concentrates included in the AMC Study are estimated to average $35.3 million annually or an average of $39.36/tonne of mill feed. Off-site costs comprise freight charges (highway and ocean), port handling fees, and smelter treatment and refining charges.

AMC has assumed that the gold rich pyrite concentrate will be sold to a customer able to recover gold and silver using a conventional cyanide leach process and that the Juanicipio Joint Venture receives a net payment equal to 60% of the value of the contained gold and silver in lieu of treatment and transportation charges.

Overall Cash Operating Cost (On-Site and Off-Site Costs)

LOM combined on-site and off-site operating costs are $109 per tonne of mill feed, or $1,410 million. The LOM Cash Cost (on-site and off-site) is US$6.61 per silver eq.oz. and US$(0.03) per silver ounce, net of by-product credits.

Qualified Person:

The estimate of the tonnage and grade of material to be mined and processed that form the basis for the economic assessment, and the financial analysis, disclosed in this AIF for the Juanicipio property has been prepared by Michael Thomas, MAusIMM(CP), an employee of AMC Mining Consultants (Canada) Ltd. and independent of MAG. By virtue of his education and relevant experience Mike Thomas is a "Qualified Person" for the purpose of NI 43-101.

Ongoing Exploration and the Project Development

Exploration – In the first quarter of 2013, Minera Juanicipio has still been operating under the 2012 approved exploration budget of $8.5 million, where approximately $2.2 million or 7,000 metres has been rolled forward and is being expended and drilled in 2013. The 2013 exploration budget will be determined in the second quarter of 2013, likely at the next meeting of the Technical Committee

Drilling in 2013 will be directed to the Valdecañas Vein and Juanicipio Vein in order to continue to move a substantial portion of the remaining inferred to an indicated resource. Work will also continue to explore west along the Juanicipio Vein for potential bonanza zones. Exploration will also focus on new areas in the search for other deeply buried veins on the Juanicipio property such as at Mesa Grande.

Development – With the completion of the AMC Study in 2012, MAG and Fresnillo now have a framework on which the joint venture Technical Committee can build upon for the continued advancement of the Juanicipio Project. On August 15, 2012, the Company announced that the board of directors of Minera Juanicipio (based on the recommendation of the Minera Juanicipio Technical Committee) had approved an 18 month mine permitting and underground development budget of $25 million. Originally, $10 million was expected for 2012 with the remaining $15 million earmarked for 2013, but the majority of this budget has been rolled over into 2013 and the early part of 2014. The budgeted program covers mine permitting, surface preparation and the commencement of the first 2,500 metres of underground decline development. The proposed work plan is based on recommendations provided to Minera Juanicipio in the AMC Study. The development program will be managed by Fresnillo as operators of the Joint Venture.

Minera Juancipio began the development permitting process in the fall of 2012 and has since commenced a variety of development studies. A hydrogeology (water management) study has been commenced. A geotechnical study has been completed with the assistance of Peñoles' (a related party of Fresnillo) Geotechnical & Construction Group, which has included a visit to the nearby Fresnillo Saucito operation in order to analyze rock quality in anticipation of stope preparation and development at Juanicipio. As well, a division of Peñoles (CIDT) has been contracted to run the recommended metallurgical tests, with almost 254 kilograms of ore bearing material collected systematically along the deposit for metallurgical studies to be carried out.

Originally expected in the first quarter of 2013, the operator Fresnillo now reports that it expects the underground decline ground breaking to commence on April 29, 2013. Five different contractors from North and South America have been asked to tender for the decline construction and a decision is pending.

Currently, there are a total of 11 drills operating on the property in various work categories from exploration to water studies with two more coming in for infill drilling at Valdecañas.

Cinco de Mayo Property

The information contained herein with respect to the Cinco de Mayo Property, is prepared by the Company and contains summarized information drawn from its own results and news releases as well as from the technical reports described below. More detailed information on the Cinco de Mayo property, including project description and location, climate, local resources, infrastructure, physiography, history, geological setting, exploration, mineralization, drilling sampling, and Mineral Resource estimates, can be found in the following technical reports, which are available under the Company's profile on SEDAR (www.sedar.com):

1. Filed on SEDAR November 16, 2012: a NI 43-101 technical report, dated November 14, 2012, entitled "Technical Report on the Upper Manto Deposit, Chihuahua, Mexico" prepared by Qualified Person David Ross, M.Sc., P.Geo., of Roscoe Postle Associates Inc. (the "Upper Manto Technical Report").

2. Filed on SEDAR September 10, 2010: a NI 43-101 technical report, dated September 10, 2010, entitled "Technical Report on the Pozo Seco Mineral Resource Estimate, Cinco de Mayo Project, Chihuahua, Mexico" prepared by Qualified Person David Ross, M.Sc., P.Geo., of Scott Wilson RPA (the "Pozo Seco Technical Report").

More detailed information on the Cinco de Mayo property, including project description and location, climate, local resources, infrastructure, physiography, history, geological setting, exploration, mineralization, drilling sampling, and Mineral Resource and Mineral Reserve estimates, can be found in these technical reports.

Introduction

The Cinco de Mayo Project is a 25,113 hectare district scale project owned 100% by the Company, and is the most advanced of MAG's Carbonate Replacement Deposit ("CRD") Projects. The project consists of four major mineralized zones: the Upper Manto silver-lead-zinc body; the Pegaso deep discovery; the Pozo Seco high grade molybdenum-gold resource area; and the surrounding Cinco de Mayo exploration area.

To December 31, 2012, the Company has incurred a total of $43,932,956 in exploration and evaluation expenditures on the project.

CRDs can be very large systems ranging from 25 to 100 million tons of high-grade silver/lead/zinc ores. Mexico's CRDs occur along the intersection of the Mexican Thrust Belt and the Tertiary age volcanic plateau of the Sierra Madre Occidental, a zone where structurally prepared limestone host rocks were invaded by metals-rich intrusive bodies.

The acquisition of the Cinco de Mayo property evolved from a review of data collated during 15 years of systematic exploration and a study of the geologic characteristics of the CRDs prospects in Chihuahua. The Cinco de Mayo property is centred on the Sierra Santa Lucia, a roughly 25 kilometres long, 5 kilometres wide, 600 metre high mountain composed largely of limestone. The centre of the range shows relatively few mineralized showings and exploration has focused along its eastern and western flanks in areas of virtually no outcrop save for prominent range-front jasperoid outcrops with local prospect workings and Cinco de Mayo Ridge, a narrow limestone ridge containing two small historic mines lying just off the eastern limit of the range.

Property Description, Location and Ownership

There are two mineral resources associated with the Cinco de Mayo Project: The Upper Manto deposit and the Pozo Seco deposit, both located on MAG's Cinco de Mayo Property in north central Chihuahua State, 190 km northwest of the state capital of Chihuahua City (Figure 4 and 5). Chihuahua City is a major city with a population of approximately 750,000.

The combined Cinco de Mayo Project consists of 29 mineral concessions totalling 25,113.2 hectares located in the Municipio de Buenaventura. Table 14 below lists the subject concessions along with their information including number, date of issue, expiry dates, and surface areas.

Unlike many jurisdictions, Mexican Mining Law does not distinguish between exploration and exploitation type mineral concessions. Applicants are granted a single type of mining concession (exploration and exploitation) with a 50 year life from the date of registration in the Public Registry of Mines. Concessions are renewable for an equal term so long as the concession is not cancelled by any act or omission sanctioned by the Mexican Mining Law and an application is filed within five years prior to its expiration.

The primary concessions of the Cinco de Mayo property are owned 100% by the Company and were acquired by way of an option agreement with Minera Cascabel S.A. de C.V. ("Cascabel") dated February 26, 2004. Under the terms of the agreement, MAG acquired a 100% interest in the Cinco de Mayo property, subject to a 2.5% NSR royalty. During the year ended December 31, 2008, MAG acquired a 100% interest in certain additional concessions internal to the Cinco de Mayo property from two separate vendors. MAG made a one-time payment of $350,000 for these concessions. During the year ended December 31, 2009, MAG acquired a 100% interest in certain additional concessions internal or adjacent to the Cinco de Mayo property from three separate vendors. MAG made a one-time payment of $362,000 for these concessions. During the year ended December 31, 2010, MAG entered into two option agreements to earn a 100% interest in five additional concessions adjacent to the Cinco de Mayo property, and paid $40,000 upon executing the agreements. In order to earn its 100% interest on these additional five concessions, MAG must pay an additional $150,000 in stages through 2015. The 2.5% NSR due to Cascabel applies to all claims within the Cinco de Mayo Property (including those acquired subsequent to the original option agreement).

The Company has entered into surface rights agreements with the Municipio de Buenaventura and Ejido Benito Juárez (the "Ejido") and private landowners to allow for on-going exploration and development of the property. The Company had previously purchased 41 specific rights relating to relevant areas of the Cinco de Mayo project area for $660,000 from the Ejido members, who along with the Federal Agrarian Authority had ratified the purchase. The Company was awaiting formal title transfer of the surface rights, when certain members of the Ejido challenged the purchase, claiming the 41 rights purchased represented a 41/421 undivided interest in the Ejido owned surface rights , rather than rights to exclusive areas of the property. The Ejido challenge arose during the Company's application for a "Soil Use Change Permit." As of May, 2012, exploration drilling permits in Mexico require a "Soil Use Change Permit," reflecting conversion of land from agricultural to industrial use. A surface access agreement is required in order to be granted a Permit.

The Company had anticipated obtaining the requisite access permission and final permit approval sometime in the first quarter of 2013. However, on November 17, 2012 at what the Company believes was an illegally constituted meeting, the Ejido voted to expel MAG from its Cinco de Mayo property and establish a 100 year mining moratorium over Northern Chihuahua. The Company notes that the Ejido assembly has no ability at law to impose a ban on mining as mining is an activity that falls under Federal jurisdiction. Ejido members challenged the meeting on the grounds that proper notice was not given, key signatures required to properly call the meeting were fraudulent, and that the vote taken at the meeting was fraught with irregularities, including a significant number of votes being cast by unverified proxies. A court hearing was held on February 6, 2013 in Chihuahua where the ejiditarios calling for the meeting to be declared illegal presented their evidence. The opponents who had organized the illegal meeting failed to appear in court on time and their testimony was dismissed by the judge. The judge ordered the Ejido administration to provide original documents for the meeting, which to date they have failed to provide. It is expected to take the judge one to two months to write his decision on the legality of the meeting once he has settled the original documents questions.

MAG remains highly confident that the meeting and the illegal resolutions will be nullified. Once the expected nullification of the November 17, 2012 meeting is issued, the Company will ask government officials to oversee a new assembly meeting of the Ejido to ensure that the necessary procedural and governance rules are respected and the vote is properly conducted. Permission of the Ejido assembly is required to obtain surface access, and although there is no certainty that a new vote would produce a favourable outcome for the Company, MAG believes that the opposition group and its supporters do not represent the will of the majority of the 421 voting members of the Ejido (or of the 12,000 other citizens in the project area). MAG believes that it has the support of a majority of the members of the Ejido and that the requisite authorizations to complete its submission for the Soil use Change Permit will be obtained in due course.

There are no outstanding environmental liabilities associated with the Cinco de Mayo property.

The Cinco de Mayo property is surrounded by the 9,673,536 ha Juárez Asignación Minera Nacional, a large regional mining assignment established in 2006 by the Mexican geological service.



Figure 4 – Cinco de Mayo property, Chihuahua State

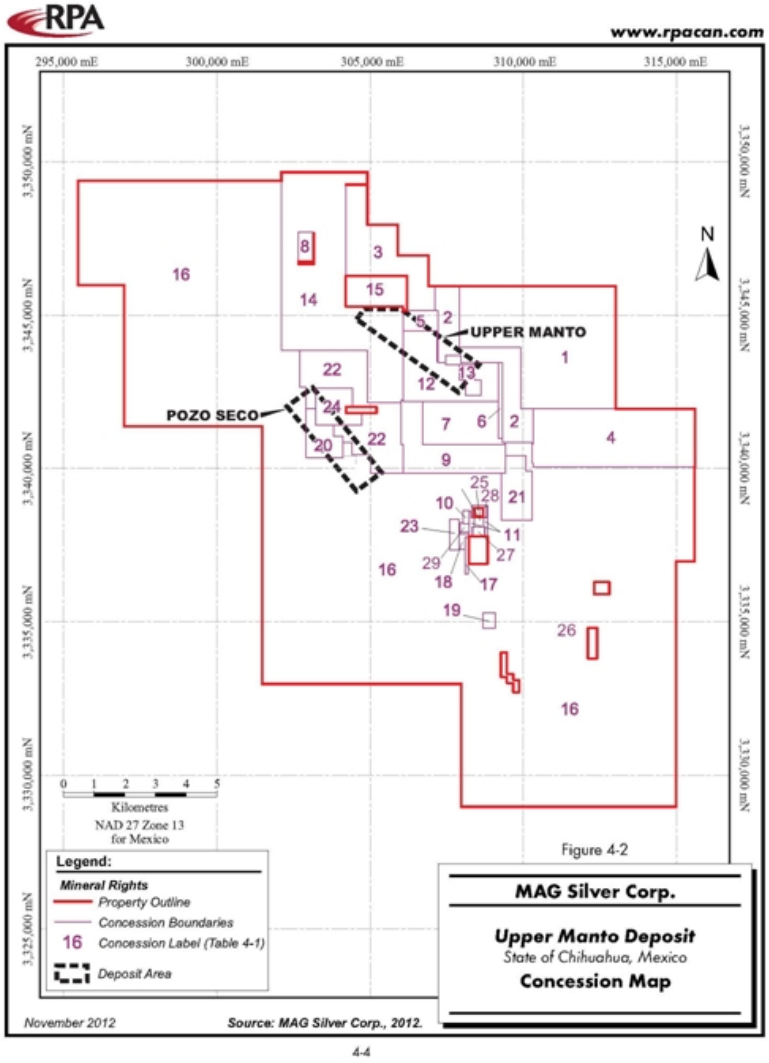


Figure 5 – Diagram showing Upper Manto and Pozo Seco

TABLE 14 - LIST OF CLAIMS
MAG Silver Corp. – Cinco de Mayo Project

Claim Name	Title Number	Date of Issue	Expiration Date	Area (ha)
DON JOSE	222251	June 22, 2004	June 21, 2054	1,640.0000
DON JOSE II	235685	Feb. 16, 2010	Feb. 15, 2060	469.9433
DON JOSE II FRACC. 1	235711	Feb. 19, 2010	Feb. 18, 2060	536.1942
DON JOSE II FRACC. 2	235712	Feb. 19, 2010	Feb. 18, 2060	1,005.5683
DON JOSE III	224331	Apr. 26, 2005	Apr. 25, 2055	78.7872
DON JOSE III FRAC. 2	209293	Mar. 30, 1999	Mar. 29, 2049	32.7879
DON JOSE IV REDUCCION	218474	Oct. 31, 2000	Oct. 30, 2050	348.5547
DON JOSE V	212878	Feb. 13, 2001	Feb. 12, 2046	47.7166
DON JOSE VI	236414	June 30, 2010	June 29, 2060	412.2388
DON JOSE VII	237045	Oct. 22, 2010	Oct. 21, 2060	8.4199
DON JOSE VIII	237692	Apr 26, 2011	Apr 25, 2061	18.3534
DON ROBERTO	224252	Apr. 22, 2005	Apr. 21, 2055	453.4431
CINCO DE MAYO	216086	Apr. 9, 2002	Apr. 8, 2048	65.0000
DANIEL	229222	Mar. 27, 2007	Mar. 26, 2057	1,653.9137
DANIEL I	229249	Mar. 28, 2007	Mar. 27, 2057	4.8630
INDEPENDENCIA	229744	June 13, 2007	June 12, 2057	17,096.9082
LA MARY	230455	Sept. 4, 2007	Sept. 3, 2057	12.0000
LA AMISTAD	230454	Sept. 4, 2007	Sept. 3, 2057	11.4935
EL PLOMO	230475	Sept. 6, 2007	Sept. 5, 2057	20.0000
LA FORTUNA	228746	Jan. 18, 2007	Jan. 17, 2057	132.9008
LA SINFOROSA	228747	Jan. 18, 2007	Jan. 17, 2057	192.5727
EL CHINACATE	228723	Jan. 17, 2007	Jan. 16, 2057	651.9335
CAMARADA	228487	Nov. 24, 2006	Nov. 23, 2056	29.8687
TRES AMIGOS	228148	Oct. 6, 2006	Oct. 5, 2056	150.8245
LA FORTUNA	220802	Oct. 8, 2003	Oct. 7, 2053	8.6804
LA FORTUNA I	221879	Apr. 7, 2004	Apr. 6, 2054	0.6584
JOSEFINA I	221881	Apr. 7, 2004	Apr. 6, 2054	12.0000
CRIPTO	221884	Apr. 7, 2004	Apr. 6, 2054	9.0000
EL MANZANILLO	221877	Apr. 7, 2004	Apr. 6, 2054	8.5801
				25,113.2049

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Cinco de Mayo property is accessible by driving north from Chihuahua City on Federal Highway 45D for approximately 92 km to Highway 7D, then driving northwesterly for approximately 108 km to the town of Ricardo Flores Magón. MAG's base of operations is located in Ejido Benito Juarez, a distance of about 20 km north of Ricardo Flores Magón along Highway 10. The property is located immediately west of the village of Benito Juárez, accessible along dirt roads. The property is centred at 305,000mE, 3,340,000mN (NAD 27 Mexico, Zone 13).

The closest railway access is 80 km to the east at Villa Ahumada. The closest airport with daily service to Mexico City, Dallas-Fort Worth, and Houston is located at Chihuahua City. Daily service to Mexico City and other cities in Mexico is also available nearby at Juarez City.

The climate is dry to semi-arid. The average annual temperature is 20°C. Annual rainfall ranges from 220 mm to 1,000 mm. Exploration and development can be carried out all year round.

The closest full service town, Nuevo Casas Grandes, is located approximately 100 kilometres to the northwest from the property. Nuevo Casas Grandes has a population of approximately 55,000 and has most services, including medical services and accommodations. A greater range of services is available at Chihuahua City located about a two and a half hour drive by paved highway.

Other than exploration drill roads used to access drill sites, there is currently no permanent infrastructure on the property.

A potential mining development on the property would likely have access to electric power from the Mexican national transmission grid. A high tension power line bisects the southern part of the property, approximately eight kilometres south of the project.

The Sierra Santa Lucia is the most prominent physiographic feature on the property. It is a northwest-trending 600 metres high limestone range roughly 12 kilometres long by 3.5 kilometres wide. Elevations range from 1,330 MASL in the valley floor west of the Sierra Santa Lucia to 1,940 MASL along the Sierra Santa Lucia. Cinco de Mayo Ridge is an elongate limestone ridge, 400 metres wide by 2,000 metres long off the east side of the Sierra Santa Lucia. The Upper Manto deposit is located on the plain along the east side of the Sierra Santa Lucia, whereas the Pozo Seco molybdenum-gold deposit is located on the west side.

Vegetation is sparse and consists of range grass and scattered cacti and other shrubs with occasional mesquite trees.

History

Small scale mining took place in the Cinco de Mayo property area in at least twelve locations sometime prior to the 1990s. There are no known records describing this historic production. A series of small claims in these areas were previously held by Mexican individuals.

In the mid-1990s, an affiliate of Industrias Peñoles S.A. de C.V. (“Peñoles”) drilled six reverse circulation holes for a total of 1,368 metres to test several silicified zones.

The area was visited by Peter Megaw in 1992 on behalf of Teck Corporation (“Teck”) as part of a reconnaissance program in Chihuahua State carried out from 1991 to 1994. Megaw determined that the area exhibited characteristics favourable for large carbonate replacement deposits (“CRD”) and that Cinco de Mayo looked very much like the distal portions of the Santa Eulalia deposit (Megaw, 1997). Teck’s field work included reconnaissance mapping and detailed sampling of the jasperoid veins along Cinco de Mayo Ridge. Teck chose to drop its interest in the property and transferred the property to Cascabel in early 2000 with no retained interest. Cascabel continued to stake claims until 2003.

In 2004, MAG optioned the ground from Cascabel. The agreement is summarized in the “Property Description, Location and Ownership” section above.

Geological Setting

Regional

The Cinco de Mayo property is located along the junction of the Sierra Madre Occidental and the Mexican fold thrust belt. The Sierra Madre Occidental is a large silicic igneous province formed during Cretaceous-Cenozoic magmatic and tectonic episodes. The Mexican fold thrust belt is mostly composed of thick sections of Cretaceous carbonate rocks deposited in linear, fault-bounded basins and deformed during the Laramide Orogeny at the end of the Cretaceous.

Cinco de Mayo is also located on the western margin of the Chihuahua Trough, the same environment which hosts several other important CRDs. The Chihuahua Trough is a Jurassic marine basin generally composed of (from oldest to youngest) evaporites, clastic sedimentary rocks, and carbonates (Haenggi, 2002). The Jurassic evaporate rocks are gypsum, anhydrite, and salt. The clastic sedimentary rocks are conglomeratic sandstone, pebble conglomerates, siltstone, and shale. The Cretaceous carbonate rocks are mostly limestone, with some intercalated shale units. The Chihuahua Trough is generally interpreted to be the result of a Jurassic extensional event related to the opening of the proto-Atlantic Ocean and formation of the Gulf of Mexico. The Cinco de Mayo property (especially Cerro Cinco de Mayo, Sierra Santa Lucia, and Sierra Ruso) is dominated by Cretaceous limestones.

Local Geology

The structural style at Cinco de Mayo indicates that the district is favourably situated on the west margin of the Jurassic Chihuahua Trough. This location has proven to be a good regional environment for CRDs in Mexico (Megaw et al., 1988). Evidence of fluid flow includes silica replaced structures, silica replaced pipes, fluorite-barite veins, sulphide
mantos, sulphide filled faults, and disseminated sulphides in marble.

Stratigraphy

The exposed stratigraphy is highly thrusted, with three to four repeated/stacked sections of the Lower Cretaceous (Early and Middle Albian) limestone-shale section. The units mapped on the surface range from Cuchillo Formation (limestone and shale) at the base, up through the Benigno Formation (limestone) to the Lagrima Formation (shale), all of which underlie the Finlay Formation (limestone).

The Finlay Formation, the principal host to known mineralization, is a fossiliferous cherty limestone with high energy beach zones at the base, and abundant rudist reefs (common Mesozoic bivalve). The Finlay Formation is overlain by two different shale units: the Benavides Shale and the Ojinaga Formation. The Benavides Formation (Lower Cretaceous) overlies the Finlay in depositional contact on the east side of Sierra Santa Lucia. On the east
side of the range, the Finlay is observed in drill core in thrust contact with the Upper Cretaceous (late Cenomanian) Agua Nueva or Ojinaga Formation. The Late Albian Loma de Plata, and Early Cenomanian Del Rio and Buda Formations, which should be present, remain unobserved at Cinco de Mayo and may have been faulted out of the section or eroded prior to late Cretaceous deposition. Two Late Cretaceous units are observed in the region. First is the Late Cenomanian Indidura equivalent which outcrops 15 km north-northeast of Cinco de Mayo, adjacent to an alteration inducing intrusive. The other is the Ojinaga Formation which outcrops 5.5 km east-northeast of Cinco de Mayo. Drill holes located on the northeast side of Cinco de Mayo Ridge were apparently collared in the Ojinaga Formation. The volcanically derived sandstones of the Ojinaga Formation probably account for the prominent fold observed in the magnetic survey northeast of the Sierra Santa Lucia. Lower Tertiary volcanic rocks, ranging from dacite to rhyolite in composition, crop out in an arcuate band across the eastern, northern, and western fringes of the project area.

Structural Geology

The oldest structures interpreted in the Cinco de Mayo property area are the north-northwest trending Late Triassic and Early Jurassic extensional basin-controlling structures of the Chihuahua Trough that defined the basin in which the thick Lower Cretaceous carbonate sequence was deposited. The Upper Cretaceous platform sediments (shales and sandstones) subsequently covered the basin structures and obscured the feature. The basin structures were reactivated during the compressional Late Cretaceous-Early Tertiary Laramide Orogeny and were extended upwards through the Late Cretaceous platform sedimentary units. The west-directed folding and thrust faulting related to the Laramide compression produced the dominant structural fabric seen in the area. These prominent folds and thrusts are “escape structures” created during structural narrowing of the basin. Their geometry suggests that they lie above the ancient basin-controlling faults. These structures appear to be favourable hosts of mineralization and apparently were reopened during the subsequent mid-Tertiary extension which characterizes the region and coincides with mineralization related magmatism (Megaw et al., 1996).

The last tectonic event to affect the region was mid-late Tertiary extension. This extension was directed opposite to the Laramide compression and created the classic north-northwest linear alternation of ranges and basins that define the Basin and Range Province.

Property Geology

The Cinco de Mayo property is dominated by the Sierra Santa Lucia, a northwest-trending 600 metres high limestone range roughly 3.5 km wide and 12 km long. Cinco de Mayo Ridge is an elongate limestone ridge, 400 metres wide by 2,000 metres long off the east side of the Sierra Santa Lucia. Both are separated and flanked by broad alluvium mantled valleys. Drilling, PEMEX geophysical data, and outcrop reconnaissance indicate that the alluvial cover is thin and that a thick section of carbonate host rocks lies immediately beneath the cover in many areas. The structural complexity of the Sierra Santa Lucia indicates that it lies directly above the western bounding fault of the Chihuahua Trough and there is strong local evidence that this fault functioned subsequently as a major shear zone, with strands passing along the immediate flanks of the Sierra Santa Lucia and probably carving off the north-northwest trending Cinco de Mayo Ridge from the body of the range. Surface mapping and drilling suggest that the principal thrust and shear offsets are pre-mineral in age, with mineralization related intrusions and mineralizing fluids exploiting these zones of weakness.

There are numerous mineralization and alteration occurrences associated with this fault zone throughout the Sierra Santa Lucia and adjacent hills. These include the prospects and small mines at Abundancia, Celia, Cinco Ridge, and Orientales and a host of unnamed occurrences dominated by iron-rich jasperoids with strongly anomalous lead-zinc-silver-arsenic (gold) signatures, particularly along the base of the ridge. Little is known of the historic mining at Cinco de Mayo Ridge, but there are two old mines at opposite ends of the ridge that probably produced small amounts of high-grade silver and base metal mineralization. These historic mines helped draw early exploration work to the area, but it was rapidly recognized that the entire ridge is cut by northeast-southwest and northwest-southeast structures that host both mineralization and metal-bearing jasperoid alteration. The jasperoids were the focus of a systematic mapping and sampling program in 1998, which revealed a number of geochemical “hot-spots” along certain structural corridors leading towards the adjacent covered areas that are in turn underlain by highly favourable host rocks.

Mineralization

The two deposits on the Cinco de Mayo property with estimated Mineral Resources are the Upper Manto lead-zinc-silver CRD located on the east side of Sierra Santa Lucia, and the Pozo Seco molybdenum-gold deposits located on the west side of Sierra Santa Lucia. The Upper Manto deposit, formerly known as the Jose Manto-Bridge Zone deposit, consists of two parallel overlapping manto deposits referred to as Jose Manto and the Bridge Zone.

Upper Manto Deposit

There are four styles of mineralization at the Upper Manto deposit including manto mineralization, massive sulphide mineralization, garnet-pyroxene skarn, and vein and veinlet mineralization. Each is described below.

- Manto mineralization represents relatively flat-lying to inclined tabular bodies consisting of medium to coarse grained massive pyrite, pyrrhotite, galena, and sphalerite with minor acanthite (Ag2S). The sulphides are commonly brecciated and re-mineralized by later sulphide and in-filling events. Sphalerite colour varies by event from honey to brown to nearly black. Sulphides are commonly banded, locally reflecting the shapes of partially replaced limestone domains, but generally highly contorted with no apparent relationship to any pre-existing opening or domain shape which is typical of CRDs. Pyrite replacements after platy pyrrhotite are common. Gangue is dominated by calcite, with minor fluorite. The mineralization is locally siliceous. Fragments of limestone are common within the manto. Alteration of the surrounding limestone is generally limited to a narrow recrystallized and bleached selvage, with local silicification.

- Massive sulphide mineralization, consisting of the same sulphide assemblage as manto mineralization, occurs as layers and veins from 30 cm to three metres thick within hornfelsed shale rich units. Sphalerite in this environment is commonly dark amber in colour. The hornfels consists of very fine grained pyroxenes and garnets, with local zones showing garnet crystal faces up to 0.5 mm across indicating transition to skarn conditions.

- Garnet-pyroxene skarn mineralized with galena, sphalerite, chalcopyrite, scheelite, and gold was intersected in several deep holes. Skarn mineralization was intercepted in the Pegaso Zone in the deeper intercepts of hole CM-12-431 (hole 431), where the garnets are thoroughly retrograde altered (hydrated) to hydrogrossular and clays. Garnets can display zoning from yellowish green to dark brown, with the dark brown commonly being earlier. Pyroxene content appears to increase with depth. Several of the skarn drill hole intercepts contain felsic dykes beneath the Upper Manto that are themselves largely converted to calc-silicates. Sphalerite-dominant sulphide and scheelite mineralization is common in the skarns. The skarn zones are surrounded by variably developed recrystallization and marble, with zones of 10 metres to 30 metres of coarse grained marble intersected in the deeper holes. Pegaso hole 431 shows notably thicker skarn, marble and hornfels, reaching a thickness of over 300 metres. No intrusive rock was cut by hole 431 despite the greatly increased strength of thermal metamorphism and metasomatism. Sulphides in this area occur with skarn silicates but do not replace them.

- Vein and veinlet mineralization consists of high-angle calcite veins with 5 vol.% to 50 vol.% very coarse grained sulphides occurring as linings on the vein walls, breccia fragments surrounded by later calcite, and as veinlets replacing massive vein calcite. The veins clearly were repeatedly brecciated, filled with calcite and subsequently remineralized. The calcite has a characteristic strong orange-red fluorescence under ultraviolet light, indicating the presence of significant manganese in the calcite crystal structure. This is characteristic of “fugitive calcite” veining, which represents calcite dissolved by the sulphide mineralizing replacement process and reprecipitated in fractures outboard of the sulphide zone with various trace metals present in the “spent” mineralizing fluids. Manganese is abundant in these “spent” fluids and its characteristic response to ultraviolet light makes “fugitive calcite” veins easy to detect and discriminate from calcite veinlets of other origins.

A schematic cross section showing the mineralization and alteration at the Upper Manto deposit is shown in Figure 6 below.

Figure 6 – Structural Regime

Pozo Seco

Pozo Seco molybdenum-gold mineralization is primarily hosted in brecciated Upper Cuchillo limestone. Brecciation is most intense along the Lucia Fault over a strike length of two kilometres and extends up to 300 metres east of the fault in a tabular body up to 100 metres thick. Veining related to the brecciation is dominated by white calcite and dark chalcedony. Average grades range from 0.1% Mo to 0.2% Mo and 0.15 g/t Au to 0.25 g/t Au. Pyrite, galena, and sphalerite are found in a core of the high-grade oxide mineralization and within deeper veins.

The main molybdenum mineral is powellite (calcium molybdate) and is easily recognized by its yellow-orange fluorescence under an ultraviolet light. Powellite occurs as late stage veinfracture fill and banded open space coatings on brecciated rock. Other recognized molybdenum minerals include ferrimolybdite and ilsemanite. The mineralogical site of the anomalous arsenic present has not been determined. The limited sulphide core has evidence of precursor molybdenite.

Textures and geochemistry suggest mineralization occurred in a boiling environment. The multiple brecciation stages could result from explosive boiling repeatedly breaking a developing silica seal to the system during coeval faulting. The tabular form could be a result of brecciation and later solution along a precursor low angle fault or a result of explosive fracturing, silica healing, and re-fracturing by boiling at the paleo-phreatic level.

Deposit Types

CRDs are Phanerozoic, high-temperature (>250 ºC) deposits consisting of major pod, lens, and pipe-shaped lead-zinc-silver-copper-gold skarn and massive sulphide bodies which transgress the stratigraphy of their host carbonate rocks and are commonly associated with igneous intrusive and extrusive rocks. Limestone, dolomite, and dolomitized limestones are the common hosts with minor deposits in calcareous sediments of other lithologies. They are dominantly composed of a simple assemblage of metal sulphides with subordinate carbonate, sulphate, fluorite, and quartz gangue. Calc-silicate or iron-calcic skarn may or may not be present and important. Both sulphide and skarn contacts with carbonate wallrocks are sharp. Evidence for replacement greatly outweighs evidence for open-space filling or syngenetic deposition.

CRDs have contributed 40% of Mexico's historic silver production, making them second only to epithermal veins. Currently, they provide most of the zinc and lead that put Mexico in fifth and sixth place, respectively, in world production. The largest CRDs in Mexico range from 10 million tonnes to over 100 million tonnes in size and define a belt measuring 2,200 km long by 20 km to 50 km wide. The Upper Manto deposit represents a new major discovery along this trend. CRDs are commonly mined at rates of 2,500 tpd to over 6,000 tpd, with mining depths in several exceeding 1,200 metres below surface.

Mexico's CRDs occur along the intersection of the Laramide-aged Mexican Thrust Belt and the Tertiary volcanic plateau of the Sierra Madre Occidental, a zone where structurally prepared carbonate host rocks were intruded by metal-rich magmas. The Cinco de Mayo Project area lies on the western bounding fault of the Chihuahua Trough, the same structure that hosts major CRDs, such as Santa Eulalia (MAG's Guigui property), Naica, San Pedro Corralitos, and Terrazas. This ancient crustal break first controlled deposition of a thick section of carbonate host rocks and then later movements created abundant structural fluid pathways, guiding metal-rich magmas into place for optimal mineral deposition. These are essential elements of the mineralization model.

CRDs are zoned over thousands of metres laterally and hundreds to thousands of metres vertically from central intrusions with mineralized skarn lenses along their flanks to mineralized skarns along dike or sill offshoots; to vertical to steeply oriented tabular or tubular “chimneys” composed dominantly of massive sulphides; to flat-lying tabular elongate "mantos" composed of massive sulphides; to a distinctive series of alteration styles that may extend for additional hundreds of metres from sulphide mineralization. The dominant metals change with distance from the source intrusion, with the highest silver grades occurring in the distal manto-dominated components of the system. Mineralization is typically continuous from the source intrusion to the fringes of the system, with the largest mines exhibiting the full range of mineralization styles. Distinct alteration and mineralization patterns characterize each zone and can be used to trace mineralization from one zone to another. Large CRDs are characteristically multi-stage systems showing evidence for multiple intrusion, mineralization, and alteration events. This results in overprinting of the various stages and creates complex, but substantial mineralized bodies.

CRD exploration focuses on position within the "CRD Belt" and recognition of where exposed mineralization lies with respect to this zoning spectrum. Mantos are traced to chimneys and from there to skarn and source intrusion, or vice versa. Early systematic regional exploration work and the results of initial drilling show that Cinco de Mayo has many geological and mineralogical characteristics in common with the largest CRDs in Mexico. MAG believes its current exploration discoveries in the Upper Manto deposit are in the distal manto part of the system, with Pegaso representing a nearer source (“near-proximal”) environment.

Pozo Seco is a structurally controlled molybdenum-gold deposit hosted in silicified breccias. The Pozo Seco breccias experienced multiple stages of movement, with repeated silicification and mineralization events. The molybdenum mineralization appears to have been deposited first, followed by gold, which continues at anomalous grades outside the molybdenum zone. Pozo Seco molybdenum mineralization is comparable in style to the molybdenum-bearing mineralization that occurs in the proximal parts of several major Mexican CRD systems, but is many times more extensive than the largest known occurrence, the San Martin-Sabinas skarn-CRD system in Zacatecas. Gold-bearing silicified limestone breccias (jasperoids) are also common in Mexican CRD systems, but again the Pozo Seco gold mineralized jasperoid is substantially larger than the largest known occurrence, the Santa Eulalia CRD-skarn system in central Chihuahua.

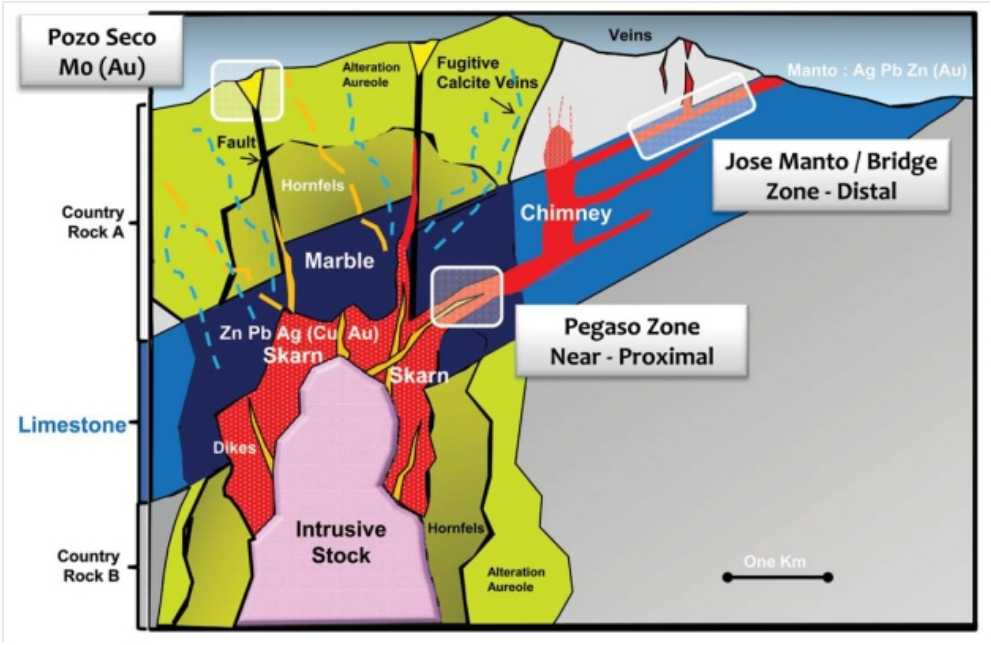


Figure 7 – CRD Exploration Model

Exploration

Most work on the Cinco de Mayo property is done by IMDEX and Cascabel under contract to MAG. IMDEX and Cascabel are related privately held geological consulting companies providing a range of contract exploration services to the mining industry in Mexico. All airborne and ground geophysical surveys conducted on the project since late 2006 were directly contracted and supervised by MAG. Work on the property prior to MAG's involvement is covered above in the section named "History".

Work by MAG began in mid-2004 with preliminary regional geological mapping. Work continued in early 2005 with the completion of an orientation biogeochemical survey that revealed strong linear zinc and copper anomalies coincident with structural lineaments exposed along the eastern edge of Sierra Santa Lucia.

In late 2005, Zonge Engineering & Research Organization, Inc. (“Zonge”) completed a five line NSAMT survey. Based on the initial results, Zonge completed an additional seven lines in 2006. In total, 45 line kilometres using 50 metre dipoles were completed. The survey lines were oriented in a northwest direction, parallel to Cinco de Mayo Ridge, and northeast direction, across the ridge and parallel to a jasperoid vein system. In all, data from 902 stations were acquired in 180 setups.

The strongest anomalies were detected off the northeast flank of the ridge, where most of the historic prospecting has taken place. A series of anomalies on the southwest side of the ridge corresponded closely with jasperoid veinlet system.

In December 2006, Aeroquest Surveys (“Aeroquest”) completed a 450 line-kilometre combined magnetic and electromagnetic helicopter-borne survey. The survey was flown using Aeroquest’s AeroTEM II time domain electromagnetic system in conjunction with a high-sensitivity cesium vapour magnetometer at 100 metre line spacings.

The Pozo Seco discovery hole (CDM-08-83) was drilled to test for mineralized Finlay Formation located in thrust sheets to the southwest of the José Manto. The hole was designed to test the down-dip projection of Finlay Formation hosted jasperoids based on a northeast dipping thrust system. CDM-08-83 intersected a 63 metre section averaging 0.18% Mo and 0.11 g/t Au.

Geotech Ltd. (“Geotech”) flew a Versatile Time Domain Electromagnetic (VTEM) survey in February 2009. A total of 1,920 line kilometres at 125 metre spacing were flown for a total area of 217.5 km^2. The Pozo Seco deposit produced a string of electromagnetic anomalies. Also in February 2009, Geotech flew a Z-Axis, Tipper Electromagnetic Airborne Survey. A total of 413 line kilometres at 250 metre spacing were flown for a total area of 103 km^2. The Pozo Seco deposit produced a string of strong electromagnetic anomalies. The aeromagnetic component of the survey outlined a deep seated magnetic high that may be a granitic intrusive that influenced the mineralizing events. Three other anomalous areas have been identified and require follow-up.

The combined geophysical surveys revealed magnetic, VTEM and ZTEM anomalous responses near to hole CM08-83. This recognition resulted in spotting hole CM09-130, which intersected 45 metres of 0.5% Mo starting just below the surface. Subsequent drilling was effectively a series of step-outs from this hole.

Combining the geological, geochemical, biogeochemical, and geophysical data and interpretations, MAG developed a series of drill targets along a prominent northwest trending fault zone that cuts strongly folded massive limestone and limestone-rich sedimentary rocks. The sulphide-rich manto was first identified in hole CM07-20, which was collared to test the projection of a mineralized thrust fault exposed at the base of the Sierra Santa Lucia and a target identified by the airborne geophysical survey.

The Company believes the reliability of the results of the VTEM survey discussed above is at an industry standard for the methods employed .

Drilling

As of September 1, 2012, the date of the Upper Manto deposit Mineral Resource estimate, 445 holes totalling 213,591 metres have been drilled on the Cinco de Mayo property. Of these, 151 holes totalling 97,610 metres are located at or nearby the Upper Manto deposit and were used to model the mineralization. The Jose Manto is mostly intersected by holes drilled in 2006 to 2009. The Bridge Zone is interested by holes drilled in 2011 and 2012.

Drilling has not yet resumed, and can resume only upon obtaining Soil Use Change Permit, drill permits and a surface access agreement with the local Ejido (see '"Soil Use Change Permit" and surface access' above in 'The year ended December 31, 2012'). The Company believes the Ejido access issue is a temporary delay and is working to resolve the issue on a permanent basis with the Ejido, with the expectation of resuming drilling on the property late in 2013.

Drilling is contracted to Major Drilling de Mexico, S.A. de C.V. ("Major") of Hermosillo. In July 2010, Major was operating two drills on the Pozo Seco deposit where 119 holes had been drilled at that time and were used to model the mineralization. Diamond drill holes were collared using HQ (63.5 mm core diameter) equipment and reduced to NQ (47.6 mm core diameter) or BQ as drilling conditions dictated. The collar location was surveyed by differential GPS instrumentation using the coordinate system UTM Zone 13, NAD27 for Mexico. The orientation of the drill head was set by compass and down hole deviation was monitored using an Icefield instrument with readings taken at intervals varying from 10 metres to 30 metres. Most holes were inclined towards the southwest.

Major drilled eleven reverse circulation ("RC") holes using a UDR1000-44 multi-purpose rig. Seven RC holes twinned diamond core holes. Comparison of diamond core holes and twinned RC holes indicates good repeatability for molybdenum, but poor repeatability for gold, and therefore RC drilling was discontinued. The four non-twinned RC holes were used to estimate resources.

A Cascabel project geologist was at the drill to end each hole. Once the hole was completed, the casing was pulled and the collar was identified with labelled cement monuments. The site was then revegetated according to local regulations and standards.

Drill sections were spaced at 100 metres to 250 metres along strike, with intercepts on each section averaging 50 metres apart down dip. Drill hole recovery was good except for the occasional fault zone. The resource remains open in several directions.

An 61.6 metres massive sulphide intercept, known as the Pegaso Zone, located deeper in hole CM12-431 was not included as part of the Upper Manto Mineral Resource estimate. Additional drilling is recommended by RPA to establish the geometry of the Pegaso Zone. The 61.6 metres intercept has an average grade of 89 g/t Ag, 0.78 g/t Au, 0.13% Cu, 2.1% Pb, and 7.3% Zn, including 31.9 metres that grades 117 g/t Ag, 1.13 g/t Au, 0.16% Cu, 2.7% Pb, and 9.3% Zn.

There did not appear to be any drilling, sampling, or recovery factors that could materially affect the accuracy or reliability of the results. The resource modelling method used by RPA manages the relationship between core length and true thickness.

Sample Preparation, Analyses and Security

MAG and Cascabel use industry standard sample preparation, analysis, data management and security procedure for the Cinco de Mayo Project. In summary, RPA concurs with the adequacy of the samples taken, the security of the storage and shipping procedures, the sample preparation, the analytical procedures used, and the data management practices.

Drill core is transported by Cascabel personnel twice daily to MAG's core handling facility in Benito Juárez. Geotechnicians check depth markers, box numbers, reconstruct the core, and calculate core recovery.

The core is descriptively logged and marked for sampling by Cascabel geologists. All core is also logged under an ultraviolet light. Logging and sampling data are entered into HP iPAQ Pocket PCs using GeoInfo Mobile software by Geo-Information Solutions of Tucson, Arizona. Data are later transferred to customized GeoInfo Tools Database software, also by Geo- Information Solutions. Core is photographed before sampling.

Sample intervals are selected based on visible mineralization and geological contacts. Sample lengths of the mineralized intervals in the Upper Manto deposit area vary from a minimum of 9 cm to 2.12 metres. Barren samples are commonly taken to shoulder both ends of mineralized zones and are typically one metre in length. Core marked for sampling is sawn, with half returned to the box and the other half placed in plastic sample bags. Core samples are tracked using three part ticket books. Assay intervals and sample numbers are marked on core boxes with marker. One tag is placed in the sample bag along with the sample and the last tag is kept for MAG's records. Core trays are marked with aluminum tags as well as felt marker. The plastic sample bags are placed in larger rice bags and sealed for shipping. Mineralized core is stored in a secure building in Benito Juárez. Unmineralized core is crosspiled at two different secure locations also in Benito Juárez.

MAG measures the density of all samples submitted for chemical analysis. Several measurement methods have been used over the history of the project, including a graduated cylinder to estimate volume and a digital scale for mass, the "weight in air" versus "weight in water" method ("Archimedes method"), and a water displacement method. The Archimedes method is currently used to measure the density of samples from 2012 drilling. Porous material is sealed with paraffin wax.

Core samples for analysis are stored in a secure warehouse prior to shipping. The warehouse is either locked or under direct supervision of the geological staff. Prior to shipping, drill core samples are placed in large rice bags and sealed. A sample transmittal form is prepared that identifies each batch of samples. The samples are transported directly to ALS Chemex facilities in Chihuahua for sample preparation. ALS Chemex forwards sample pulps to its laboratory facility in North Vancouver, British Columbia, Canada, for analysis.

ALS Chemex laboratories in North America are registered to ISO 9001:2000 for the provision of assay and geochemical services by QMI Quality Registrars. In addition, ALS Chemex's main North American laboratory in North Vancouver is accredited by the Standards Council of Canada for specific tests listed in their Scope of Accreditation No. 579. This accreditation is based on international standards (ISO 17025) and involves extensive site audits and on-going performance evaluations.

Upon receipt at the laboratory, samples are assigned bar codes for tracking. Sample preparation includes weighing, drying, fine crushing of the sample to a minimum of 75% passing a minus 10 mesh, splitting the sample through a riffle splitter, and pulverizing 250g to a minimum of 95% passing a minus 150 mesh. For the Bridge Zone samples, barren silica sand was used to help clean the crushing and pulverizing equipment.

Following a four-acid digestion, samples were analyzed for silver, arsenic, copper, lead and zinc using Atomic Adsorption (ALS Chemex method code AA61), with overlimits being analyzed by method AA62. If the overlimit for AA62 was reached, silver was analyzed by fire assay/gravimetric method and overlimits for copper, lead and zinc are analyzed by ALS Chemex's CON02 method. For samples with greater than 2% sulphides, the current system is to skip the AA61 method by going directly to the AA62 method.

Gold is analyzed by 30 g digestion fire assay with an AAS finish (ALS Chemex code AA23). The prepared sample is fused with a mixture of lead oxide, sodium carbonate, borax, silica, and other reagents as required, inquarted with 6 mg of gold-free silver and then cupelled to yield a precious metal bead. The bead is digested in 0.5 mL dilute nitric acid in the microwave oven, 0.5 mL concentrated hydrochloric acid is then added, and the bead is further digested in the microwave oven. The digested solution is cooled, diluted to a total volume of 4 mL with de-mineralized water, and analyzed by AAS against matrix-matched standards.

A few gold and silver values were assayed using a gravimetric method. A prepared sample is fused with a mixture of lead oxide, sodium carbonate, borax, silica, and other reagents in order to produce a lead button. The lead button containing the precious metals is cupelled to remove the lead. The remaining gold and silver bead is parted in dilute nitric acid, annealed and weighed as gold. Silver is determined by the difference in weights.

Once sample analyses are finalized, the MAG project manager downloads the results from ALS Chemex's Webtrieve system. Results are imported into GeoInfo Tools Database software using routines that strip and match header information. All data are indexed on sample number and batch ID. Results from the different analytical methods are stored in separate fields and later compiled into a "final" field using a set of precedence. The "final" field was imported into Gemcom for resource modelling.

Quality Assurance and Quality Control

Quality assurance ("QA") consists of evidence to demonstrate that the assay data has precision and accuracy within generally accepted limits for the sampling and analytical methods used, in order to have confidence in the resource estimation. Quality control ("QC") consists of procedures used to ensure that an adequate level of quality is maintained in the process of sampling, preparing, and assaying the samples. In general, QA/QC programs are designed to prevent or detect contamination and allow analytical precision and accuracy to be quantified. In addition, a QA/QC program can disclose the overall sampling and assaying variability of the sampling method itself.

Accuracy is assessed by a review of results of certified reference material ("CRM") standards, and by check assaying at outside accredited laboratories. Assay precision is assessed by reprocessing duplicate samples from each stage of the analytical process from the primary stage of sample splitting, through sample preparation stages of crushing/splitting, pulverizing/splitting, and assaying.

MAG's QA/QC protocol consists of the regular insertion of blanks, duplicates, and multiple standards within each sample batch. Field and pulp duplicate samples are analyzed to determine the level of analytical precision. RPA recommends that MAG send pulp duplicates to an external laboratory to make an additional assessment of the primary laboratory accuracy.

Overall, the Company is of the opinion that the assay results are reliable and acceptable to support the current resource estimate.

The regular submission of blank material is used to assess contamination during sample preparation and to identify sample numbering errors.

Field and pulp duplicates help assess the natural local-scale grade variance or nugget effect and are also useful for detecting sample numbering mix-ups.

Upper Manto - Pulp duplicates were sent to the same laboratory and therefore help monitor the grade variability as a function of both sample homogeneity and laboratory error.

Pozo Seco - Pulp duplicates are submitted to secondary laboratories to assess the analytical accuracy and identify laboratory bias. MAG submits batches of 100 to 200 pulps to Inspectorate America Corporation, Reno, Nevada ("Inspectorate"), on a periodic basis. Molybdenum is analyzed by ICP-MS and ICP-AES after digestion by Aqua Regia (Inspectorate code 50-4A-UT). High grade molybdenum is analyzed by ore grade ICP (Inspectorate code Mo-4A-OR-ICP). Gold is analyzed by fire assay and Atomic Absorption finish (Inspectorate code Au-1AT-AA).

Field duplicate results for both silver and zinc had high relative standard deviations, indicating poor precision. RPA noted, however, that most of the field duplicates selected automatically are very low grade and that precision becomes progressively poorer as grades get lower so the poor precision observed at these levels is not unexpected.

Certified Reference Material (Standards)

Results of the regular submission of CRMs are used to monitor analytical accuracy and to identify potential problems with specific batches. Prior to discovering the Bridge Zone, MAG inserted CRM samples at a rate of one in twenty samples. MAG now inserts one CRM for each drill hole.

Specific pass/fail criteria are determined from the standard deviations provided for each CRM. The conventional approach for setting standard acceptance limits is to use the mean assay plus or minus two standard deviations as a warning limit and the mean plus or minus three standard deviations as a failure limit. Results falling outside of the plus or minus three standard deviation failure limit must be investigated to determine the source of the erratic result, either analytical or clerical.

Data Verification

The resource database was reviewed and verified during two site visits by the qualified person responsible for Upper Manto Technical Report. Data verification procedures included a series of digital queries on the database, checks of laboratory certificates and a review of the Company's QA/QC results. The qualified person considered the resource database reliable and appropriate to prepare a Mineral Resource estimate.

Adjacent Properties

There are no significant properties adjacent to the Cinco de Mayo Project.

Mineral Processing and Metallurgical Testing

Metallurgical testwork is in progress, however, no results are available at this time.

Mineral Resources Estimates

Upper Manto

In October 2012, the company announced the completion of a first independent Mineral Resource estimate for the Upper Manto deposit, presented in Table 15 below and contained in the Upper Manto Technical Report. RPA prepared a Mineral Resource estimate for the Upper Manto deposit based on drill results available to September 1, 2012 (no data from drill hole CM-12-431 in the deep Pegaso Zone (see below) was used in this estimate).

At a cutoff grade set at a NSR of US$100 per tonne, Inferred Mineral Resources are estimated to be 12.45 million tonnes at 132 g/t (3.9 opt) silver, 0.24 g/t gold, 2.86% lead, and 6.47% zinc (9.33% lead plus zinc) (see table 14 below). The total contained metals in the resource are 52.7 million ounces of silver, 785 million pounds of lead, 1,777 million pounds of zinc, and 96,000 ounces of gold. The Mineral Resources are contained within the Upper Manto deposit, formerly known as the Jose Manto and Bridge Zone deposits. There are no Mineral Reserves estimated on the property.

Table 15 – Mineral Resource Estimates for the Cinco de Mayo Project as of September 1, 2012

Resource Category (NSR $100 Cut off)	Tonnage Mt	Gold g/t	Silver g/t	Lead %	Zinc %	Silver Ounces M	Lead M lbs	Zinc M lbs
M10	4.89	0.32	142	2.47	6.56	22.4	296	708
M20	1.48	0.20	129	2.24	5.97	6.1	73	195
M30	0.93	0.07	122	2.65	6.97	3.7	54	143
M40	1.45	0.24	133	3.52	6.18	6.2	113	198
M50	3.29	0.18	122	3.11	6.84	12.9	225	496
M60	0.41	0.34	100	2.63	4.22	1.3	24	38
Inferred	**12.45**	**0.24**	**132**	**2.86**	**6.47**	**52.7**	**785**	**1,777**

Footnotes:

1. CIM Definition Standards have been followed for classification of Mineral Resources.
2. Mineral Resources are reported at a NSR cut-off value of US$100/tonne.
3. NSR values are calculated in US$ using factors of $0.60 per g/t Ag, $12.32 per g/t Au, $18.63 per % Pb and $14.83 per % Zn. These factors are based on metal prices of US$27.00/oz Ag, US$1,500/oz Au, $1.15/lb Pb and $1.20/lb Zn and estimated recoveries and smelter terms.
4. A minimum mining width of two metres was used.
5. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.
6. Totals may not add correctly due to rounding.

Sensitivity analysis of the new resource to higher NSR cut-offs reveals significant higher grade portions. This is demonstrated by the $150 NSR cut-off case which gives a total of 9.4 million tonnes of 151 g/t (4.4 opt) silver, 0.26 g/t gold, 3.37% lead, and 7.35% zinc (see Table 16).

Table 16: Resource Sensitivity to Various NSR Cut –Off Values

NSR CUT-OFF ($/t)	Tonnage Mt	Gold g/t	Silver g/t	Lead %	Zinc %	Pb + Zn %	Silver Ounces M	Lead M lbs	Zinc M lbs
$50.00	14.93	0.23	117	2.55	5.77	8.32	56.1	839	1,899
$ 75.00	14.03	0.23	122	2.67	6.04	8.71	54.9	826	1,867
$ 100.00	**12.45**	**0.24**	**132**	**2.86**	**6.47**	**9.33**	**52.7**	**785**	**1,777**
$ 125.00	11.19	0.25	139	3.06	6.80	9.86	50.1	754	1,679
$ 150.00	9.36	0.26	151	3.37	7.35	10.72	45.3	695	1,517

Footnotes: As per Table 14 above, with exception of footnote 2 (mineral resources are reported at NSR cut-off values as indicated.)

The Upper Manto drill hole database includes 151 diamond core holes totaling 97,609 metres drilled. A set of cross sections and plan views was interpreted to construct three-dimensional wireframe models of the mineralized mantos using the descriptive logs, a minimum NSR value of approximately US$50 per tonne, and a minimum true thickness of two metres. Prior to compositing to two metre lengths, high grades assays were cut to 24% zinc, 18% lead, 1,000 g/t silver, and 4 g/t gold. Grades and density were estimated using inverse distance cubed.

Pozo Seco

In August 2010, an initial Mineral Resource estimate for the Pozo Seco molybdenum-gold deposit was announced. RPA, then Scott Wilson RPA, prepared a Mineral Resource estimate for the Pozo Seco deposit based on drill results available to July 12, 2010. At a cut-off grade of 0.022% molybdenum, the Indicated Mineral Resources are estimated at 29.1 million tonnes grading 0.147% molybdenum and 0.25 g/t gold, containing 94.0 million pounds molybdenum and 230,000 ounces gold. Inferred Mineral Resources are estimated at 23.4 million tonnes grading 0.103% molybdenum and 0.17 g/t gold, containing 53.2 million pounds molybdenum and 129,000 ounces gold (see Table 17).

Table 17 - Mineral Resource Estimate for the Pozo Seco Deposit

Zone/Classification	Tonnage (Tonnes x 1000)	Molybdenum (%)	Molybdenum (pounds)	Gold (g/t)	Gold (ounces)
INDICATED					
FW1	2,719	0.116	6,943,000	0.27	24,000
MZ	26,346	0.150	87,082,000	0.24	206,000
Total Indicated	**29,066**	**0.147**	**94,012,000**	**0.25**	**230,000**
INFERRED					
FW1	4,357	0.086	8,220,000	0.22	31,000
FW3	1,312	0.109	3,155,000	0.19	8,000
FW4	38	0.057	48,000	0.02	0
HW1	819	0.065	1,177,000	0.08	2,000
HW2	1,234	0.070	1,911,000	0.14	5,000
MZ	13,857	0.118	36,009,000	0.15	67,000
NWZ	1,759	0.069	2,686,000	0.27	15,000
Total Inferred	**23,376**	**0.103**	**53,205,000**	**0.17**	**129,000**

Notes:

1. CIM Definition Standards have been followed for classification of Mineral Resources.
2. The cut-off grade of 0.022% molybdenum was estimated using a molybdenum price of US$17/lb and assumed operating costs and recoveries.
3. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.
4. Totals may not add correctly due to rounding.

The drill hole database within the Pozo Seco area includes 119 holes (up to and including 264) totalling 34,311 metres. A set of cross sections and plan views were interpreted to construct three-dimensional wireframe models using a minimum grade of approximately 0.02% molybdenum and a minimum vertical thickness of two metres. Prior to compositing to three metre lengths, high molybdenum grades were cut to 1.0% molybdenum and gold values were cut to 1.8 g/t gold.

Variogram parameters were interpreted from three-metre composited assay values. Block model molybdenum and gold grades within the wireframe models were estimated by ordinary kriging. Classification into the Indicated and Inferred Mineral Resource categories was guided by the drill hole density, interpreted variogram ranges, and the apparent continuity of the mineralized zones. Preliminary Whittle open pit analysis was used to confirm that the project has reasonable prospects for economic extraction. Only material within the preliminary pit shell is reported as Mineral Resources. In plan view, the resources are contained within an area 2,000 metres long by 300 metres wide, elongated in the northwest-southeast direction.

Qualified Person (Mineral Resource): The Mineral Resources for the Upper Manto deposit and the Pozo Seco deposit disclosed in this AIF have been estimated by Mr. David Ross, P.Geo., an employee of RPA and independent of MAG. By virtue of his education and relevant experience Mr. Ross is a "Qualified Person" for the purpose of NI 43-101. The Mineral Resources have been classified in accordance with CIM Definition Standards for Mineral Resources and Mineral Reserves.

Other Exploration

Hole CM12-431: The Pegaso Zone

In mid-June 2012, exploration hole CM12- 431 drilled deep beneath the overlap zone between the Bridge Zone and the Jose Manto, cut four significant sulphide intervals within a 300 metre wide skarn and marble zone. The largest and deepest interval was 61 metres of high-grade massive sulphides that lies behind (to the southwest of) the structures that host the Upper Manto mineralization. This is an entirely new mineralization zone named the “Pegaso Zone”, which shows all of the hallmarks of being a near-source part of the CRD system that MAG has been systematically seeking at Cinco de Mayo. The mineralization in the upper intercepts of hole CM12-431 are likely connected to the high-grade silver-lead-zinc mineralization in the 4 kilometre long Upper Manto, indicating that continuous mineralization exists from 125 to 900 metres vertical depth.

These new mineralized intercepts in hole CM12-431 start at 730 metres down hole and continue to nearly 1,000 metres depth down hole (approximately 900 metres vertical depth). The Pegaso Zone is the thickest and deepest intercept, beginning at 927 metres down hole and continuing for 61.6 metres with an average grade of 89 g/t (2.6 opt) silver, 0.78 g/t gold, 0.13% copper with 2.1% lead and 7.3% zinc; including: 31.9 metres that grades 117 g/t (3.4 opt) silver, 1.13 g/t gold, 0.16% copper with 2.7% lead and 9.3% zinc. The Pegaso Zone lies behind (southwest of) the structures that host the Upper Manto, and appears to be a totally new mineralization zone. The three additional intercepts (see Table 18) ranging from 3.12 to 20.15 metres thick lie above this, between 817 and 900 metres depth. The best is the 10 metre intercept (817.22 - 827.22 metres down hole) which returned 1.38 g/t gold, 139 g/t (4.1 opt) silver, 0.11% copper, 2.62% lead and 11.8% zinc. This intercept is believed to be the down-dip extension of the Bridge Zone. The gold and copper grades in all four intercepts are the highest and most consistent yet encountered on the project. Significantly, broad zones of coarse marble and pervasive tungsten-bearing garnet skarn occur above, between and below the massive sulphide zones, but no intrusions were seen in hole CM12-431 and very little of the sulphides encountered to date in the Pegaso Zone appear to be replacing skarn silicates. These results suggest both that the near-intrusion source zone is nearby but has not yet been reached.

Table 18: Pegaso Zone

Hole ID	From (metres)	To (metres)	Interval (metres)	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)	Pb+ Zn (%)
CM12-431	730.15	731.40	1.25	0.42	75	0.029	0.54	4.42	4.96
and	817.55	827.55	10.00	1.38	139	0.113	2.62	11.80	14.43
including	821.10	823.00	1.90	2.35	203	0.124	4.44	15.02	19.46
including	824.37	827.55	3.18	1.12	194	0.172	3.25	13.01	16.25
and	856.78	859.90	3.12	2.42	332	0.149	6.65	2.48	9.13
and	877.00	897.15	20.15	1.31	45	0.073	0.76	4.98	5.74
and	899.45	902.90	3.45	0.30	188	0.052	5.64	5.31	10.95
including+	901.23	901.63	0.40	0.45	914	0.047	30.00	5.02	35.02
and*	927.50	989.10	61.60	0.78	89	0.127	2.05	7.32	9.37
including*	938.35	970.25	31.90	1.13	117	0.155	2.72	9.31	12.03
including*	939.05	953.25	14.20	0.94	141	0.152	2.57	13.95	16.53
including	958.30	964.43	6.13	3.16	196	0.328	5.91	6.19	12.10

+ Contains Pb overlimit (>30 wt%)

*** Contains Zn overlimit (>30 wt%)**

Quality Assurance and Control – Cinco de Mayo: The Company has in place a quality control program to ensure best practices in sampling and analysis. Samples were collected by employees of consulting firm Minera Cascabel S.A. de C.V. on behalf of MAG Silver Corp. The diamond drill core samples are shipped directly in security sealed bags to ALS-Chemex Laboratories preparation facilities in Hermosillo, Sonora or Chihuahua City (Certification ISO 9001). Sample pulps are shipped from there to ALS-Chemex Laboratories in North Vancouver, Canada for analysis. All samples were assayed for gold by standard fire assay-ICP finish with a 50 gram charge. Gold values in excess of 3.00 g/t were re-analyzed by fire assay with gravimetric finish for greater accuracy. Silver, zinc, copper and lead values in excess of 100 ppm, 1%, 1% and 1% respectively are also repeated by fire assay and atomic absorption analysis.

Summary of combined Upper Manto-Pegaso Zone results

Combining hole CM12-431 with holes CM12-392 and CM12-399, plus shallower drilling throughout the Upper Manto area, indicates that mineralization is continuous from 125 metres to 900 metres vertical depth, with a significant broadening in the Pegaso Zone between 800 and 900 metres depth. This broadening coincides with an increase in skarn alteration and increasing zinc, gold and copper grades – consistent with what MAG's CRD zoning model predicts as a source zone is approached. Overall, near-surface Upper Manto mineralization appears higher in silver and lead than deeper Pegaso Zone mineralization which is richer in zinc, copper and gold. The combined vertical metals and alteration zoning and broadening of mineralization is typical in CRD systems worldwide and strongly indicates that the source intrusion is being approached. The overall strength and style of mineralization and alteration further indicate that this source zone may be very large. The strongest mineralization has been found within the overlap zone between the fault slices that host the shallow Jose Manto and the Bridge Zone, suggesting that this structurally complex zone acted as a major conduit for mineralizing fluids and perhaps intrusive emplacement. The degree of mineralization seen so far indicates that the source intrusion could be surrounded by very large-scale mineralization.

Current Exploration Program

Because of the expense of drilling at these depths, MAG has contracted for the execution of an orientation 2 and 3 Dimensional Seismic survey to determine if the system can be better defined in this area before further deep drilling is undertaken. However, further exploration and drilling can resume only upon obtaining the Soil Use Change Permit, drill permits and a surface access agreement with the local Ejido (see above).

The exciting intercept at Pegaso, deep below the Upper Manto and probably indicative of the 'near source' for the mineralization at Cinco de Mayo, is where drilling will be directed, to expand and delineate this high grade massive sulphide intercept. A seismic survey will go a long way to aid in the planning and placement of drill holes, particularly on the Pegaso zone.

At Pozo Seco, plans for 2013 include finishing up a market study and completing a PEA.

Other exploration will continue to explore for the larger CRD/Skarn deposit believed to exist at Cinco de Mayo.

Other Properties

The Company has several other exploration properties. At this time, the Company is focused primarily on epithermal vein exploration along the Fresnillo Silver Trend and on CRD exploration along the western edge of the Chihuahua Trough. The Company is constantly looking for other opportunities that could offer us the potential to meet our exploration objectives.

The Company has identified and acquired a number of new project areas in recent years throughout our targeted regions and will be directing these projects through the exploration process in order to identify drill targets. None of these properties are advanced enough to be able to identify any resource or reserve figures.

For more information on these properties, see the Company's most recently completed Management's Discussion and Analysis which is available under the Company's profile on SEDAR (www.sedar.com).

DIVIDENDS

The Company has neither 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.

DESCRIPTION OF CAPITAL STRUCTURE

The Company's authorized capital consists of an unlimited number of Common Shares without par value and an unlimited number of Preferred Shares without par value, of which 60,141,718 Common Shares were issued and outstanding and no Preferred Shares were issued and outstanding as at March 27, 2013. All of the issued shares are fully paid and non-assessable.

Common Shares

A holder of a Common Share is entitled to one vote for each Common Share held on all matters to be voted on by the Company's shareholders. Each Common Share is equal to every other Common Share and all Common Shares participate equally on liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of our assets among the Company's shareholders for the purpose of winding up its affairs after the Company has paid out its liabilities. The shareholders are entitled to receive *pro rata* such dividends as may be declared by the Board of Directors out of funds legally available therefore and to receive *pro rata* the remaining property of the Company upon dissolution. No shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights, and no provisions for redemption, retraction, purchase or cancellation, surrender, sinking fund or purchase fund. Provisions as to the creation, modification, amendment or variation of such rights or such provisions are contained in the *Business Corporations Act* (British Columbia) and the articles of the Company .

Shareholder Rights Plan

On January 18, 2008, the shareholders of the Company approved a shareholder rights plan (the "Rights Plan"). The Rights Plan was adopted to ensure the fair treatment of shareholders in connection with any take-over bid for Common Shares of the Company. The Rights Plan was not adopted in response to any proposal to acquire control of the Company. The Rights Plan provides for expiry at the end of the third annual general meeting of the Company's shareholders following initial approval, unless renewed by the shareholders.

On February 22, 2009, the Board of Directors of the Company approved certain amendments (the "Amendments") to the Rights Plan in the form of an amended and restated shareholder rights plan agreement. On March 24, 2009, the Amendments were approved by the Company's shareholders at the annual and special meeting of shareholders and by the Toronto Stock Exchange.

On May 14, 2010, the Board of Directors of the Company approved the continuation of its Rights Plan substantially in the form set forth in the shareholder's rights plan agreement between the Company and Computershare Investor Services Inc. dated as of August 3, 2007, as amended and restated on March 24, 2009. On June 22, 2010, the continuation was approved by the shareholders at the annual and special meeting of Shareholders and by the Toronto Stock Exchange. A copy of the Rights Plan may be obtained by request in writing to the Company at Suite 770 – 800 West Pender Street, Vancouver, BC V6C 2V6 or viewed in electronic format at www.sedar.com and at www.sec.gov.

Stock Options

The Company has a stock option plan (the "Stock Option Plan") in place that was initially approved by the Company's shareholders on March 24, 2009. On September 15, 2011, the shareholders approved an amendment to the Stock Option Plan that converted the plan from a fixed number plan of 5,453,839 Common Shares to a "rolling" plan with a maximum of 8% of the Company's issued and outstanding Common Shares. On May 11, 2012, the Board of Directors approved an amendment to the Stock Option Plan to provide for a cashless exercise of options. As at March 27, 2013, 1,432,378 stock options are available for grant under the Stock Option Plan. The Stock Option Plan is expected to benefit the Company's shareholders by enabling the Company to attract and retain high caliber personnel by offering to them an opportunity to share in any increase in value of the Common Shares of the Company resulting from their efforts. The purpose of the Stock Option Plan is to provide incentive to the Company's employees, officers, directors, and consultants responsible for the continued success of the Company. The maximum number of Common Shares to be reserved for issuance under the Stock Option Plan will not exceed 8% of the Company's issued and outstanding Common Shares. A copy of the Stock Option Plan may be viewed in electronic format at www.sedar.com and at www.sec.gov.

MARKET FOR SECURITIES

Trading Price and Volume

The following table provides information as to the high and low prices of the Company's Common Shares during the 12 months of the most recently completed financial year as well as the volume of shares traded for each month:

Toronto Stock Exchange – MAG

Month	*High*	*Low*	*Volume*
December, 2012	10.28	9.39	2,574,241
November, 2012	13.32	9.44	2,800,875
October, 2012	13.10	10.94	2,743,608
September, 2012	12.20	10.10	3,473,396
August, 2012	10.42	8.81	2,790,220
July, 2012	9.75	8.58	3,001,700
June, 2012	9.95	7.64	2,202,368
May, 2012	9.95	6.72	2,384,094
April, 2012	10.50	8.66	2,286,764
March, 2012	10.63	9.05	3,332,029
February, 2012	10.50	7.90	3,531,692
January, 2012	8.62	6.85	2,089,756

New York Stock Exchange Market (formerly the American Stock Exchange) - MVG

Month	*High*	*Low*	*Volume*
December, 2012	10.35	9.51	1,020,294
November, 2012	13.42	9.50	2,741,484
October, 2012	13.11	10.97	2,127,601
September, 2012	12.41	10.27	2,167,041
August, 2012	10.50	8.80	2,308,631
July, 2012	9.62	8.37	1,309,450
June, 2012	9.64	7.43	1,698,649
May, 2012	10.08	6.63	1,986,526
April, 2012	10.54	8.68	1,739,284
March, 2012	10.70	9.05	2,334,996
February, 2012	10.62	7.85	2,224,062
January, 2012	8.62	6.74	1,828,990

Prior Sales

The following table summarizes the issuances of stock options by the Company within the 12 months prior to the date of this AIF.

Date of Issue	Number of Securities	Security	Price of Security (C$)
Jun 15, 2012	100,000	Options	8.95
Jul 28, 2012	760,000	Options	9.15
Oct 5, 2012	300,000	Options	12.19
March 4, 2013	100,000	Inducement Options	9.61

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

Name & Position[1]	Principal Occupation or Employment during the past 5 years	No. of Shares[5][6]	No. of Options/price
DANIEL T. MACINNIS [10] President, CEO, Director (since Feb 1/05) British Columbia, Canada	President and CEO of the Company since February 1, 2005. Mr. MacInnis is also a director of MAX Resources Corp.	301,300	13,125/$5.54 12,344/$5.32 8,379/$6.32 17,500/$10.01 125,000/$9.92 125,000/$10.44 125,000/$9.15
PETER K. MEGAW[10] Director (since Feb 6/06) Arizona, USA	President of IMDEX and co-founder of Minera Cascabel S.A. DE C.V. since 1988, a geological consulting company; consulting geologist for the Company since its inception in 2003. Dr. Megaw is also a director of Candente Gold Corp and Minaurum Gold Corp.	287,591[9]	11,250/$5.54 10,938/$5.32 8,203/$6.32 15,000/$10.01 50,000/$9.92 50,000/$10.44 50,000/$9.15
FRANK R. HALLAM[8][10][11] Director (since Jun 22/10) British Columbia, Canada	April 2003 to June 22, 2010, CFO of MAG Silver Corp.; 2002 to present, CFO and director of Platinum Group Metals Ltd., a company building a platinum mine in South Africa and exploring properties in Canada and South Africa; 1996 to 2007, CFO Callinan Mines Ltd.; 2006 to 2009, director of West Timmins Mining Inc. and CFO 2006 to 2008; 2009 to present, director Lake Shore Gold Corp.; 2009 to present, director and CFO of West Kirkland Mining Inc. Mr. Hallam is a director of Platinum Group Metals Ltd., Lake Shore Gold Corp., West Kirkland Mining Inc. and Nextraction Energy Corp.	Nil	34,761/$6.32 74,063/$10.01 50,000/$7.42 69,285/$9.92 50,000/$10.44 50,000/$9.15

Name & Position[1]	Principal Occupation or Employment during the past 5 years	No. of Shares[5][6]	No. of Options/price
ERIC H. CARLSON[3][4] Director (since Jun 11/99) British Columbia, Canada	Founder and CEO of Anthem Properties Group Ltd. and its affiliates, including Anthem Works Ltd., a reporting issuer, together comprising a real estate investment and development group of companies operating under the Anthem brand, from July 1994 to present; 1992 to 2008, President of Kruger Capital Corp.; and director of West Timmins Mining Inc. from 2006 to 2009. Mr. Carlson is also a director of Platinum Group Metals Ltd., West Kirkland Mining Inc., and Nextraction Energy Corp.	1,325,500[7]	20,625/$5.54 15,469/$5.32 6,602/$6.32 27,500/$10.01 50,000/$9.92 50,000/$10.44 50,000/$9.15
JONATHAN A. RUBENSTEIN[4][8] Director (Since Feb 26/07) Chairman (Since Oct 12/07) British Columbia, Canada	Professional Director. Director of Detour Gold 2009 to present; director of Eldorado Gold 2009 to present; director of Troon Ventures 2009 to present; director of Roxgold 2012 to present; director of Aurelian Gold 2006 to 2008; director of Rio Novo Gold 2010 to 2012; Former lawyer in private practice, with focus on corporate and securities law.	1,000	15,938/$5.54 16,953/$5.32 7,715/$6.32 21,250/$10.01 50,000/$7.42 75,000/$9.92 75,000/$10.44 75,000/$9.15
RICHARD M. COLTERJOHN[2][3][8][11] Director (since Oct 16/07) Ontario, Canada	Managing Partner at Glencoban Capital Management Inc., a merchant banking firm, since 2002. Founder, president, CEO and director of Centenario Copper Corporation from 2004 to 2009; director of Cumberland Resources Ltd from 2003 to 2007; director of Explorator Resources Ltd. from 2009 to 2011. Mr. Colterjohn also currently serves as a director of AuRico Gold Inc. (since 2010) and Roxgold Inc. (since 2012).	10,000	9,375/$5.54 7,031/$5.32 7,774/$6.32 50,000/$9.92 50,000/$10.44 60,000/$9.15
DEREK C. WHITE[2] Director (since Oct 16/07) British Columbia, Canada	CEO and President since September 2012, and Executive Vice President – Corporate Development since September 2007, of KGHM International Limited, a company constructing and operating mines in Canada, the USA and Chile; CFO of Quadra Mining from April 2004 to November 2007. Mr. White holds an undergraduate degree in Geological Engineering and is a Chartered Accountant. Mr. White is also a director of Magellan Mineral Limited and Laurentian Goldfields Ltd.	Nil	13,281/$5.54 9,961/$5.32 14,971/$6.32 4,375/$10.01 100,000/$7.42 50,000/$9.92 50,000/$10.44 50,000/$9.15
PETER D. BARNES[2][4][11] Director (since Oct 5/12) British Columbia, Canada	Corporate Director and a private investor. Director of CB Gold Inc. since April 2010, where he is the non-executive Chairman and a member of the Audit Committee and the Governance Committee. Former CEO and director of Silver Wheaton Corp from 2006 to 2011, and one of Silver Wheaton's founders in 2004, a silver streaming company. Executive Vice President and CFO of Goldcorp Inc. from 2005 to 2006. Director of Avanti Mining Inc. from June 2007 to April 2012. Member of the Institute of Corporate Directors and was a member of the Silver Institute's Board of Directors from 2009 to 2011.	5,000	150,000/$12.19

Name & Position[1]	Principal Occupation or Employment during the past 5 years	No. of Shares[5][6]	No. of Options/price
RICHARD P. CLARK[3][8][10] Director (since Oct 5/12) British Columbia, Canada	CEO since October 2011 and director since 1994 of Sirocco Mining Inc., a mining company holding an interest in mines in South America, and exploring resource sector opportunities in West Africa and South America. Senior executive with the Lundin Group of Companies for past 10 years. Former CEO, President and a director of Red Back Mining Inc. from 2004 until the company's takeover by Kinross Gold Corporation in 2010. Mr. Clark served as a director of Kinross Gold Corporation from November 2010 until July 2011, Fortuna Silver Mines Inc. from August 2008 to June 2010, Corriente Resources Inc. from 1996 until its acquisition in 2010, Minera Andes Inc. from 2008 to 2009, Sanu Resources Ltd. from 2004 until its acquisition by Canadian Gold Hunter Corp. in 2009, and Sunridge Gold Corp. from 2007 to 2008. Mr. Clark also currently serves as director of Lucara Diamond Corp.	Nil	150,000/$12.19
LARRY TADDEI Chief Financial Officer British Columbia, Canada	CFO of the Company since June 22, 2010; CFO of West Timmins Mining Inc., a Canadian mining exploration company, from 2008 to 2010; CFO and Vice President Finance of Gold Hawk Resources Inc., a mining company, from 2006 to 2008; Mr. Taddei has been a Chartered Accountant since 1990.	2,000	185,000/$6.95 75,000/$10.44 75,000/$9.15
MICHAEL PETRINA Vice President Operations British Columbia, Canada	September 1, 2010 to present, Vice-President Operations of the Company; 2010 to June 2011, Technical Advisor of Candente Gold Corp.; 2008 to 2010, VP Operations of Hawthorne Gold Corp./Adriana Resources Inc., a mineral exploration and development company; 2007 to 2008, General Manager, Operations for Adanac Molybdenum Corporation; 2005 to 2007, Senior Mining Engineer Consultant for Belcourt Saxon Joint Venture, Pacific Booker Minerals, Cross Lake Minerals and Canadian Zinc Corporation. Mr. Petrina is a director of Bravura Ventures Corp.	Nil	200,000/$8.15 75,000/$10.44 75,000/$9.15
GORDON K. NEAL Vice President, Corporate Development (to March 15, 2013) British Columbia, Canada	December 1, 2003 to March 15, 2013, Vice-President, Corporate Development of the Company; previously President of Neal MacInerney Investor Relations; director of Zappa Resources from 2006 to 2009; director of Americas Petrogas from 2007 to 2010. Mr. Neal is a director of Dorato Resources, Balmoral Resources, Falco Pacific and Rockgate Capital. Mr. Neal is also a chairman for Abzu Gold.	Nil	29,469/$10.01 25,000/$9.92 25,000/$10.44 25,000/$9.15
Michael J. Curlook Vice President, Investor Relations and Communications (effective March 4, 2013) British Columbia, Canada	March 4, 2013 to Present, Vice President, Investor Relations and Communications of the Company; previously Head of Investor Relations and Communications of Great Basin Gold Ltd from 2008 to 2012; Manager of Investor Relations of Farallon Mining/Hunter Dickinson Inc. from 2006 to 2008.	Nil	100,000/$9.61
JODY L. HARRIS Corporate Secretary British Columbia, Canada	Corporate Secretary of the Company since May 8, 2007.	Nil	7,500/$10.01 15,000/$7.42 20,000/$9.92 20,000/$10.44 25,000/$9.15

Notes:

(1) Each director's term of office expires at the next annual general meeting of shareholders of the Company.

(2) Member of Audit Committee.

(3) Member of Compensation Committee.

(4) Member of Corporate Governance and Nomination Committee.

(5) Includes beneficial, direct and indirect shareholdings.

(6) Does not include stock options and other rights to purchase or acquire shares.

(7) Of these shares, 946,300 shares are held by Carmax Enterprises Corporation, a private company owned by Mr. Carlson.

(8) Member of Special Committee.

(9) Of these shares, 11,085 shares are held by Minera Cascabel SA de CV, a private company owned in part by Mr. Megaw.

(10) Member of the Disclosure Committee

(11) Member of the Finance Committee

There are 60,141,718 Common Shares issued and outstanding as at March 27, 2013. As of March 27, 2013, directors and officers of the Company as a group own or control 1,932,391 Common Shares of the Company representing approximately 3.2% of its issued and outstanding Common Shares.

Conflicts of Interest

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will disclose his interest in the matter and abstain from voting for or against the approval of such participation or such terms. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

The directors and officers of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosures by the directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors or officers in accordance with the laws of British Columbia and they shall govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. Other than as disclosed under the heading "Interest of Management and Others in Material Transactions" below, the directors and officers of the Company are not aware of any such conflicts of interests.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics (the "Code") that applies to all of its directors, officers and employees, including the Chief Executive Officer and Chief Financial Officer. The Code includes provisions covering conflicts of interest, ethical conduct, compliance with applicable government laws, rules and regulations, and accountability for adherence to the Code. A copy of the Code is posted on the Company's website, at www.magsilver.com.

Audit Committee

The Audit Committee is responsible for reviewing the Company's financial reporting procedures, internal controls and the performance of the Company's external auditors. See Audit Committee Charter attached hereto as Schedule "A".

Audit Committee Composition and Background

The Audit Committee is comprised of Derek White (Chairman), Richard Colterjohn and Peter Barnes. All three members of the Audit Committee are (i) independent within the meaning of such term in National Instrument 52-110 - *Audit Committees* ("NI 52-110") and (ii) financially literate under NI 52-110, meaning they are able to read and understand the Company's financial statements and to understand the breadth and level of complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. In addition to each member's general business experience, the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee are set forth below:

Derek White, Chartered Accountant – Mr. White has over 25 years of financial experience in the mining and metals industry. Mr. White is presently the CEO and President of KGHM International Limited (formerly Quadra Mining) since September 2012 and Executive Vice President - Corporate Development since 2007. Mr. White previously held the position as Quadra's CFO commencing in April 2004. From January 2003 to February 2004, he held the position of CFO of International Vision Direct Ltd and as well as senior financial positions and BHP Billiton. Mr White also holds a degree in Geological Engineering from the University of British Columbia.

Richard Colterjohn, B.Comm, MBA – Mr. Colterjohn has been Managing Partner at Glencoban Capital Management Inc., a private merchant banking firm since 2002. He also was the founder, President and CEO of Centenario Copper Corporation, a development stage copper company active in Chile from 2006 to 2009. Since 2002, he has also served as a director of six other Canadian public mining sector companies: AuRico Gold Inc. (ongoing), Roxgold Inc. (ongoing), Canico Resource Corp., Cumberland Resources Ltd., Viceroy Exploration Ltd. and Explorator Resources Inc. Prior to April 2002, Mr. Colterjohn was Managing Director at UBS Bunting Warburg Inc., an investment dealer.

Peter Barnes, Chartered Accountant, D.Sc (Econ)., ICD.D - Mr. Barnes has been a Director of CB Gold Inc. since April 2010, where he is the non-executive Chairman and a member of the Audit Committee and the Governance Committee. He was formerly the CEO and director of Silver Wheaton Corp. from 2006 to 2011, and one of Silver Wheaton's founders in 2004. Mr. Barnes was Executive Vice President and CFO of Goldcorp Inc. from 2005 to 2006 and a Director of Avanti Mining Inc. from June 2007 to April 2012. He is a member of the Institute of Corporate Directors and was a member of the Silver Institute's Board of Directors from 2009 to 2011.

The Board of Directors has determined that each of the Audit Committee members is an “audit committee financial expert” within the meaning of the regulations promulgated by the United States Securities and Exchange Commission and an “independent director” as that term is defined by the rules contained in the NYSE Amex LLC Company Guide.

Reliance on Certain Exemptions

At no time since the commencement of the Company’s most recently completed financial year has the Company relied on any of the exemptions in Section 2.4, 3.2, 3.3(2), 3.4, 3.5 or 3.6 of NI 52-110, or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 or on section 3.8 of NI 52-110. No non-audit services were approved pursuant to a de minimis exemption to the pre-approval requirement.

Audit Committee Oversight

At no time since the commencement of the Company’s most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Pre-Approval Policies and Procedures

The Audit Committee is authorized by the Board of Directors to review the performance of the Company’s external auditors and approve in advance provision of services other than auditing and to consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the Company. The Chairman of the Audit Committee is authorized to approve any non-audit services or additional work which the Chairman deems as necessary and is required to notify the other members of the Audit Committee of such non-audit or additional work.

External Auditor Service Fees

The aggregate fees by the Company’s current external auditor, Deloitte LLP, in each of the last two fiscal years are as follows.

	Year ended December 31, 2012 Cdn$	Year ended December 31, 2011 Cdn$
Audit Fees	$ 250,465	$ 260,620
Audit-Related Fees	0	37,100
Tax Fees	$ 169,205	233,380
All Other Fees	0	0
Total	$ 419,670	$ 531,100

The nature of the services provided by Deloitte LLP under each of the categories indicated in the table is described below.

Audit Fees

Audit fees are those incurred for professional services rendered by Deloitte LLP for the audit of the Company's annual consolidated financial statements, for the interim reviews of the Company's unaudited consolidated financial statements, additional administrative costs and services provided in connection with statutory and regulatory filings or engagements, including for the Company's wholly owned subsidiaries, Minera Los Lagartos, S.A. de C.V., Minera Pozo Seco S.A. de C.V., and Minera Sierra Vieja S.A. de C.V.

Audit-Related Fees

Audit-Related fees in 2011 are those incurred in audit and advisory services relating to IFRS transition.

Tax Fees *(tax compliance, tax advice and tax planning)*

Tax fees are those incurred for professional services rendered by Deloitte LLP for: tax compliance, including the review of tax returns, tax planning and advisory services relating to common forms of domestic and international taxation (i.e. income tax, capital tax, goods and services tax, payroll tax and value added tax); continued tax planning and advisory services on potential restructuring and spin-out projects; and, preparation of a Transfer Pricing report.

All Other Fees

There are no other fees to report under this category for professional services rendered by Deloitte LLP for the Company.

Compensation Committee

The Compensation Committee is comprised of independent directors Richard Colterjohn (Chairman), Eric Carlson and Richard Clark. The primary objective of this committee is to discharge the Board of Director's responsibilities relating to compensation and benefits of the executive officers and directors of the Company. The Compensation Committee Charter may be obtained under the Company's profile at www.sedar.com and at www.sec.gov.

Corporate Governance and Nomination Committee

The Corporate Governance and Nomination Committee is comprised of Jonathan Rubenstein (Chairman), Eric Carlson and Peter Barnes. The primary objective of this committee is to assist the Board of Directors in fulfilling its oversight responsibilities by (a) identifying individuals qualified to become Board and Board committee members, and recommending to the Board director nominees for appointment or election to the Board, and (b) developing and recommending to the Board corporate governance guidelines for the Company and making recommendations to the Board with respect to corporate governance practices. The Corporate Governance and Nomination Committee Charter may be obtained under the Company's profile at www.sedar.com and at www.sec.gov.

Special Committee

The Special Committee is comprised of Richard Colterjohn (Chairman), Jonathan Rubenstein, Frank Hallam and Richard Clark. The primary objective of this committee is to review and analyze strategic alternatives and potential transactions, and to make recommendations to the Board of Directors respecting such strategic alternatives or transactions.

Disclosure Committee

The Disclosure Committee is comprised of Daniel MacInnis (Chairman), Larry Taddei, Peter Megaw, Frank Hallam and Richard Clark. The primary objective of this operational committee is to ensure the Company and all applicable persons meet their obligations under the provisions of securities laws and stock exchange rules by establishing a process for the timely disclosure of all material information, ensuring that all applicable persons understand their obligations to preserve the confidentiality of undisclosed material information and ensuring that all appropriate parties who have undisclosed material information know they are prohibited from insider trading and tipping under applicable law, stock exchange rules and the Timely Disclosure, Confidentiality and Insider Trading Policy, which may be obtained under the Company's profile at www.sedar.com and at www.sec.gov.

Finance Committee

The Finance Committee is comprised of Peter Barnes, Frank Hallam and Richard Colterjohn. The Finance Committee is a non-standing board appointed committee with the primary objective of providing the Board with recommendations relating to financing structures available to the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no pending or contemplated legal proceedings to which our Company is a party or of which any of our properties is the subject, other than the claims of the Company with respect to its purchase of 41 land rights within the Cinco de Mayo property boundaries, and the associated surface access negotiations with the Ejido ((see '"Soil Use Change Permit" and surface access' above in 'The year ended December 31, 2012').

The Company is unaware of any condition of default under any debt, regulatory, exchange related or other contractual obligation.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, executive officer or principal shareholder of the Company, or any associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date of this AIF that has materially affected or is reasonably expected to materially affect the Company, except as otherwise disclosed in this AIF and as follows:

Dr. Peter Megaw, of Arizona, USA, became a member of the Board of Directors of the Company on February 6, 2006. Dr. Megaw is also a principal of Minera Bugambilias, S.A. de C.V. ("Bugambilias") and Minera Coralillo, S.A. de C.V. ("Coralillo"). The Company acquired the mineral claims of the Batopilas property in 2005 from Bugambilias and Bugambilias has retained a NSR royalty interest in that property. The Company acquired the mineral claims of the Guigui property in 2002 from Coralillo and Coralillo has retained a NSR royalty interest in that property. Dr. Megaw is also a principal of IMDEX/Cascabel. The Company previously held an option from Cascabel to earn an interest in the mineral claims of the Salemex property. The Salemex property option was terminated in the year ended December 31, 2010, and in accordance with a provision of the agreement governing the option, Cascabel was paid a termination fee of US$50,000. The Company is also obligated to a 2.5% NSR royalty on the Cinco de Mayo Property to Cascabel under the terms of an option agreement dated February 26, 2004, whereby the Company acquired a 100% interest in the Cinco de Mayo property from Cascabel. Further, Cascabel has been and will continue to be retained by the Company as a consulting geological firm compensated at industry standard rates. During the year ended December 31, 2012, the Company accrued or paid Cascabel and IMDEX consulting and administration fees and reimbursement of travel costs totaling $321,723 (December 31, 2011: $327,983) and exploration reimbursements and other field costs totaling $2,374,816 respectively (December 31, 2011: $2,480,698) under the Field Services Agreement between the parties.

TRANSFER AGENTS AND REGISTRARS

The Company's transfer agent and registrar for its Common Shares is:

Computershare Investor Services Inc.
3rd floor – 510 Burrard Street
Vancouver, British Columbia
Canada V6C 3B9

MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business of the Company, the only contracts material to the Company and that were entered into within the most recently completed financial year of the Company or before the most recently completed financial year of the Company but still in effect, are:

- the Shareholders Agreement dated October 10, 2005 between the Company, Peñoles and others relating to Minera Juanicipio. See "Description of the Business – General – Economic Dependence", above.

INTERESTS OF EXPERTS

The Company's technical reports, including the following listed reports are available on the SEDAR website at www.sedar.com and on the SEC's EDGAR website at www.sec.gov.

Michael Thomas, MAusIMM (CP), AMC Consultants Pty Limited, Henrik Thalenhorst, P. Geo., Strathcona Mineral Services Limited; and Allen Riles, MAIG, AMC Mining Consultants (Canada) Limited - a NI 43-101 technical report, dated July 1, 2012, entitled "Minera Juanicipio Property, Zacatecas State, Mexico, Technical Report for Minera Juanicipio S.A. de C.V."

David Ross, P.Geo, Roscoe Postle Associates Inc. (formerly Scott Wilson RPA), - a NI 43-101 technical report, dated February 1, 2012, entitled "Technical Report on the Mineral Resource Update for The Juanicipio Joint Venture, Zacatecas State, Mexico."

Henrik Thalenhorst, Strathcona Mineral Services Limited - a NI 43-101 technical report, dated November 11, 2011, entitled "Mineral Resource Estimate, Minera Juanicipio, S.A. de C.V." on the Juanicipio Project.

David Ross, P.Geo, of Roscoe Postle Associates Inc. - a NI 43-101 technical report , dated November 14, 2012, entitled "Technical Report on the Upper Manto Deposit, Chihuahua, Mexico."

David Ross, P.Geo, of Roscoe Postle Associates Inc. (formerly Scott Wilson RPA), - a NI 43-101 technical report , dated September 10, 2010, entitled "Technical Report on the Pozo Seco Mineral Resource Estimate, Cinco de Mayo Project, Chihuahua, Mexico."

To the knowledge of the Company, having made reasonable enquiry, none of the experts listed above, or any "designated professional" of such expert, has any registered or beneficial interest, direct or indirect, in any securities or other property of the Company or any of its associates or affiliates.

The Company's auditors, Deloitte LLP, have prepared the report of the independent registered chartered accountants attached to the Company's audited consolidated financial statements for the most recent financial year end. Deloitte LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

ADDITIONAL INFORMATION

Additional information, including details as to directors' and officers' remuneration and indebtedness, principal holders of the Company's Common Shares and of options to purchase Common Shares and certain other matters, is contained in the Company's Information Circular for the annual general and special meeting held on October 5, 2012, which is incorporated herein by reference.

Additional financial information is provided in the Company's consolidated financial statements and Management's Discussion and Analysis for the year ended December 31, 2012.

Copies of the above and additional information relating to the Company may be obtained on the Company's website at www.magsilver.com; on the SEDAR website at www.sedar.com; on the SEC's EDGAR website at www.sec.gov or by calling the Company's investor relations personnel at 604-630-1399.

Schedule "A"

MAG SILVER CORP.
(the "Corporation")

AUDIT COMMITTEE CHARTER

1. General

The Board of Directors of the Corporation (the "Board") has established an Audit Committee (the "Committee") to assist the Board in fulfilling its oversight responsibilities. The Committee will review and oversee the financial reporting and accounting process of the Corporation, the system of internal control and management of financial risks, the external audit process, and the Corporation's process for monitoring compliance with laws and regulations and its own code of business conduct. In performing its duties, the Committee will maintain effective working relationships with the Board, management, and the external auditors and monitor the independence of those auditors. To perform his or her role effectively, each Committee member will obtain an understanding of the responsibilities of Committee membership as well as the Corporation's business, operations and risks.

The Corporation's independent auditor is ultimately accountable to the Board and to the Committee. The Board and Committee, as representatives of the Corporation's shareholders, have the ultimate authority and responsibility to evaluate the independent auditor, to nominate annually the independent auditor to be proposed for shareholder approval, to determine appropriate compensation for the independent auditor, and where appropriate, to replace the outside auditor. In the course of fulfilling its specific responsibilities hereunder, the Committee must maintain free and open communication between the Corporation's independent auditors, Board and Corporation management. The responsibilities of a member of the Committee are in addition to such member's duties as a member of the Board.

2. Members

The Board will in each year appoint a minimum of three (3) directors as members of the Committee. All members of the Committee shall be non-management directors and shall be independent within the meaning of all applicable U.S. and Canadian securities laws and the rules of the Toronto Stock Exchange and the NYSE Amex Equities, unless otherwise exempt from such requirements.

None of the members of the Committee may have participated in the preparation of the financial statements of the Corporation or any current subsidiary of the Corporation at any time during the past three years.

All members of the Committee shall be able to read and understand fundamental financial statements and must be financially literate within the meaning of all applicable U.S. and Canadian securities laws or become financially literate within a reasonable period of time following his or her appointment. Additionally, at least one member of the Committee shall be financially sophisticated and shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, which may include being or having been a chief executive officer, chief financial officer, or other senior officer with financial oversight responsibilities.

3. Duties

The Committee will have the following duties:

- Gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.
- Gain an understanding of the current areas of greatest financial risk and whether management is managing these effectively.
- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review any legal matters which could significantly impact the financial statements as reported on by the Corporation's counsel and engage outside independent counsel and other advisors whenever as deemed necessary by the Committee to carry out its duties.
- Review the Corporation's annual and quarterly financial statements, including Management's Discussion and Analysis with respect thereto, and all annual and interim earnings press releases, prior to public dissemination, including any certification, report, opinion or review rendered by the external auditors and determine whether they are complete and consistent with the information known to Committee members; determine that the auditors are satisfied that the financial statements have been prepared in accordance with generally accepted accounting principles.
- Pay particular attention to complex and/or unusual transactions such as those involving derivative instruments and consider the adequacy of disclosure thereof.
- Focus on judgmental areas, for example those involving valuation of assets and liabilities and other commitments and contingencies.
- Review audit issues related to the Corporation's material associated and affiliated companies that may have a significant impact on the Corporation's equity investment.
- Meet with management and the external auditors to review the annual financial statements and the results of the audit.
- Evaluate the fairness of the interim financial statements and related disclosures including the associated Management's Discussion and Analysis, and obtain explanations from management on whether:
  - actual financial results for the interim period varied significantly from budgeted or projected results;
  - generally accepted accounting principles have been consistently applied;
  - there are any actual or proposed changes in accounting or financial reporting practices; or

- there are any significant or unusual events or transactions which require disclosure and, if so, consider the adequacy of that disclosure.

- Review the external auditors' proposed audit scope and approach and ensure no unjustifiable restriction or limitations have been placed on the scope.

- Recommend to the Board an external auditor to be nominated for appointment by the Corporation's shareholders. Subject to the appointment of the Corporation's external auditor by the Corporation's shareholders, the Committee will be directly responsible for the appointment, compensation, retention and oversight of the work of external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. The Corporation's external auditor shall report directly to the Committee.

- Review with the Corporation's management, on a regular basis, the performance of the external auditors, the terms of the external auditor's engagement, accountability and experience.

- Pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the external auditor.

- Consider at least annually the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services obtained by the Corporation, including:

    - insuring receipt from the independent auditor of a formal written statement delineating all relationships between the independent auditor and the Company, consistent with the Independence Standards Board Standard No. 1 and related Canadian regulatory body standards;

    - considering and discussing with the independent auditor any relationships or services, including non-audit services, that may impact the objectivity and independence of the independent auditor; and

    - as necessary, taking, or recommending that the Board take, appropriate action to oversee the independence of the independent auditor.

- Ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure contained in the Corporation's financial statements, Management's Discussion and Analysis and annual and interim earnings press releases; and must periodically assess the adequacy of those procedures.

- Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.

- Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

- Establish a procedure for:

  - the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters; and

  - the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters.

- Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately in the absence of management.

- Endeavour to cause the receipt and discussion on a timely basis of any significant findings and recommendations made by the external auditors.

- Ensure that the Board is aware of matters which may significantly impact the financial condition or affairs of the business.

- Review and oversee all related party transactions.

- Perform other functions as requested by the Board.

- If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist, and set the compensation to be paid to such special counsel or other experts.

- Review and re-assess annually the adequacy of this Charter and recommend updates to this charter; receive approval of changes from the Board.

- With regard to the Corporation's internal control procedures, the Committee is responsible to:

  - review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those related to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting and risk management; and

  - review compliance under the Corporation's business conduct and ethics policies and to periodically review these policies and recommend to the Board changes which the Committee may deem appropriate; and

  - review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Corporation; and

- periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.

- Comply with Rule 10A – 3(b)(2), (3), (4) and (5) under the Securities Exchange Act of 1934.

4. Chair

The Committee will in each year appoint the Chair of the Committee from among the members of the Committee. In the Chair's absence, or if the position is vacant, the Committee may select another member as Chair. The Chair will not have a casting vote.

5. Meetings

The Committee will meet at least once every calendar quarter. Special meetings shall be convened as required. Notices calling meetings shall be sent to all members of the Committee, all Board members and the external auditor. The external auditor of the Corporation must be given reasonable notice of, and has the right to appear before and to be heard at, each meeting of the Committee. At the request of the external auditor, the Committee must convene a meeting of the Committee to consider any matter that the external auditor believes should be brought to the attention of the Board or shareholders of the Corporation.

The Committee may invite such other persons (e.g. without limitation, the President or Chief Financial Officer) to its meetings, as it deems appropriate.

6. Quorum

A majority of members of the Committee, present in person, by teleconferencing, or by videoconferencing, or by any combination of the foregoing, will constitute a quorum.

7. Removal and Vacancy

A member may resign from the Committee, and may also be removed and replaced at any time by the Board, and will automatically cease to be a member as soon as the member ceases to be a director of the Corporation. The Board will fill vacancies in the Committee by appointment from among the directors in accordance with Section 2 of this Charter. Subject to quorum requirements, if a vacancy exists on the Committee, the remaining members will exercise all of the Committee's powers.

8. Authority

The Committee may:

- engage independent counsel and other advisors as it determines necessary to carry out its duties.
- set and pay the compensation for any advisors employed by the Committee; and
- communicate directly with the internal and external auditors.

The Committee may also, within the scope of its responsibilities, seek any information it requires from any employee and from external parties, to obtain outside legal or professional advice, and to ensure the attendance of Corporation officers at meetings as appropriate.

9. Secretary and Minutes

The Chair of the Committee will appoint a member of the Committee or other person to act as Secretary of the Committee for purposes of a meeting of the Committee. The minutes of the Committee meetings shall be in writing and duly entered into the books of the Corporation, and will be circulated to all members of the Board.

10. Funding

The Corporation shall provide for appropriate funding, as determined by the Committee, for payment of (a) compensation to any registered public accounting firm engaged for the purposes of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation; (b) compensation to any advisers employed by the Committee; and (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carry out its duties.

Schedule "B"
Glossary

The following is a glossary of certain terms used in this AIF.

"Ag" is the elemental symbol for silver.

"alluvium" is unconsolidated surficial sediments deposited by water.

"alteration" usually refers to chemical reactions in a rock mass resulting from the passage of hydrothermal fluids.

"anomalous" is a value, or values, in which the amplitude is statistically between that of a low contrast anomaly and a high contrast anomaly in a given data set.

"Au" is the elemental symbol for gold.

"basalt" is volcanic rock, low in quartz content, generally fine grained and dark coloured.

"calcite" refers to calcium carbonate mineral. It is a common constituent of many rock types as well as occurring in veins and alteration assemblages.

"carbonate" refers to minerals which have the formula "X"CO3. Calcite is the most common carbonate mineral. Also rocks composed dominantly of carbonate minerals such as calcite.

"Cascabel" is Minera Cascabel, S.A. DE C.V., a company incorporated pursuant to the laws of the Mexican Republic.

"Cinco de Mayo property" is described commencing on page 56 of this AIF.

"Common Shares" is the Common Shares without par value in the capital of the Company.

"Company" or "MAG" is MAG Silver Corp., a company under the *Business Corporations Act* (British Columbia).

"Conglomerate" is sedimentary rock composed of gravel and coarser fragments.

"concession" is a defined area for which mineral tenure has been granted by the Mexican government for a period of 50 years to allow exploration and exploitation and may be renewed for another 50 years.

"CRD" refers to Carbonate Replacement Deposit.

"Cretaceous" is the geological period extending from 135 million to 63 million years ago.

"exploitation" is works aimed at preparation and development of the area comprised by the mineral deposit, as well as work aimed at detaching and extracting the minerals products or substances existing therein.

"exploration" is works performed on land aimed at identifying deposits of minerals or substances, as well as quantifying and evaluating the economically utilizable reserves they contain.

"fault" is a fracture in rock where there has been displacement of the two sides.

"flow" is volcanic rock comprised of flow lava.

"fracture" refers to breaks in a rock, usually due to intensive folding or faulting.

"g/t" refers to grams per tonne (31.1 g/t = 1.0 troy ounce/ton).

"grade" refers to the concentration of each ore metal in a rock sample, usually given as weight percent. Where extremely low concentrations are involved, the concentration may be given in grams per tonne (g/t) or ounces per ton (oz/t). The grade of an ore deposit is calculated, often using sophisticated statistical procedures, as an average of the grades of a very large number of samples collected from throughout the deposit.

"greywacke" refers to sandstone composed largely of sand-sized rock fragments.

"hydrothermal" refer to hot fluids, usually mainly water, in the earth's crust which may carry metals and other compounds in solution to the site of ore deposition or wall rock alteration.

"igneous" is a rock formed by the cooling of molten silicate material.

"intrusive" is a rock mass formed below the earth's surface from magma which has intruded into a pre-existing rock mass.

"Juanicipio property" is the Juanicipio property described commencing on page 33 of this AIF.

"Lagartos" is Minera Los Lagartos, S.A. DE C.V., a company incorporated pursuant to the laws of the Mexican Republic, the principal of which is the Company.

"magma" refers to molten rock formed within the crust or upper mantle of the earth.

"manto" refers to a deposit type that is stratabound, irregular to rod shaped, and which occurs usually in a horizontal or near horizontal attitude.

"mill" refers to a facility for processing ore to concentrate and recover valuable minerals.

"Minera Juanicipio" is Minera Juanicipio, S.A. DE C.V., a company incorporated pursuant to the laws of the Mexican Republic, the principals of which are Fresnillo (56%) and the Company (44%).

"Mineral Reserve" is that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. The economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a preliminary feasibility study. The study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

"Mineral Resource" is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Industry Guide 7 does not provide for the disclosure of "Mineral Resource estimates".

"mineralization" usually implies minerals of value occurring in rocks.

"net smelter returns royalty" or "NSR" refers to payment of a percentage of mining revenues after deducting applicable smelter charges.

"NSAMT" is Natural Source Audio-frequency Magneto Tellurics.

"ore" is a natural aggregate of one or more minerals which may be mined and sold at a profit, or from which some part may be profitably separated.

"outcrop" is an exposure of rock at the earth's surface.

"oz" is the metric ounce.

"oz/t or opt" refers to troy ounces per ton.

"Pozo Seco", is Minera Pozo Seco, S.A. de C.V., a company incorporated pursuant to the laws of the Mexican Republic, the principal of which is the Company.

"pyrite" is iron sulphide mineral.

"quartz" refers to Si02, a common constituent of veins, especially those containing gold and silver mineralization.

"replacement" refers to the process whereby one mineral is chemically substituted by a later mineral.

"SEC" is the Securities and Exchange Commission of the United States of America.

"silicification" refers to the replacement of the constituents of a rock by quartz.

"skarn" refers to the alteration of carbonate rocks near an intrusion dominated by garnet and pyroxene minerals.

"Sierra Vieja", is Minera Sierra Vieja, S.A. de C.V., a company incorporated pursuant to the laws of the Mexican Republic, the principal of which is the Company.

"tailings" is the material rejected from a mill after recoverable valuable minerals have been extracted.

"Tertiary" is the geological period extending from 63 million to 2 million years ago.

"tonne" or "T" is the Metric ton = 1,000 kilograms or 1,000,000 grams.

"VAT" is an acronym for "Value Added Tax" which, in Mexico, is charged on all goods and services at a rate of 16%. Proprietors selling goods or services must collect VAT on behalf of the government. Goods or services purchased incur a credit for VAT paid. The resulting net VAT is then remitted to, or collected from the Government of Mexico through a formalized filing process. (In Mexico it is referred to as "IVA").

"veinlets" are small veins, generally measuring only a few millimetres in thickness, filling fractures in rocks.

"veins" refer to the mineral deposits that are found filling openings in rocks created by faults or replacing rocks on either side of faults.

"volcaniclastic" refer to the coarse-grained sedimentary rocks (sandstone or conglomerate) composed of fragments of volcanic rocks.

Exhibit 99.2



MAG SILVER CORP.

Consolidated Financial Statements
(expressed in US$)

For the year ended December 31, 2012

Dated: March 27, 2013

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

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Management's Responsibility for the Financial Statements

The preparation and presentation of the accompanying consolidated financial statements, management's discussion and analysis ("MD&A") and all fina information in the Annual Report for MAG Silver Corp. (the "Company") are the responsibility of management and have been approved by the Boa Directors.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB"). Financial statements, by nature, are not precise since they include certain amounts based upon estim and judgments. When alternative methods exist, management has chosen those it deems to be the most appropriate in the circumstances. The fina information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management, under the supervision, and with the participation of, the Chief Executive Officer and the Chief Financial Officer, have a process in plac evaluate disclosure controls and procedures and internal control over financial reporting as required by Canadian and U.S. securities regulations. We, as C Executive Officer and Chief Financial Officer, will certify our annual filings with the Canadian Securities Administrators, as required in Canada by Nat Instrument 52-109 – *Certification of Disclosure*, and in the United States with the U.S. Securities and Exchange Commission as required by the Secu Exchange Act of 1934, as amended.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for revie and approving the consolidated financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee, whi independent from management.

The Audit Committee is appointed by the Board of Directors and reviews the consolidated financial statements and MD&A, considers the report of the ext auditors, assesses the adequacy of our internal controls, including management's assessment described below, examines and approves the fees expenses for the audit services, and recommends the independent auditors to the Board of Directors for the appointment by the shareholders. independent auditors have full and free access to the Audit Committee and meet with it to discuss their audit work, our internal control over financial repo and financial reporting matters. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated fina statements for issuance to the shareholders and management's assessment of the internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting.

Management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2012 using criteria established in *Int Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, manage concluded that our internal control over financial reporting was effective as of December 31, 2012.

/s/ "Daniel MacInnis"
Daniel MacInnis
Chief Executive Officer

/s/ "Larry Taddei"
Larry Taddei
Chief Financial Officer

March 27, 2013

Deloitte LLP
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Report of Independent Registered Chartered Accountants

To the Board of Directors and Shareholders of MAG Silver Corp.

We have audited the accompanying consolidated financial statements of MAG Silver Corp. and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of MAG Silver Corp. and subsidiaries as at December 31, 2012, December 31, 2011 and January 1, 2011 and its financial performance and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ "Deloitte LLP"
Independent Registered Chartered Accountants
March 27, 2013
Vancouver, Canada

MAG SILVER CORP.
Consolidated Statements of Financial Position

(expressed in US$ dollars unless otherwise stated)	December 31, 2012	December 31, 2011 (Note 2(k))	January 1, 2011 (Note 2(k))
ASSETS			
CURRENT			
Cash	$ 40,621,158	$ 26,217,409	$ 40,040,071
Accounts receivable (Note 3)	572,295	805,106	2,220,754
Marketable securities (Note 4)	430,806	496,365	682,541
Prepaid expenses	183,907	106,755	86,272
TOTAL CURRENT ASSETS	41,808,166	27,625,635	43,029,638
EQUIPMENT (Note 5)	102,941	140,195	181,370
INVESTMENT IN ASSOCIATE (Note 6)	19,502,181	14,910,985	12,341,390
EXPLORATION AND EVALUATION ASSETS (Note 7)	69,137,552	60,952,340	52,150,775
TOTAL ASSETS	$ 130,550,840	$ 103,629,155	$ 107,703,173
LIABILITIES			
CURRENT			
Trade and other payables	$ 1,315,261	$ 1,845,968	$ 2,332,777
COMMITMENTS (Notes 7 and 14)			
DEFERRED INCOME TAXES (Note 15)	-	840,052	-
TOTAL LIABILITIES	1,315,261	2,686,020	2,332,777
EQUITY			
Share capital (Note 8)			
Authorized - unlimited common shares, without par value			
Issued and outstanding common shares at Dec. 31, 2012 - 60,023,835 (Dec. 31, 2011 - 55,667,139)	178,387,343	139,021,383	136,022,148
Share option reserve	14,030,576	13,250,112	11,301,061
Accumulated other comprehensive income	3,389,586	2,929,244	4,054,048
Deficit	(66,571,926)	(54,257,604)	(46,006,861)
TOTAL EQUITY	129,235,579	100,943,135	105,370,396
TOTAL LIABILITIES AND EQUITY	$ 130,550,840	$ 103,629,155	$ 107,703,173

SUBSEQUENT EVENTS (Note 17)

ON BEHALF OF THE BOARD (approved on March 27, 2013)

/s/ "Derek White"
Derek White, Director

/s/ "Jonathan Rubenstein"
Jonathan Rubenstein, Director

See accompanying notes to the consolidated financial statements.

MAG SILVER CORP.
Consolidated Statements of Loss and Comprehensive Loss
(expressed in US$ dollars unless otherwise stated)

	For the year ended December 31 2012	For the year ended December 31 2011 (Note 2(k))
EXPENSES		
Accounting and audit	$ 661,079	$ 781,167
Amortization	44,301	61,308
Filing and transfer agent fees	170,470	194,069
Foreign exchange (gain) loss	(329,076)	174,064
General office expenses	1,270,000	819,511
Legal	1,170,247	1,511,268
Management and consulting fees	2,257,413	2,098,116
Exploration and evaluation costs written off (Note 7)	3,364,479	531,515
Share based payment expense (Note 8)	3,409,001	2,970,112
Shareholder relations	764,643	342,110
Travel	380,998	292,137
	13,163,555	9,775,377
INTEREST INCOME	213,742	512,395
ARBITRATION AWARD (Note 16)	-	1,858,120
IMPAIRMENT OF INVESTMENT IN AVAILABLE-FOR-SALE SECURITIES (Note 4)	(204,561)	-
LOSS ON WARRANT MARK-TO-MARKET (Note 4)	-	(5,829)
LOSS FOR THE YEAR BEFORE INCOME TAX	$ (13,154,374)	$ (7,410,691)
DEFERRED INCOME TAX RECOVERY (EXPENSE) (Note 15)	840,052	(840,052)
LOSS FOR THE YEAR	$ (12,314,322)	$ (8,250,743)
OTHER COMPREHENSIVE INCOME (LOSS)		
CURRENCY TRANSLATION ADJUSTMENT	321,340	(643,233)
UNREALIZED LOSS ON MARKETABLE SECURITIES, NET OF TAX (Note 4)	(65,559)	(481,571)
RECLASSIFICATION OF UNREALIZED LOSSES (Note 4)	204,561	-
	460,342	(1,124,804)
TOTAL COMPREHENSIVE LOSS	$ (11,853,980)	$ (9,375,547)
BASIC AND DILUTED LOSS PER SHARE	$ (0.22)	$ (0.15)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	57,082,723	55,474,144

See accompanying notes to the consolidated financial statements.

MAG SILVER CORP.
Consolidated Statements of Changes in Equity

(expressed in US$ unless otherwise stated)	Share capital		Share Option Reserve	Currency translation adjustment	Unrealized gain (loss) on marketable securities	Accumulated other comprehensive income (loss) ("AOCL")	Deficit	Total shareholders' equity
	Shares	Amount						
Balance, January 1, 2011 (Note 2(k))	55,161,614	$136,022,148	$11,301,061	$ 3,687,605	$ 366,443	$ 4,054,048	$(46,006,861)	$105,370,396
Stock options exercised (Note 8b)	505,525	2,999,235	(1,021,061)	-	-	-	-	1,978,174
Share based payment expense (Note 8b)	-	-	2,970,112	-	-	-	-	2,970,112
Currency translation adjustment	-	-	-	(643,233)	-	(643,233)	-	(643,233)
Unrealized loss on marketable securities (Note 4)	-	-	-	-	(481,571)	(481,571)	-	(481,571)
Net loss	-	-	-	-	-	-	(8,250,743)	(8,250,743)
Total Comprehensive Loss	-	-	-					(9,375,547)
Balance, Dec. 31, 2011 (Note 2(k))	55,667,139	$139,021,383	$13,250,112	$ 3,044,372	$ (115,128)	$ 2,929,244	$(54,257,604)	$100,943,135
Stock options exercised (Note 8b)	830,486	8,079,607	(2,628,537)	-	-	-	-	5,451,070
Share based payment expense (Note 8b)	-	-	3,409,001	-	-	-	-	- 3,409,001
Shares issued, net of issue costs	3,526,210	31,286,353						31,286,353
Currency translation adjustment	-	-	-	321,340	-	321,340	-	321,340
Unrealized gain on marketable securities (Note 4)	-	-	-	-	(65,559)	(65,559)	-	(65,559)
Reclassification of unrealized losses (Note 4)					204,561	204,561		204,561
Net loss	-	-	-	-	-	-	(12,314,322)	(12,314,322)
Total Comprehensive Loss								(11,853,980)
Balance, December 31, 2012	60,023,835	$178,387,343	$14,030,576	$ 3,365,712	$ 23,874	$ 3,389,586	$(66,571,926)	$129,235,579

See accompanying notes to the consolidated financial statements.

MAG SILVER CORP.
Consolidated Statements of Cash Flows
(expressed in US dollars unless otherwise stated)

	For the year ended December 31 2012	For the year ended December 31 2011 (Note 2(k))
OPERATING ACTIVITIES		
Loss for the year	$ (12,314,322)	$ (8,250,743)
Items not involving cash:		
Amortization (Note 5)	44,301	61,308
Loss on warrant mark-to-market	-	5,829
Deferred income tax (recovery) expense (Note 15)	(840,052)	840,052
Exploration and evaluation assets written off (Note 7)	3,364,479	531,515
Share based payment expense (Note 8)	3,409,001	2,970,112
Changes in operating assets and liabilities		
Accounts receivable	232,811	1,415,648
Prepaid expenses	(77,152)	(20,483)
Trade and other payables	(99,176)	(805,298)
Net cash used in operating activities	(6,280,110)	(3,252,060)
INVESTING ACTIVITIES		
Investment in associate (Note 6)	(4,577,611)	(2,583,367)
Exploration and evaluation expenditures (Note 7)	(11,981,221)	(9,014,714)
Purchase of equipment and leasehold improvements (Note 5)	(4,132)	(22,623)
Purchase of marketable securities	-	(322,301)
Impairment of investment in available-for-sale securities (Note 4)	204,561	-
Net cash used in investing activities	(16,358,403)	(11,943,005)
FINANCING ACTIVITIES		
Issuance of common shares upon exercise of stock options (Note 8)	5,451,070	1,978,174
Issuance of common shares, net of share issue costs (Note 8)	31,286,353	-
Net cash from financing activities	36,737,423	1,978,174
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	304,839	(605,771)
INCREASE (DECREASE) IN CASH	14,403,749	(13,822,662)
CASH, BEGINNING OF YEAR	26,217,409	40,040,071
CASH, END OF YEAR	$ 40,621,158	$ 26,217,409

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS

MAG Silver Corp. (the "Company" or "MAG") was incorporated on April 21, 1999 under the Company Act of the Province of British Columbia and its shares were listed on the TSX Venture Exchange on April 21, 2000 and subsequently moved to the TSX on October 5, 2007.

The Company is an exploration and predevelopment company working on mineral properties in Mexico that it has staked or acquired by way of option agreement. The Company has not yet determined whether these mineral properties contain any economically recoverable ore reserves. The Company defers all acquisition, exploration and development costs related to the properties on which it is conducting exploration. The recoverability of these amounts is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of the interests, and future profitable production, or alternatively, upon the Company's ability to dispose of its interests on a profitable basis.

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.

Address of registered offices of the Company:
1600 – 925 West Georgia Street
Vancouver, British Columbia,
Canada V6C 3L2

Head office and principal place of business:
770 – 800 West Pender Street
Vancouver, British Columbia,
Canada V6C 2V6

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

The accounting policies set out below have been applied consistently by the Company and its subsidiaries to all periods presented herein, with the exception of the change in presentation currency effective January 1, 2012 (*Note 2 (k)* below).

These consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments, which are stated at their fair value.

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and the entities controlled by the Company (its subsidiaries, including special purpose entities). Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from the entity's activities. Subsidiaries are included in the consolidated financial results of the Company from the effective date that control is obtained up to the effective date of disposal or loss of control. The principal wholly-owned subsidiaries as at December 31, 2012 are Minera Los Lagartos, S.A. de C.V., Minera Pozo Seco S.A. de C.V., and Minera Sierra Vieja S.A. de C.V. All intercompany balances, transactions, revenues and expenses have been eliminated upon consolidation.

These consolidated financial statements also include the Company's 44% interest in the Juanicipio Joint Venture (Note 6), an associate (Note 2(b)) accounted for using the equity method.

Where necessary, adjustments have been made to the financial statements of the Company's subsidiaries and associates prior to consolidation, to conform the significant accounting policies used in their preparation to those used by the Company.

(b) Investments in Associates

The Company conducts a portion of its business through an equity interest in associates. An associate is an entity over which the Company has significant influence, and is neither a subsidiary nor a joint venture. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies.

The Company accounts for its investments in associates using the equity method. Under the equity method, the Company's investment in an associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate and for impairment losses after the initial recognition date. The Company's share of earnings and losses of associates are recognized in profit or loss during the period. Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment.

At the end of each reporting period, the Company assesses whether there is any evidence that an investment in associate is impaired. This assessment is generally made with reference to the timing of exploration work, work programs proposed, exploration results achieved, and an assessment of the likely results to be achieved from performance of further exploration by the associate. When there is evidence that an investment in associate is impaired, the carrying amount of such investment is compared to its recoverable amount. If the recoverable amount of an investment in associate is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the period of impairment. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in net earnings in the period the reversal occurs.

(c) Significant Estimates

The preparation of consolidated financial statements in conformity with IFRS 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. Significant estimates used in preparation of these financial statements include estimates of the net realizable value and any impairment of exploration and evaluation assets and of investment in associates, recoveries of receivable balances, provisions including closure and reclamation, share based payment expense, and income tax provisions. Actual results may differ from those estimated.

(d) *Critical judgments*

The Company reviews and assesses the carrying amount of exploration and evaluation assets and of its investment in associates for impairment when facts or circumstances suggest that the carrying amount is not recoverable. Assessing the recoverability of these amounts requires considerable professional technical judgement, and is 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 (see notes 2 (b) and 2 (g)).

The Company has performed analysis of the functional currency for each subsidiary, and noted the majority of operating expenditures were either denominated in the United States dollar ("US$") or determined by the US$. Consequently, the Company concluded that the US$, with the exception of the parent entity which has a Canadian dollar ("C$") functional currency, is the currency that mainly influences the cost of providing goods and services in each of the Mexican subsidiaries of the Company, and in its Mexican Associate. The Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

(e) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies financial instruments as either held-to-maturity, available-for-sale, fair value through profit or loss ("FVTPL"), loans and receivables, or other financial liabilities. Financial assets held to maturity, loans and receivables and other financial liabilities, are subsequently measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income ("OCI"). Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss.

The Company has designated its cash as FVTPL, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Trade and other payables are classified as other liabilities, which are measured at amortized cost.

Marketable securities such as warrants, that meet the definition of a derivative are classified as FVTPL and are measured at fair value with unrealized gains and losses recognized in the statement of comprehensive loss. All of the Company's other marketable securities have been designated as available-for-sale, and are reported at fair value. Other comprehensive income includes the gains and losses from available-for-sale securities which are not included in profit or loss until realized, and currency translation adjustments on its net investment in foreign operations.

Available-for-sale financial assets are assessed at each reporting date for objective evidence of significant or prolonged decline in fair value requiring impairment. The evaluation includes an analysis of the fact and circumstances of the financial assets, the market price of the actively traded securities and other financial assets, the severity of the loss, the financial position and near-term prospects of the investment, length of time the fair value has been below costs, evidence that the carrying amount is recoverable within a reasonable period of time, management's intent and ability to hold the financial assets for a period of time sufficient to allow for any anticipated recovery of fair value and management's market view and outlook.

(f) Cash

Due to the low market interest rate on deposits and the need to maintain resources liquid for the Company's ongoing exploration activities, management has maintained the Company's cash in high interest savings accounts.

(g) Exploration and evaluation assets

The Company is in the exploration stage with respect to its activities and accordingly follows the practice of capitalizing all costs relating to the acquisition, exploration and evaluation of its mining rights and crediting all revenues received against the cost of the related interests. At such time as commercial production commences, these costs will be depleted on a units-of-production method based on proven and probable reserves. If a mineable ore body is discovered, exploration and evaluation costs are reclassified to mining properties. If no mineable ore body is discovered, such costs are expensed in the period in which it is determined the property has no future economic value.

Exploration and evaluation expenditures include acquisition costs of rights to explore; topographical, geological, geochemical and geophysical studies; exploratory drilling; trenching and sampling; and activities involved in evaluating the technical feasibility and commercial viability of extracting mineral resources. This includes the costs incurred in determining the most appropriate mining/processing methods and developing feasibility studies.

Management reviews the carrying amount of exploration and evaluation assets for impairment when facts or circumstances suggest that the carrying amount is not recoverable. 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 indicators of impairment exist, the Company estimates the 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 amounts of exploration and evaluation assets are estimated to exceed their recoverable amounts, an impairment loss is recorded in the statement of loss. The cash-generating unit for assessing impairment is a geographic region and shall be no larger than the operating segment. If conditions that gave rise to the impairment no longer exist, a reversal of impairment may be recognized in a subsequent period, with the carrying amount of the exploration and evaluation asset increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in profit or loss in the period the reversal occurs.

(h) Equipment

Equipment is recorded at cost less accumulated amortization and impairment losses if any, and is amortized at the following annual rates:

Computer equipment	30% declining balance
Field equipment	30% declining balance
Leasehold improvements	straight line over lease term

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment, and depreciated over their respective useful lives.

(i) Income taxes

Deferred income taxes relate to the expected future tax consequences of unused tax losses and unused tax credits and differences between the carrying amount of statement of financial position items and their corresponding tax values. Deferred tax assets, if any, are recognized only to the extent that, in the opinion of management, it is probable that sufficient future taxable profit will be available to recover the asset. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of substantive enactment.

(j) Provisions

Provisions are liabilities that are uncertain in timing or amount. The Company records a provision when and only when:

(i) The Company has a present obligation (legal or constructive) as a result of a past event;

(ii) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(iii) A reliable estimate can be made of the amount of the obligation.

Constructive obligations are obligations that derive from the Company's actions where:

(i) By an established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and

(ii) As a result, the Company has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Provisions are reviewed at the end of each reporting period and adjusted to reflect management's current best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Provisions are reduced by actual expenditures for which the provision was originally recognized. Where discounting has been used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase (accretion expense) is included in profit or loss for the period.

Closure and reclamation

The Company records a provision for the present value of the estimated closure obligations, including reclamation costs, when the obligation (legal or constructive) is incurred, with a corresponding increase in the carrying value of the related assets. The carrying value is amortized over the life of the mining asset on a units-of-production basis commencing with initial commercialization of the asset. The liability is accreted to the actual liability on settlement through charges each period to profit or loss.

The provision for closure and reclamation is reviewed at the end of each reporting period for changes in estimates and circumstances. There was no provision for closure and reclamation as at December 31, 2012 or December 31, 2011.

(k) Functional currency and change in presentation currency

The functional currency of the parent company MAG is the Canadian dollar ("C$") and the functional currency of its Mexican subsidiaries and investment in associate is the United States dollar ("US$"). Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Effective January 1, 2012, the Company changed its presentation currency from the C$ to the US$. The change in presentation currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the mining industry. In making this change to the US$ presentation currency, the Company followed the guidance in IAS 21 *The Effects of Changes in Foreign Exchange Rates* and have applied the change retrospectively as if the new presentation currency had always been the Company's presentation currency. In accordance with IAS 21, the financial statements for all years and periods presented have been translated to the new US$ presentation currency as follows:

- All assets and liabilities have been translated from their functional currency into the new US$ presentation currency using the closing current exchange rate at the date of each statement of financial position (December 31, 2011: $0.9833US; January 1, 2011: $1.0054US)

- Income and expenses for each statement of loss and comprehensive loss presented have been retranslated at average exchange rates prevailing during each reporting period;

- Equity balances have been retrospectively translated at historical rates prevailing during the period incurred; and
- All resulting exchange differences have been recognized in other comprehensive income and accumulated as a separate component of equity (cumulative translation adjustment).

The loss per share for the year previously reported as C$0.15 is reported under the US$ presentation currency as $0.15.

(l) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

(m) Loss per common share

Basic loss per share calculations is based on the weighted average number of common shares outstanding.

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.

As at December 31, 2012, the Company had 3,963,717 (December 31, 2011: 4,123,618) common share equivalents consisting of the common shares issuable upon the exercise of outstanding exercisable stock options. These common share equivalents were not included for the purpose of calculating diluted earnings per share as their effect would be anti-dilutive.

(n) Share based payments

The fair value of all share-based payment expense and other share-based payments are estimated as of the date of the grant using the Black-Scholes-Merton option valuation model and are recorded in profit and loss over their vesting periods. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values. Changes to the estimated number of awards that will eventually vest are accounted for prospectively.

(o) Changes in Accounting Standards

The Company has reviewed new accounting pronouncements that have been issued but are not yet effective. These include:

IAS 1, *Presentation of Financial Statements,* retains current IAS 1 presentation standards, but requires disclosure of Other Comprehensive Income (Loss) items distinguishing between those that are recycled to profit and loss and those that are not recycled. Retrospective application is required, and the standard is effective for annual periods beginning on or after July 1, 2012.

The Company will be required to adopt **IFRS 9 *Financial Instruments***, which replaces the current standard, IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard replaces the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value, and is effective for annual periods beginning on or after January 1, 2015, with early application permitted.

IFRS 10 *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation—Special Purpose Entities* and is effective for annual periods beginning on or after January 1, 2013.

IFRS 11 *Joint Arrangements* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. This standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 12 *Disclosure of Involvement with Other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 13 *Fair Value Measurement* defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 *Share-based Payment*; leasing transactions within the scope of IAS 17 *Leases*; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets.* This standard is effective for annual periods beginning on or after January 1, 2013.

IAS 27 *Consolidated and Separate Financial Statements,* as amended in May 2011, provides guidance on the accounting and disclosure requirements for subsidiaries, jointly controlled entities, and associates in separate, or unconsolidated, financial statements. It will have no impact on consolidated financial statements and is effective for annual periods beginning on or after January 1, 2013.

IAS 28 *Investments in Associates* as amended in May 2011, provides detailed guidance on the application of the equity method to associates, subsidiaries and joint ventures (previously excluded from this standard), and is effective for annual periods beginning on or after January 1, 2013.

IFRS 10, 11, and 12 and IAS 27 and 28 must be adopted concurrently. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

3. ACCOUNTS RECEIVABLE

	Dec. 31, 2012	Dec. 31, 2011
Harmonized sales tax ("HST") recoverable	$ 73,965	$ 186,430
Mexican value added tax ("IVA") recoverable	478,944	582,302
Interest receivable	19,386	24,950
Other	-	11,424
	$ 572,295	$ 805,106

All amounts are current and expected to be recovered within a year.

4. MARKETABLE SECURITIES

At December 31, 2012, the Company holds the following marketable securities:

		December 31, 2012					Dec. 31, 2011
		Number of Shares	Cost	Accumulated Unrealized Gains (losses)	Impairment	Fair Value	Fair Value
Available-for-sale securities							
Fresnillo PLC	(1)	1,000	$ 9,915	$ 20,107	$ -	$ 30,022	$ 23,153
Canasil Resources Inc.	(2)	2,750,000	605,345	-	(204,561)	400,784	473,212
			615,260	20,107	(204,561)	430,806	496,365

(1) In 2008, the Company purchased 1,000 shares of Fresnillo plc, a company which holds a 56% interest in Minera Juanicipio, S.A. De C.V. (Note 6).

(2) In 2010, the Company acquired, by way of private placement, 1.5 million units of Canasil Resources Inc. (“Canasil”) as required under the Esparanza Option agreement (Note 7d), for total consideration of $139,869. The units were comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitled the holder to purchase one common share of Canasil at a price of C$0.15 until August 27, 2011. On May 16, 2011, the Company exercised the 750,000 warrants at a deemed cost including cash and the fair value of the warrants, totaling $261,758.

In 2011, the Company further subscribed to 500,000 units of Canasil, at a price of C$0.40 per unit for total consideration of $206,820, fulfilling an obligation under the Esparanza Option agreement (Note 7d). The units were comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitled the holder to purchase one common share of Canasil at a price of C$0.60 on or prior to May 6, 2012. The 250,000 warrants expired unexercised.

During the year ended December 31, 2012, the Company initially recorded an unrealized loss of $65,559, net of tax, (unrealized loss of $481,571 net of tax for the year ended December 31, 2011) in other comprehensive income (loss) on the above marketable securities designated as available-for-sale instruments. Available-for-sale financial assets are assessed at each reporting date for objective evidence of significant or prolonged decline in fair value requiring impairment. As at December 31, 2012, after management's review and based on objective evidence, an impairment of $204,561 (2011: nil) was recognized in the consolidated statement of loss which represents the difference between the carrying value and the fair market value at the measurement date.

5. EQUIPMENT

Cost	Computer equipment	Field equipment	Leasehold improvements	Total
Balance as at January 1, 2011	$ 223,716	$ 162,893	$ 7,707	$ 394,316
Additions	22,623	-	-	22,623
Translation adjustment	(4,919)	(3,581)	(169)	(8,669)
Balance as at December 31, 2011	$ 241,420	$ 159,312	$ 7,538	$ 408,270
Additions	4,132	-	-	4,132
Translation adjustment	5,360	3,532	167	9,059
Balance as at December 31, 2012	**$ 250,912**	**$ 162,844**	**$ 7,705**	**$ 421,461**

Accumulated depreciation	Computer equipment	Field equipment	Leasehold improvements	Total
Balance as at January 1, 2011	$ 111,539	$ 99,481	$ 1,926	$ 212,946
Additions	40,694	19,070	1,544	61,308
Translation adjustment	(3,446)	(2,653)	(80)	(6,179)
Balance as at December 31, 2011	$ 148,787	$ 115,898	$ 3,390	$ 268,075
Additions	29,518	13,250	1,533	44,301
Translation adjustment	3,430	2,631	83	6,144
Balance as at December 31, 2012	**$ 181,735**	**$ 131,779**	**$ 5,006**	**$ 318,520**

Carrying amounts	Computer equipment	Field equipment	Leasehold improvements	Total
At December 31, 2011	$ 92,633	$ 43,414	$ 4,148	$ 140,195
At December 31, 2012	**$ 69,177**	**$ 31,065**	**$ 2,699**	**102,941**

6. INVESTMENT IN ASSOCIATE ("MINERA JUANICIPIO S.A. DE C.V.")

Pursuant to an original option agreement dated July 18, 2002 and subsequent corporate transactions to acquire 100% of the Vendor Corporation, the Company acquired a 100% interest in the Juanicipio property effective July 16, 2003. Pursuant to a letter of intent dated March 17, 2005 and a formal agreement effective July 1, 2005 (the "Agreement") with Industrias Peñoles, S.A. de C.V. ("Peñoles"), the Company granted Peñoles or any of its subsidiaries an option to earn a 56% interest in the Juanicipio Property in Mexico in consideration for Peñoles conducting $5,000,000 of exploration on the property over four years and Peñoles purchasing $1,000,000 of common shares of the Company in two tranches for $500,000 each.

In mid 2007, Peñoles met all of the earn-in requirements of the Agreement. In December 2007, the Company and Peñoles created an operating company named Minera Juanicipio, S.A. de C.V. ("Minera Juanicipio") for the purpose of holding and operating the Juanicipio Property. In 2008, MAG was notified that Peñoles had transferred its 56% interest of Minera Juanicipio to Fresnillo plc ("Fresnillo") pursuant to a statutory merger. Minera Juanicipio is held 56% by Fresnillo and 44% by the Company. In December 2007 all mineral rights and surface rights relating to the Juanicipio project held by the Company and Peñoles, respectively, were ceded into Minera Juanicipio. Minera Juanicipio is currently governed by a shareholders agreement. All costs relating to the project and Minera Juanicipio are required to be shared by the Company and Fresnillo pro-rata based on their ownership interests in Minera Juanicipio.

The Company has recorded its investment in Minera Juanicipio using the equity basis of accounting. The cost of the investment includes the carrying value of the deferred exploration and mineral and surface rights costs incurred by the Company on the Juanicipio Property and contributed to Minera Juanicipio plus the required net cash investment to establish and maintain its 44% interest.

The Company's investment relating to its interest in the Juanicipio property and Minera Juanicipio is detailed as follows:

	Dec. 31, 2012	Dec. 31, 2011
Joint venture oversight expenditures incurred 100% by MAG	879,851	431,767
Cash contributions to Minera Juanicipio [(1)]	3,697,760	2,151,600
Total for the current year	**4,577,611**	**2,583,367**
Balance, beginning of year (January 1, 2012 and 2011)	14,910,985	12,341,390
	$ 19,488,596	$ 14,924,757
Translation adjustment	13,585	(13,772)
Balance, end of year	**$ 19,502,181**	**$ 14,910,985**

[(1)] Represents the Company's 44% share of Minera Juanicipio cash contributions for the period.

Summary of financial information of Minera Juanicipio:

Evaluation and exploration expenditures incurred directly by Minera Juanicipio for the year ended December 31, 2012 amounted to $5,153,997 (2011: $5,556,160).

At December 31, 2012, the assets of Minera Juanicipio consisted of cash and short term investments in the amount of $2,404,000 (2011: $14,000), value added taxes recoverable and other receivables in the amount of $1,285,000 (2011: $907,000) and mineral, surface rights and exploration expenditures in the amount of $36.0 million (2011: $30.8 million). Payables to Peñoles and other vendors for exploration work amounted to $77,000 (2011: $207,000), deferred income taxes of nil (2011: $531,000) and shareholders' equity was $39.6 million (2011: $31.0 million). There are no expenses or income in Minera Juanicipio, as all mineral, surface rights and exploration expenditures are capitalized.

7. EXPLORATION AND EVALUATION ASSETS

The Company has the following exploration and evaluation assets:

	Year ended December 31, 2012						
	Cinco de Mayo	Lagartos Properties	(Batopilas) Don Fippi	Esperanza	Mojina	Other	Total
Exploration and evaluation assets							
Acquisition costs of mineral & surface rights	$ 20,000	$ -	$ -	$ 175,739	$ 81,132	$ -	$ 276,871
Camp costs	388,230	27,416	4,093	56,078	54,786	2,183	532,786
Drilling	4,768,598	96,420	-	857,168	107,291	-	5,829,477
Geochemical	850,916	27,717	-	18,349	46,755	-	943,737
Geological	1,796,736	58,638	14,272	221,266	75,879	13,900	2,180,691
Geophysical	-	-	-	-	-	-	-
Gov't fees and licenses	96,615	806,107	24,524	109,675	21,846	238,467	1,297,234
Metallurgical	34,579	-	-	-	-	-	34,579
Site administration	155,732	2,983	2,497	18,140	8,646	1,670	189,668
Transport and shipping	103,623	5,576	4,203	8,228	7,511	100	129,241
Travel	114,850	2,371	4,198	7,092	3,191	3,705	135,407
Total for the year	8,329,879	1,027,228	53,787	1,471,735	407,037	260,025	11,549,691
Balance January 1, 2012	35,603,077	12,017,484	6,135,507	996,645	1,017,834	5,181,793	60,952,340
Less amounts written off	-	(896,099)	-	(2,468,380)	-	-	(3,364,479)
Balance, Dec. 31, 2012	$ 43,932,956	$ 12,148,613	$ 6,189,294	$ -	$ 1,424,871	$ 5,441,818	$ 69,137,552

	Year ended December 31, 2011						
	Cinco de Mayo	Lagartos Properties	(Batopilas) Don Fippi	Esperanza	Mojina	Other	Total
Exploration and evaluation assets							
Acquisition costs of mineral & surface rights	$ 53,906	$ -	$ -	$ 185,968	$ 83,475	$ -	$ 323,349
Camp costs	390,188	61,724	10,205	40,125	46,948	20,010	569,200
Drilling	3,562,696	647,251	-	88,793	230,537	761	4,530,038
Geochemical	669,300	12,495	-	22,043	9,719	3,640	717,197
Geological	1,189,495	241,651	18,311	194,411	160,782	70,265	1,874,915
Geophysical	9,335	1,753	-	-	16,341	51,244	78,673
Gov't fees and licenses	98,187	440,212	20,672	50,081	15,777	214,405	839,334
Metallurgical	68,742	-	-	-	-	-	68,742
Site administration	75,545	11,058	3,201	9,157	7,463	5,699	112,123
Transport and shipping	90,983	9,602	3,992	4,831	8,170	1,805	119,383
Travel	62,695	12,066	1,146	7,296	4,130	12,916	100,249
Total for the year	6,271,072	1,437,812	57,527	602,705	583,342	380,745	9,333,203
Balance January 1, 2011	29,332,005	10,579,672	6,077,980	393,940	434,493	5,332,562	52,150,652
Less amounts written off	-	-	-	-	-	(531,515)	(531,515)
Balance, December 31, 2011	$ 35,603,077	$ 12,017,484	$ 6,135,507	$ 996,645	$ 1,017,835	$ 5,181,792	$ 60,952,340

Included in exploration and evaluation assets at December 31, 2012 are trade and other payables of $560,964 (December 31, 2011: $992,494), a non-cash investing activity.

(a) Cinco de Mayo Property

Under the terms of an agreement dated February 26, 2004, the Company acquired a 100% interest in the Cinco de Mayo property (the "Cinco de Mayo Property"), subject to a 2.5% net smelter returns ("NSR") royalty. During the year ended December 31, 2008, the Company acquired a 100% interest in certain additional mining concessions internal to the Cinco de Mayo Property from two separate vendors. The Company made a one-time payment of $350,000 for these mining concessions. During the year ended December 31, 2009, the Company acquired a 100% interest in certain additional mining concessions internal or adjacent to the Cinco de Mayo property from three separate vendors. The Company made a one-time payment of $362,000 for these mining concessions.

During the year ended December 31, 2010, the Company entered into two option agreements to earn a 100% interest in five additional mining concessions adjacent to the Cinco de Mayo property. The Company paid $40,000 upon executing the agreements, and further payments of $30,000 since then. In order to earn its 100% interest on these additional claims, the Company must pay an additional $150,000 in stages through 2015 (Note 14).

During the year ended December 31, 2009, the Company also purchased 41 surface rights in the Cinco de Mayo area for $660,000 from local Ejido members, who along with the Federal Agrarian Authority ratified the purchase. The Company is currently awaiting formal title to the surface rights as certain members of the Ejido have since challenged the purchase, and prevented the Company from obtaining surface access permission required as part of the new exploration permit process. The Company believes this is a temporary delay and is working to resolve the access issue with the Ejido, with the expectation of resuming drilling on the property late in 2013.

To December 31, 2012, the Company has incurred $43,932,956 on exploration and evaluation costs on the property.

(b) Lagartos Properties

The Company has acquired a 100% interest in exploration concessions on various mining claims on the Fresnillo trend to the northwest ("Lagartos NW" and "Lagartos V"), to the northeast ("Lagartos X") and southeast ("Lagartos SE") of the Juanicipio property, (collectively the "Lagartos Properties"). To December 31, 2012, the Company has incurred $13,044,712 on exploration and evaluation costs on the Lagartos properties.

At December 31, 2012 the Company wrote-off expenditures related to the Lagartos X claim for an amount of $896,099, as exploration results failed to meet the Company's criteria for maintaining the property.

(c) Don Fippi (Batopilas) Property

The Company has a 100% interest in the Don Fippi mining concessions located in the Batopilas, Chihuahua district of Mexico, subject to a royalty of 4.5% of the net smelter returns obtained from the property. To December 31, 2012, the Company has incurred $6,189,294 on exploration and evaluation costs on the property.

(d) Esperanza

During the year ended December 31, 2010, the Company entered into an option agreement with Canasil Resources Inc. ("Canasil") to earn a 60% interest in certain mineral claims constituting the Esperanza Property, a silver-zinc-lead project covering 17,009 hectares, located 100 km SE of the city of Durango on the border between Durango and Zacatecas States. Pursuant to the agreement, the Company paid $47,315 upon signing the agreement in 2010, $102,070 in 2011, and a further $150,769 in 2012. To earn its 60% interest in the property, the Company would have to make an additional cash payment of C$200,000 on September 1, 2013 and incur additional exploration expenditures of approximately $2.5 million in stages to September 1, 2014. After a review of assay results to date, the Company assessed the recoverability of costs incurred and determined that exploration and evaluation costs totaling $2,468,380 should be written down to nil as of December 31, 2012.

Under the terms of the agreement, MAG previously subscribed to two placements in Canasil shares (see Note 4).

(e) Mojina Property

On March 30, 2010, the Company entered into an option agreement to earn a 100% interest in the Mojina Property, subject to a 2.5% NSR royalty, half of which can be purchased at any time for $1,250,000. Under the terms of the agreement, the Company paid $35,000 upon signing the agreement and an additional $65,000 in 2010, an additional $61,181 in 2011, and an additional $81,132 in January 2012. To earn its 100% interest, the Company is required to make additional scheduled cash payments totalling C$805,000 through 2015 (including C$150,000 made subsequent to year end), and incur cumulative qualifying exploration expenditures totalling $2,500,000 over five years to 2015 (Note 14), including expenditures of $800,000 by March 31, 2013 which have been completed as at December 31, 2012. To December 31, 2012, the Company had incurred $1,424,871 in exploration and evaluation costs, including $1,116,620 in qualifying expenditures under the agreement.

On June 25, 2010, the Company acquired by concession an additional claim adjacent to the optioned claims.

(f) Other Properties

Other properties consist of the Lorena claims, the Nuevo Mundo claims, and the Guigui claim options, all in Mexico. To December 31, 2012, the Company had incurred $5,441,818 in exploration and evaluation costs on these remaining other properties.

During the year ended December 31, 2011, the Company wrote down exploration and evaluation assets totalling $531,515 relating to the San Ramone claims. After an evaluation of the property's potential against the required exploration expenditures required to keep the San Ramone option in good standing (under the option agreement, a further $1.5 million in expenditures would have been required by July 2012), results did not warrant further work on the property.

8. SHARE CAPITAL

(a) Issued and outstanding

At December 31, 2012, there were 60,023,835 shares outstanding (December 31, 2011: 55,667,139).

On September 5, 2012, the Company closed a brokered private placement for 3,526,210 common shares of the Company at a price of C$9.40 per share for gross proceeds of $33,451,321. The Company paid a 5.25% commission of $1,756,194 to the underwriters on this placement, and legal and filing costs totaled an additional $408,774.

During the year ended December 31, 2012, 824,901 stock options were exercised for cash proceeds of $5,464,805. On June 18, 2012, 20,000 additional stock options were exercised under a cashless exercise provision of the plan (see Note 8(b) below), whereby the Company paid $13,735 in employee withholding taxes and issued 5,585 shares in settlement of the stock options (December 31, 2011: nil).

During the year ended December 31, 2011, 505,525 stock options were exercised for cash proceeds of $1,978,174.

(b) Stock options

The Company has entered into Incentive Stock Option Agreements ("Agreements") with directors, officers, employees and consultants. At the Annual General and Special Meeting of the Shareholders held on September 15, 2011 the Shareholders approved an amendment to the Company's Stock Option Plan (the "Plan") to convert it into a rolling stock option plan that sets the number of shares issuable thereunder at a maximum of 8% of the common shares of the Company issued and outstanding at the time of any grant. As at December 31, 2012, 3,763,717 stock options are outstanding under the Plan, 1,038,190 stock options remain available for grant under the Plan, and 200,000 inducement options are outstanding outside of the Plan.

On May 11, 2012, the board approved an amendment to the stock option plan to allow the board to offer designated option holders an alternative, less dilutive, cashless exercise mechanism. At the discretion of the board, the option holder can choose to receive a net benefit payout in the form of Company stock, equivalent to the amount of benefit the stock options are in the money on the date of exercise, less a provision for required withholding taxes.

The following table summarizes the Company's option activity:

		Year ended December 31 2012	Weighted average exercise price (C$/option)	Year ended December 31, 2011	Weighted average exercise price (C$/option)
Balance outstanding, beginning of year		4,123,618	$ 9.25	3,968,206	$ 8.42
Options granted	(1)	1,160,000	9.92	750,000	10.44
Options expired/forfeited		(475,000)	13.59	(89,063)	12.79
Options exercised	(2)	(844,901)	6.43	(505,525)	3.84
Balance outstanding, end of year		3,963,717	$ 9.57	4,123,618	$ 9.25

(1) During the year ended December 31, 2012, 1,160,000 stock options were granted (December 31, 2011: 750,000), with a weighted average exercise price of C$9.92 (2011: C$10.44) and a fair value of $3,946,851 (2011: $2,909,109) or $3.40 (2011: $3.88) per option as of the grant date. The fair value was determined for the year ended December 31, 2012 using an option pricing model assuming no dividends are to be paid, a weighted average historical volatility of the Company's share price of 50% (2011: 58%), an annual risk free interest rate of 1.24% (2011: 1.92%) and expected lives of three years.

Stock option grants are approved, in accordance with the terms of the Plan, by the Compensation Committee consisting of three independent members of the Board of Directors. At the time of a stock option grant, the exercise price of each option is set no lower than the market value of the common shares at the date of grant.

During the year ended December 31, 2012, the Company recorded share based payment expense of $3,409,001 (December 31, 2011: $2,970,112) relating to stock options vested to employees and consultants in the year.

(2) During the year ended December 31, 2012, 844,901 stock options were exercised (December 31, 2011: 505,525), with a weighted average market share price at the time of exercise of C$9.93 per share (December 31, 2011: C$10.51 per share).

The following table summarizes the Company's stock options outstanding and exercisable as at December 31, 2012:

	Exercise price ($C/ option)	Number outstanding at December 31 2012	Number exercisable at December 31 2012	Weighted average remaining contractual life (years)	Weighted average exercise price ($C)
	5.32	72,696	72,696	1.48	
	5.54	98,594	98,594	1.31	
	6.32	113,266	113,266	1.96	
	6.95	185,000	185,000	2.65	
	7.42	325,000	325,000	2.24	
(1)	8.15	200,000	200,000	2.65	
	8.95	100,000	66,667	4.46	
	9.15	752,000	312,000	4.59	
	9.92	589,285	589,285	2.98	
	10.01	206,001	206,001	0.50	
	10.44	740,000	546,500	3.67	
	11.89	15,000	15,000	2.99	
	12.19	300,000	100,000	4.76	
	12.91	266,875	266,875	0.12	
		3,963,717	3,096,884	3.07	$ 9.57

(1) Inducement options issued outside the Company's Plan in 2010 as an incentive to attract a senior officer.

9. CAPITAL RISK MANAGEMENT

The Company's objectives in managing its liquidity and capital are to safeguard the Company's ability to continue as a going concern and to provide financial capacity to meet its strategic objectives. The capital structure of the Company consists of its equity comprising of share capital, share option reserve, accumulated other comprehensive income and deficit.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. The Company does not pay out dividends.

As December 31, 2012, the Company does not have any long-term debt and is not subject to any externally imposed capital requirements.

The Company currently has sufficient working capital ($40.5 million) to maintain all of its properties and currently planned programs for a period in excess of the next year. In management's opinion, the Company is able to meet its ongoing current obligations as they become due. However, the Company will likely require additional capital in the future to meet its project related expenditures (see Note 14), as it is unlikely that the Company will generate sufficient operating cash flow to meet all of its future expenditure requirements. Future liquidity will depend upon the Company's ability to arrange additional debt or equity financing, as the Company relies on equity financings to fund its exploration and corporate activities.

10. FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

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

(i) Trade credit risk

The Company is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Company is not exposed to significant trade credit risk and overall the Company's credit risk has not changed significantly from the prior year.

(ii) Cash

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

(iii) Mexican value added tax

As at December 31, 2012, the Company had a receivable of $478,944 from the Mexican government for value added tax (Note 3). The balance is all current and a full recovery is expected by management.

The Company's maximum exposure to credit risk as at December 31, 2012 is the carrying value of its cash and accounts receivable (Note 6), as follows:

	Dec. 31, 2012	Dec. 31, 2011
Cash	$ 40,621,158	$ 26,217,409
Accounts receivable	572,295	805,106
	$ 41,193,453	$ 27,022,515

(b) Liquidity risk

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements, its exploration and development plans, and its various optional property and other commitments (see Notes 6, 7 and 14). The annual budget is approved by the Board of Directors. The Company ensures that there are sufficient cash balances to meet its short-term business requirements.

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

(c) Currency risk

The Company is exposed to the financial risks related to the fluctuation of foreign exchange rates, both in the Mexican Peso relative to the US$, and in the US$ relative to the C$. The Company does not use any derivative instruments to reduce its exposure to fluctuations in foreign exchange rates. The Company is also exposed to inflation risk in Mexico.

Mexican Peso relative to the US$

Although the majority of operating expenses in Mexico are both determined and denominated in US$, an appreciation in the Mexican peso relative to the US$ will slightly increase the Company's cost of operations in Mexico related to those operating costs denominated and determined in Mexican pesos.

A depreciation in the Mexican peso against the US$ will result in a loss to the extent that the Company holds net monetary assets in pesos. Specifically, the Company's foreign currency exposure is comprised of peso denominated cash and value added taxes receivable, net of trade and other payables. The carrying amount of the Company's net peso denominated monetary assets at December 31, 2012 is 407,617 Mexican pesos (December 31, 2011 is 17,874,871 pesos). A 10% depreciation in the peso relative to the US$ would result in an additional loss as at December 31, 2012 of $3,138 (December 31, 2011 of $127,872). A 10% appreciation in the peso against the US$ would result in an equivalent decrease in net loss.

US$ relative to the C$ and the Cumulative Translation Adjustment

Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency, and then translated to the US$ presentation currency. The functional currency of MAG, the parent entity, is the C$ which differs from the US$ presentation currency. It therefore translates its results and financial position into the US$ presentation currency in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates* , whereby assets and liabilities are translated to the reporting currency using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period), with the resulting exchange differences reported as a cumulative translation adjustment in other comprehensive income.

The sensitivity of the Company's other comprehensive loss for the year ended December 31, 2012 due to changes in the C$ exchange rate in relation to the US$ is summarized as follows: a 10% appreciation in the Canadian dollar against the US$ would decrease the comprehensive loss for the period by $1,472,904 and a 10% depreciation in the Canadian dollar against the US$ would increase the comprehensive loss for the period by $1,472,904.

During the year ended December 31, 2012, the Company recognized a currency translation gain in other comprehensive income of $321,340 (December 31, 2011: loss of $643,233) resulting from the translation from C$ to US$ of the Company's parent entity, which has a C$ functional currency. The C$ as measured against the US$ was 1.0051 at December 31, 2012, compared to 0.9833 US$/C$ at December 31, 2011.

(d) Interest rate risk

The Company's interest revenue earned on cash is exposed to interest rate risk. A decrease in interest rates would result in lower relative interest income and an increase in interest rates would result in higher relative interest income.

11. FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

The Company's financial instruments include cash, accounts receivable, marketable securities including warrants, and trade and other payables. The carrying values of cash, accounts receivable, interest receivable, and trade and other payables reported in the consolidated statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The Company's financial assets or liabilities as measured in accordance with the fair value hierarchy described above are:

Fair Value Hierarchy		Dec. 31, 2012	Dec. 31, 2011
Level 1	(1)	$ 41,051,964	$ 26,713,774
Level 2	(2)	-	-
Level 3	(3)	-	-
		$ 41,051,964	$ 26,713,774

(1) The fair value of available-for-sale marketable securities (Note 4) is determined based on a market approach reflecting the closing price of each particular security as at the statement of financial position date. The closing price is a quoted market price obtained from the exchange that is the principal active market for the particular security, and therefore available-for-sale securities are classified within Level 1 of the fair value hierarchy.

(2) The fair value of FVTPL warrants that are not traded in an active market is determined using a Black-Scholes model based on assumptions that are supported by observable current market conditions and as such are classified within Level 2 of the fair value hierarchy. The use of possible alternative reasonable assumptions would not significantly affect the Company's results. The fair value of the Company's 250,000 FVTPL warrants at December 31, 2011 was $nil and expired unexercised on May 6, 2012.

(3) There were no financial instruments fair valued within Level 3 of the fair value hierarchy as at December 31, 2012 or December 31, 2011. There were no transfers between levels 1, 2 and 3 during the years ended December 31, 2012 and 2011.

12. SEGMENTED INFORMATION

The Company operates in one operating segment, being the exploration of mineral properties in Mexico. Substantially all of the Company's long term assets are located in Mexico and the Company's executive and head office is located in Canada.

13. RELATED PARTY TRANSACTIONS

The Company does not have offices or direct personnel in Mexico, but rather is party to a Field Services Agreement, whereby it has contracted administrative and exploration services in Mexico with MINERA CASCABEL S.A. de C.V. ("Cascabel") and IMDEX Inc. ("IMDEX"). These companies have a common director with the Company, however, all transactions are incurred in the normal course of business, and are measured at the exchange amount which was the consideration established and agreed to by the noted parties, and represents a fair market value for services rendered. A significant portion of the expenditures which are incurred on the Company's behalf, are charged to Company on a "cost + 10%" basis typical of industry standards.

During the year ended December 31, 2012, the Company accrued or paid Cascabel and IMDEX consulting and administration fees and reimbursement of travel costs totaling $321,723 (December 31, 2011: $327,983) and exploration reimbursements and other field costs totaling $2,374,816 respectively (December 31, 2011: $2,480,698) under the Field Services Agreement. Included in trade and other payables at December 31, 2012 is $501,495 related to these services (December 31, 2011: $431,946).

The Company is obligated to a 2.5% NSR royalty to Cascabel under the terms of an option agreement dated February 26, 2004, whereby the Company acquired a 100% interest in the Cinco de Mayo property from Cascabel.

Any amounts due to related parties arising from the above transactions are unsecured, non-interest bearing and are due upon receipt of invoices.

The immediate parent and ultimate controlling party of the consolidated group is MAG Silver Corp. (incorporated in British Columbia, Canada).

The details of the Company's subsidiaries and ownership interests are as follows:

Significant subsidiaries of the Company are as follows:

Name	Country of Incorporation	Principal Activity	MAG' effective interest 2012 (%)	2011 (%)
Minera Los Lagartos, S.A. de C.V.	Mexico	Exploration	100%	100%
Minera Pozo Seco S.A. de C.V.	Mexico	Exploration	100%	100%
Minera Sierra Vieja S.A. de C.V.	Mexico	Exploration	100%	100%

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Minera Juanicipio, S.A. de C.V. ("Minera Juanicipio"), created for the purpose of holding and operating the Juanicipio Property, is held 56% by Fresnillo plc ("Fresnillo") and 44% by the Company. Minera Juanicipio is currently governed by a shareholders agreement. All costs relating to the project and Minera Juanicipio are required to be shared by the Company and Fresnillo pro-rata based on their ownership interests in Minera Juanicipio (see Note 6).

Compensation of Key Management Personnel including Directors

During the year, compensation of key management personnel was as follows:

	Year ended December 31	
	2012	2011
Salaries and other short term employee benefits	$ 1,383,653	$ 1,290,137
Share based payments	2,798,726	2,505,783
	$ 4,182,379	$ 3,795,920

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and consists of its Directors, the Chief Executive Officer, the Chief Financial Officer and the Vice President of Operations.

14. COMMITMENTS

As at December 31, 2012, the Company's minimum lease payments under its office lease agreement and its contractual obligations for optional mineral property acquisition payments and optional exploration work are as follows:

	Office Lease	Property Option Payments (Note 7)	Exploration Commitments (Note 7)	Total
2013	$ 167,461	$ 170,765	$ -	$ 338,226
2014	167,461	221,020	383,380	771,861
2015	-	572,346	1,000,000	1,572,346
	$ 334,922	$ 964,131	$ 1,383,380	$ 2,682,433

As these consolidated financial statements have been prepared using the accrual basis of accounting (except for cash flow information), these commitments are not recorded as liabilities until incurred or until due under the terms of the option agreement.

The Company could be subject to various investigations, claims and legal and tax proceedings covering matters that arise in the ordinary course of business activities. Each of these matters would be subject to various uncertainties and it is possible that some matters may be resolved unfavourably to the Company. Certain conditions may exist as of the date of the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company is not aware of any such claims or investigations, and as such has not recorded any related provisions and does not expect such matters to result in a material impact on the results of operations, cash flows and financial position.

Other contractual obligations include a 2.5% NSR royalty under the terms of an agreement dated February 26, 2004, whereby the Company acquired a 100% interest in the Cinco de Mayo property, and a 4.5% NSR royalty on the interest in the Don Fippi mining concessions located in the Batopilas, and a 2.5% NSR royalty under the terms an agreement dated March 30, 2010, whereby the Company entered into an option agreement to earn a 100% interest in the Mojina Property (Note 7).

The Company makes cash deposits to Minera Juanicipio from time to time as cash called by operator Fresnillo (Note 6). The scale and scope of the Juanicipio project could require development capital in the years ahead exceeding the Company's on hand cash resources. It is unlikely that the Company will generate sufficient operating cash flow to meet these ongoing obligations in the foreseeable future. Accordingly the Company may need to raise additional capital by issuance of equity in the future.

15. INCOME TAXES

The income taxes recognized in profit or loss is as follows:

	December 31, 2012	December 31, 2011
Current tax recovery (expense)	$ -	$ -
Deferred tax recovery (expense)	840,052	(840,052)
Total income tax expense	840,052	(840,052)

The $840,052 deferred tax recovery for the year ended December 31, 2012 (2011: deferred tax expense of $840,052) relates to temporary differences between the book and tax base of its Mexican non-monetary assets. The tax base of these non-monetary assets is determined in a different currency (Mexican Peso) than the functional currency (US$), and changes in the exchange rate can give rise to temporary differences that result in a deferred tax liability in accordance with IAS 12 Income Taxes. With the strengthening of the Mexican Peso against the US$ from 13.98 Pesos/US$ on December 31, 2011 to 12.99 Pesos/US$ on December 31, 2012, the previously recognized deferred tax liability and expense was entirely reversed.

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

	2012	2011
Loss for the year before income taxes	$ (13,154,374)	$ (7,410,691)
Statutory Tax rate	25.00%	26.50%
Recovery of income taxes computed at statutory rates	$ 3,288,594	$ 1,963,833
Non-deductible expense and taxable Mexican inflationary gains	(1,778,316)	(1,421,347)
Higher effective tax rate on loss in foreign jurisdiction	252,766	94,163
Unrecognized deferred tax assets	(1,996,722)	(501,756)
Impact of foreign exchange and other	1,073,730	(974,945)
Total income tax recovery (expense)	**$ 840,052**	**$ (840,052)**

The Canadian Federal corporate tax rate decreased from 16.5% to 15% in 2012. The reduction in tax rates resulted in an overall decrease in the Company's statutory tax rate from 26.5% to 25%.

The approximate tax effect of each item that gives rise to the Company's unrecognized and recognized deferred income tax assets and liabilities as at December 31, 2012 and 2011 are as follows:

	December 31, 2012	December 31, 2011
Tax Losses - deferred tax assets	2,278,419	2,377,896
Excess of book value of exploration and evaluation assets and investment in associate over tax values	(2,278,419)	(3,217,948)
Net deferred tax tax liability	**-**	**(840,052)**

The Company has the following deductible temporary differences for which no deferred tax assets have been recognized:

	2012	2011
Tax Losses	$ 39,975,128	$ 23,587,406
Financing Fees	2,543,405	1,220,109
Cumulative eligible capital	696,282	684,654
Other	408.554	280,490
Total	$ 39,623,369	$ 25,772,659

At December 31, 2012, the Company has non-capital loss carry forwards in Canada aggregating $29,302,217 (2011: $23,587,000) which expire over the period between 2014 and 2032, available to offset future taxable income in Canada, and the Company has capital loss carry forwards in Canada of $253,700 (2011: $248,000) which are available only to offset future capital gains for Canadian tax purposes and may be carried forward indefinitely.

At December 31, 2012, the Company has tax loss carry forwards in Mexico aggregating $14,958,806 (2011: $8,492,536) which expire over the period 2018 to 2023, available to offset future taxable income in Mexico.

At December 31, 2012, the Company has $319,258 (2011: $1,150,816) included in cash that is held by foreign subsidiaries, and hence not available to fund domestic operations unless the funds were repatriated. There are no taxes payable on the funds should the Company choose to repatriate them, however, the Company does not intend to repatriate these funds.

16. ARBITRATION AWARD

In the prior year, in a ruling dated April 28, 2011, the Company was awarded damages of $1.86 million in a favourable unanimous ruling of a three member arbitral panel of the International Court of Arbitration of the International Chamber of Commerce ("ICC") with respect to the arbitration proceedings commenced in Mexico against its joint venture partner, Fresnillo. The ICC upheld MAG's interpretation that Fresnillo breached the standstill provision in the Shareholders Agreement and, in accordance with Mexican law, awarded MAG $1.86 million in damages. The damage award represented MAG's direct costs of defending Fresnillo's improper take-over bid in late 2008 and 2009.

17. SUBSEQUENT EVENTS

Subsequent to December 31, 2012:

a) The Company issued 117,883 common shares pursuant to the exercise of stock options between C$6.32 and C$7.42 per share for aggregate proceeds of C$855,021;

b) 266,875 stock options with an exercise price of C$12.91 expired unexercised; and,

c) The Company granted 100,000 inducement stock options to a new officer of the Company, exercisable at C$9.61 per share, with a term of five years, and vesting 33,334 immediately, 33,333 after 12 months and 33,333 after 24 months from the date of grant.



MAG SILVER CORP.

Management's Discussion & Analysis
For the year ended December 31, 2012

Dated: March 27, 2013

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

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OVERVIEW

MAG Silver Corp. ("MAG" or the "Company") is a mineral exploration and predevelopment company focused on the acquisition, exploration and development of district scale projects located within the Mexican silver belt. The Company is based in Vancouver, British Columbia, Canada, and its common shares trade on the Toronto Stock Exchange under the symbol MAG and on the NYSE MKT (formerly NYSE.A) under the symbol MVG. The Company is a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador and is a reporting "foreign issuer" in the United States of America.

The following Management Discussion and Analysis ("MD&A") of MAG focuses on the financial condition and results of operations of the Company for the years ended December 31, 2012 and 2011. It is prepared as of March 27, 2013 and should be read in conjunction with the audited annual consolidated financial statements of the Company for the years ended December 31, 2012 and 2011, together with the notes thereto.

All dollar amounts referred to in this MD&A are expressed in United States dollars ("US$") except where indicated otherwise. Effective January 1, 2012, the Company changed its presentation currency from the Canadian dollar ("C$") to the US$ on a retrospective basis (see 'Changes in Accounting Policies' below). The change in presentation currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the mining industry.

The Company believes it is a Passive Foreign Investment Company ("PFIC"), as that term is defined in Section 1297 of the U.S. Internal Revenue Code of 1986, as amended, and believes it will be a PFIC for the foreseeable future. Consequently, this classification may result in adverse tax consequences for U.S. holders of the Company's common shares. For an explanation of these effects on taxation, U.S. shareholders and prospective U.S. holders of the Company's common shares are encouraged to consult their own tax advisers.

Except for historical information contained in this MD&A, the disclosures contained herein are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 or are future oriented financial information and as such are based on an assumed set of economic conditions and courses of action. These may include estimates of future production levels, expectations regarding mine production and development programs and capital costs, expected trends in mineral prices and statements that describe future plans, objectives or goals. There is significant risk that actual results will vary, perhaps materially, from results projected depending on such factors as discussed under "Risks and Uncertainties" in this MD&A and other risk factors and forward-looking statements listed in the Company's most recently filed Annual Information Form ("AIF"). More information about the Company including its AIF and recent financial reports are available on SEDAR at www.sedar.com and on SEC's EDGAR website at www.sec.gov.

Unless otherwise specifically noted herein, all scientific or technical information in this MD&A, including reserve estimates was based upon information prepared by or under the supervision of Dr. Peter Megaw, Ph.D., C.P.G., a certified professional geologist who i **s** a "Qualified Person" for purposes of National Instrument 43-101, *Standards of Disclosure for Mineral Projects* ("National Instrument 43-101" or "NI 43-101") and or prepared by or under the supervision of Dan MacInnis, P. Geo., a certified professional geologist who is a "Qualified Person" for purposes NI 43-101.

Cautionary Note to Investors Concerning 'Mineral Resources' and Estimates of 'Indicated' and 'Inferred' Resources

This MD&A uses the term "Mineral Resources" and within that context, the terms "Inferred Resources" and "Indicated Resources." MAG advises investors that although these terms are recognized and required by Canadian regulations (under NI 43-101), the U.S. Securities and Exchange Commission ("SEC") does not recognize these terms. Investors are cautioned that "inferred resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or prefeasibility studies. **Investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally mineable. Investors are further cautioned not to assume that any part or all of an indicated mineral resource will be converted into reserves.**

SELECTED ANNUAL INFORMATION AND OVERALL PERFORMANCE

The following table summarizes selected financial data for the Company's three most recently completed financial years. The information set forth below should be read in conjunction with the consolidated audited financial statements and related notes thereto. All figures are reported under International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB")).

	Year ended Dec. 31, 2012	Year ended Dec. 31, 2011	Year ended Dec. 31, 2010
Revenues[1]	$213,742	$512,395	$312,922
Net Loss[2]	($12,314,322)	($8,250,743)	($12,316,133)
Net Loss per Share	($0.22)	($0.15)	($0.23)
Total Assets[3]	$130,550,840	$103,629,155	$107,703,173
Long Term Debt	Nil	Nil	Nil
Dividends[4]	Nil	Nil	Nil

Notes:

(1) The Company's only source of revenue during the years ending December 31, 2010 to 2012 was interest income from GIC's and from high interest savings accounts held by the Company. The amount of interest earned correlates directly to the amount of cash on hand during the year referenced and prevailing interest rates. The Company does not have any operating revenues.

(2) The Company's normal course of business is to explore its mineral properties as appropriate. The loss variation above reflects, amongst other things, the periodic write-down of exploration and evaluation assets, share based payment expense (a non-cash charge), and fluctuations in activity levels. The current year's net loss includes $3,364,479 in exploration and evaluation assets written off (see "Results of Operations" below) compared to $531,515 and $2,343,861 in 2011 and 2010 respectively, and share based payment expense of $3,409,001 compared to $2,970,112 and $3,002,115 in 2011 and 2010 respectively. The 2011 loss was partially offset by a favourable $1,858,120 arbitration award received in that year.

(3) At the end of 2012, the Company held $40,621,158 in cash compared to $26,217,409 at December 31, 2011 and $40,040,071 at December 31, 2010, and the Company had $69,137,552 in exploration and evaluation assets compared to $60,952,340 at December 31, 2011 and $52,150,775 at December 31, 2010. Total assets increased from December 31, 2011 to December 31, 2012 primarily as a result of the Company's higher cash balance as at December 31, 2012 and increased exploration and evaluation assets held as at December 31 2012. The increased exploration and evaluation assets are reflective of the continued exploration on the Company's mineral properties during the year, and the increase in cash from 2011 is a result of a 2012 brokered private placement for 3,526,210 common shares of the Company issued at a price of C$9.40 per share for gross proceeds of $33,451,321. No financings were completed in 2011. In 2010, a brokered private placement closed on May 18, 2010, whereby the Company issued 4,603,500 common shares of the Company at a price of C$7.65 per share for gross proceeds of $34,091,747.

(4) The Company has not declared or paid dividends on its common shares. The Company has no intention of paying dividends on its common shares in the near future, as it anticipates that all available funds will be used to finance the operations and growth of its business.

FINANCIAL PERFORMANCE

At December 31, 2012, the Company had working capital of $40,492,095 (compared to $25,779,667 at December 31, 2011), including cash of $40,621,158 (compared to $26,217,409 at December 31, 2011). The Company's reserves of cash originate from financings. On September 5, 2012 the Company completed a brokered private placement for 3,526,210 common shares of the Company at a price of C$9.40 per share for gross proceeds of $33,451,321. No financings were completed in 2011.

The Company's net loss for the year ended December 31, 2012 amounted to $12,109,761 (2011: $8,250,743). The increased net loss in the current year is primarily a result of higher exploration and evaluation cost write-offs and costs incurred in 2012 dealing and negotiating with a dissident group of MAG shareholders. The 2011 comparable loss was also reduced by the receipt of a $1.86 million arbitration award recognized as income during the prior year, related to the arbitration proceedings against Fresnillo plc ("Fresnillo").

Exploration and evaluation costs written off in the year ended December 31, 2012 amounted to $3,364,479 (2011: $531,515) where the Esperanza property option was written off in its entirety ($2,468,379) and a claim under the Lagartos properties ("Lagartos X") was also written off ($896,099) in the current year (see "Results of Operations" below). In the year ended December 31, 2011, the San Ramone property was written off totaling $531,515.

In the current year, costs were incurred dealing and negotiating with a dissident group of MAG shareholders which collectively held approximately 9.76% of MAG's outstanding shares. The Company ultimately reached an agreement on September 4, 2012 whereby MAG agreed to nominate Richard Clark and Peter Barnes for election at the annual and special meeting ("Annual Meeting") of shareholders held on October 5, 2012. At the Annual Meeting, Mr. Clark and Mr. Barnes along with seven of the existing members of MAG's board were elected.

During the year ended December 31, 2012, the Company granted 1,160,000 stock options (2011: 750,000), and recorded $3,409,001 (2011: $2,970,112) of share based payment expense (a non cash item) relating to stock options both granted and vesting to employees and consultants in the period. The fair value of all share-based payment compensation is estimated using the Black-Scholes-Merton option valuation model, assuming no dividends are to be paid, a weighted average volatility of the Company's share price of 50% (2011: 58%), an annual risk free interest rate of 1.24% (2011: 1.92%) and expected option lives of three years.

Accounting and audit fees for the year ended December 31, 2012 of $661,079 (2011: $781,167) decreased from the prior year as 2011 included additional professional fees related to the internal restructuring of its Mexican property holdings. The foreign exchange gain of $329,076 (2011: loss of $174,064) was a result of holding US$ in MAG corporate (where the functional currency is C$), while the US$ strengthened against the C$. General office expenses increased to $1,270,000 (2011: $819,511) directly as a result of additional Annual Meeting costs incurred leading up to the settlement agreement with the dissident shareholder group. Legal fees incurred during the year ended December 31, 2012 also included fees related to the dissident shareholder defense, but overall legal fees of $1,170,247 (2011: $1,511,268) decreased from 2011, as there were no arbitration proceedings in the current year (the arbitration against Fresnillo concluded favourably in 2011). For the year ended December 31, 2012, shareholder relations and travel expenses increased to $764,643 (2011: $342,110) and $380,998 (2011: $292,137) respectively, as a result of increased local and foreign marketing activities to broaden investor awareness about the Company.

Other expenses incurred during the year ended December 31, 2012 including amortization of $44,301 (2011: $61,308), filing and transfer agent fees $170,470 (2011: $194,069), and management and consulting fees of $2,257,413 (2011: $2,098,116), were all either comparable with the prior year's expenses or not significant to the overall operations of the year. Other than $59,478 capitalized in property costs (2011: $124,606), all management and consulting fees are expensed in the statement of loss and comprehensive loss.

Interest income earned for the year ended December 31, 2012 decreased to $213,742 (2011: $512,395) as cash balances on hand during the year ended December 31, 2012 were composed primarily of US$ compared to primarily C$ holdings in the prior year. US$ balances earn considerably less interest than C$ balances held by the Company.

The $840,052 deferred tax recovery for the year ended December 31, 2012 (2011 – deferred tax expense of $840,052) relates to a temporary difference between the book and tax base of its Mexican non-monetary assets. The tax base of these non-monetary assets is determined in a different currency (Mexican Peso) than the functional currency (US$), and changes in the exchange rate can give rise to temporary differences that result in a deferred tax liability in accordance with IAS 12 Income Taxes. With the strengthening of the Mexican Peso against the US$ from 13.98 Pesos/US$ on December 31, 2011 to 12.99 Pesos/US$ on December 31, 2012, the previously recognized deferred tax liability and expense was entirely reversed.

During the year ended December 31, 2012 there was an unrealized loss of $65,559 (2011: $481,571) recorded in Other Comprehensive Income (Loss) ("OCI") on marketable securities held and designated as held for trading instruments. The Company further recognized an impairment loss of $204,561 (2011: nil) on certain marketable securities and reclassified the cumulative unrealized losses previously recognized in OCI to the consolidated statement of loss. A currency translation gain of $321,340 (2011: loss of $643,233) was also recorded in OCI in the year ended December 31, 2012, resulting from the translation from C$ to US$ of the Company's parent entity which has a C$ functional currency. The C$ as measured against the US$ was 1.0051 at December 31, 2012, compared to 0.9833 US$/C$ at December 31, 2011.

RESULTS OF OPERATIONS

During the year ended December 31, 2012, the Company independently incurred oversight expenditures on the Juanicipio property of $879,851 (2011: $431,767), and advanced an additional $3,697,760 (2011: $2,151,600) to Minera Juanicipio S.A. de C.V. ("Minera Juanicipio"), representing its proportionate 44% share of joint venture expenditures. Exploration drilling and now project development on the Juanicipio property are being conducted by the project operator, Fresnillo (see Juanicipio Property below).

The Company's own exploration activity was focused on its 100% owned Cinco de Mayo property, where $8,329,879 (2011: $6,271,072) was incurred in exploration and evaluation expenditures and 33,067 metres (2011: 25,716) were drilled (see Cinco de Mayo Property below). The combined 2012 exploration and evaluation expenditures on all properties (excluding Minera Juanicipio) totaled $11,549,691 (2011: $9,333,203). During the year ended December 31, 2012 the Esperanza Property and a Lagartos Property claim were written off at $2,468,380 and $896,099 respectively (2011: $531,515 relating to San Ramone) as exploration results did not meet the Company's criteria for maintaining the property (see below).

In total, MAG drilled over 42,000 metres on four of its projects in 2012, and an additional 28,888 metres was drilled by the Juanicipio Joint Venture, Minera Juanicipio.

The following discussion is a summary of, and an update to, disclosure in documentation filed with regulatory agencies and available for viewing under MAG's profile on the SEDAR website at www.sedar.com and on SEC's EDGAR website at www.sec.gov.

Juanicipio Property

The Company owns 44% of Minera Juanicipio, a Mexican incorporated joint venture company, which owns and operates the Juanicipio property located in the Fresnillo District, Zacatecas State, Mexico. Fresnillo holds the remaining 56% interest in the joint venture and is the project operator. The Juanicipio Property hosts, at this time, three significant high grade silver (gold, lead and zinc) veins: the Valdecañas Vein, with its footwall offshoot the Desprendido Vein and the Juanicipio Vein.

Exploration and development programs for the Juanicipio Property are designed by the Minera Juanicipio Technical Committee, approved by the Minera Juanicipio Board of Directors and executed by the project operator, Fresnillo. The Company's share of costs is funded primarily through its 44% interest in Minera Juanicipio, and to a lesser extent, incurred directly by the Company to cover expenses related to parallel technical studies and analyses commissioned by the Company, as well as direct oversight of the drilling programs executed on the property. For the year ended December 31, 2012, the Company's combined expenditures on the Juanicipio property amounted to $4,577,611 (2011: $2,583,367), and included $3,697,760 (2011: $2,151,600) for its 44% share of cash advances, and a further $879,851 (2011: $431,767) accrued or expended directly by the Company on project oversight. Cumulatively to December 31, 2012, the Company has spent on its own account and through advances to Minera Juanicipio, a total of $19,502,181 (2011: $14,910,985) on the Juanicipio property.

Total Juanicipio expenditures incurred directly by Minera Juanicipio for the year ended December 31, 2012 amounted to $5,153,997 (2011: $5,556,160).

2012 Exploration Update

Minera Juanicipio completed 28,888 metres of drilling on the property in the year ended December 31, 2012, representing approximately 80% of the 36,000 metre 2012 drilling budget. Drilling was designed to convert inferred mineral resources to indicated mineral resources on the Valdecañas Vein and delineate the high grade ore shoot emerging on the Juanicipio Vein. Drilling was also targeted on the Las Venadas vein and exploring for additional veins.

Updated Preliminary Economic Assessment ("UPEA")

A National Instrument 43-101 ("NI 43-101") compliant Updated Preliminary Economic Assessment for the Juanicipio Project, commissioned by Minera Juanicipio and carried out by AMC Mining Consultants (Canada) Ltd. (the "AMC Study") was announced on June 14, 2012 and filed on SEDAR on July 16, 2012.

The AMC Study was commissioned as one of the studies necessary to evaluate the manner in which the Juanicipio Property might be developed on a 'stand-alone' basis. The AMC Study defines the Juanicipio Project as an economically robust, high-grade underground silver project exhibiting minimal financial or development risks that will produce an average of 15.1 million payable ounces of silver per year over the first full six years of commercial production and 10.3 million payable ounces per year over a 14.8 year total mine life.

AMC STUDY BASE CASE HIGHLIGHTS [1]

- **Pre-tax Net Present Value ("NPV") at a 5% discount rate of $1.762 billion and an Internal Rate of Return ("IRR") of 54%;**
- **After-tax NPV at a 5% discount rate of $1.233 billion and IRR of 43%;**
- **Payback of 3 years after plant start-up;**
- **Initial capital cost of $302 million over a 3.5 year (42 months) pre-development period;**
- **Sustaining capital of $267 million over life of mine, to be funded out of operating cash flows;**
- **A 14.8 year mine life from mining and processing 13.3 million tonnes, averaging 416 grams per tonne ("g/t") silver, 1.3 g/t gold, 1.4% lead and 2.7% zinc;**
- **Life-of-Mine ("LOM") payable production of 153 million ounces silver, 430,000 ounces gold, 361 million pounds lead and 584 million pounds zinc from the production of lead, zinc and pyrite concentrates;**
- **Annual payable silver production averages 10.3 million ounces at a total cash cost of (negative) ($0.03) per ounce silver, net of by-product credits (MAG's 44% annual share of payable silver ounces is 4.5 million ounces);**
- **For the first full six years of commercial production, payable silver production averages 15.1 million ounces per year at a cash cost of $0.27 per ounce silver, net of by-product credits (MAG's 44% annual share is 6.6 million ounces) and;**
- **The AMC Study does not take into account any potential mining, processing or infrastructure synergies from any association with the adjoining property owned by Fresnillo.**

[1] The AMC Base Case utilizes a discount rate of 5% and three year trailing average metal prices for silver ($23.39 per ounce), gold ($1,257 per ounce), lead ($0.95 per pound) and zinc ($0.91 per pound) to December 31, 2011.

Table 1 below illustrates the effect of silver and gold prices on key economic measures. Note that the gold price varies with the silver price at a constant ratio of approximately 53.7:1.

Table 1: Silver Price Sensitivity Analysis

Discount Rate (5%)		Base Case					
Au ($/oz)	$1,075	**$1,257**	$1,342	$1,476	$1,612	$1,746	$1,881
Ag ($/oz)	$20.00	**$23.39**	$25.00	$27.50	$30.00	$32.50	$35.00
Pre-Tax NPV ($000's)	$1,407	**$1,762**	$1,930	$2,192	$2,455	$2,717	$2,979
After-Tax NPV ($000's)	$976	**$1,233**	$1,355	$1,544	$1,734	$1,923	$2,113
Pre-Tax IRR	47%	**54%**	57%	61%	65%	69%	73%
After-Tax IRR	37%	**43%**	46%	50%	53%	57%	60%
Cash cost $/oz. Ag (net of credits)	0.36	**(0.03)**	(0.21)	(0.49)	(0.79)	(1.07)	(1.36)
Cash cost $/AgEq oz. [2]	6.33	**6.61**	6.73	6.89	7.05	7.20	7.33
Payback (Years) From Plant Start up	4	**3**	3	3	3	2	2

[2] Cash costs include smelter, refining and transportation.

As indicated, project economics are robust across all modeled silver and gold price scenarios, and improve materially as the silver price exceeds the Base Case pricing. For example, at a $30.00 per ounce silver price and a 5% discount rate, the pre-tax NPV and IRR respectively increase to $2,455 million and 65% and $1,734 million and 53% on an after-tax basis. MAG's 44% pre and post-tax interest under this scenario equates to $1,080 million (and 65% IRR) and $763 million (and 53% IRR) respectively.

While the results of the AMC Study are promising, the AMC Study constitutes an updated preliminary economic assessment which by definition is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. There can therefore be no certainty that the updated preliminary economic assessment in the AMC Study will be realized. It is also important to note that mineral resources that are not mineral reserves do not have demonstrated economic viability.

Inferred Mineral Resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves.

Qualified Person: The estimate of the tonnage and grade of material to be mined and processed that form the basis for the economic assessment, and the financial analysis, disclosed in this MD&A for the Juanicipio Project are derived from the NI 43-101 compliant technical report entitled "Minera Juanicipio Property, Zacatecas State, Mexico, Technical Report for Minera Juanicipio S.A de C.V", authored by AMC Mining Consultants (Canada) Ltd. and dated 1 July 2012, which is filed on SEDAR. Mr. Michael Petrina, P.Eng, a "Qualified Person" for the purpose of National Instrument 43-101 and MAG's Vice President, Operations, has read and approved the contents of this MD&A as it pertains to the disclosed financial analysis.

The mineral resources used for the estimate in the NI 43-101 Technical Report for Minera Juanicipio S.A. de C.V. are derived from the NI 43-101 compliant technical report entitled "Mineral Resource Estimate, Minera Juanicipio, S.A. de C.V., Zacatecas, Mexico", authored by Strathcona Minera Services Limited and dated November 2011 which is filed on SEDAR. Mr. Michael Petrina, P.Eng, a "Qualified Person" for the purpose of National Instrument 43-101 and MAG's Vice President, Operations, has read and approved the contents of this MD&A as it pertains to the disclosed mineral resource estimate.

Approval and Commencement of an Underground Development Program

With the completion of the AMC Study, MAG and Fresnillo now have a framework on which the joint venture Technical Committee can build upon for the continued advancement of the Juanicipio Project. On August 15, 2012, the Company announced that the board of directors of Minera Juanicipio (based on the recommendation of the Minera Juanicipio Technical Committee) had approved an 18 month mine permitting and underground development budget of $25 million. Originally, $10 million was expected for 2012 with the remaining $15 million earmarked for 2013, but the majority of this budget has been rolled over into 2013 and the early part of 2014 because of development permitting delays resulting from the Mexican government changeover late in 2012. The budgeted program covers mine permitting, surface preparation and the commencement of the first 2,500 metres of underground decline development. The proposed work plan is based on recommendations provided to Minera Juanicipio in the AMC Study (see UPEA above). The development program will be managed by Fresnillo as operators of the Joint Venture.

Minera Juancipio began the development permitting process in the fall of 2012 and has since commenced a variety of development studies. A hydrogeology (water management) study has been commenced. A geotechnical study has been completed with the assistance of Peñoles' (a related party of Fresnillo) Geotechnical & Construction Group, which has included a visit to the nearby Fresnillo Saucito operation in order to analyze rock quality in anticipation of stope preparation and development at Juanicipio. As well, a division of Peñoles (CIDT) has been contracted to run the recommended metallurgical tests, with almost 254 kilograms of ore bearing material collected systematically along the deposit for metallurgical studies to be carried out.

Originally expected in the first quarter of 2013, the operator Fresnillo now reports that it expects the underground decline ground breaking to commence in the second quarter of 2013. Five different contractors from North and South America have been asked to tender for the decline construction and a decision is pending.

Cinco de Mayo Property

The Cinco de Mayo Project is a 25,000 hectare district scale project owned 100% by the Company. Cinco de Mayo is located approximately 190 kilometres north of the city of Chihuahua, in northern Chihuahua State, Mexico, and is the most advanced of MAG's Carbonate Replacement Deposit ("CRD") Projects. The project consists of four major mineralized zones: the Upper Manto silver-lead-zinc body; the Pegaso deep discovery; the Pozo Seco high grade molybdenum-gold resource area; and the surrounding Cinco de Mayo exploration area.

In the year ended December 31, 2012, the Company incurred exploration and evaluation costs of $8,329,879 (2011: $6,271,072) at Cinco de Mayo and drilling totaled approximately 33,067 metres (2011: 25,716 metres).

Upper Manto (Jose Manto - Bridge Zone)

The 2012 drilling program was largely focused on delineation drilling to determine the width and continuity of high grade silver / lead / zinc mineralization intercepts discovered in 2011 in what was called the "Bridge Zone". The "Bridge Zone" spans the gap between mineralization in the long-known Jose Manto and Cinco Ridge areas.

Definition drilling in the Bridge Zone proceeded on a series of sections spaced approximately 250 metres apart. Each section was tested with a fence of holes designed to intercept the mineralization every 50 metres downdip. Most holes were drilled at -70 degrees inclination and intercepts appear to be close to true width. The best intercepts were: Hole 430, on the 383 Section at the northwest end of the Bridge Zone, which reported 84 g/t (2.4 ounces per ton ("opt")) silver with 1.6% lead and 11.0% zinc over 11.79 metres; including: 160 g/t (4.7 opt) silver with 3.2% lead and 12% zinc over 5.87 metres; including: 2.54 metres that grades 258 g/t (7.5 opt) silver with 7.1% lead and 25.9% zinc; and Hole 418, on the 382 Section at the southeast end of the Bridge Zone which reported 131 g/t (3.8 opt) silver with 4.6% lead and 6.8% zinc over 9.17 metres; including: 2.70 metres that grades 256 g/t (7.5 opt) silver with 6.8% lead and 8.0% zinc (see press release dated September 6, 2012).

Overall, the 2012 drilling demonstrated that mineralization is continuous from the Jose Manto through the Bridge Zone to Cinco Ridge, which is now collectively referred to as the "Upper Manto" to differentiate it from mineralization hit at depth in the "Pegaso Zone" (see below).

On October 3, 2012, MAG announced that Roscoe Postle Associates Inc. ("RPA") had completed the first independent mineral resource estimate for the Upper Manto zone (see press release dated October 3, 2012). Inferred Mineral Resources are estimated to be 12.45 million tonnes at 132 g/t (3.9 opt) silver, 0.24 g/t gold, 2.86% lead, and 6.47% zinc (9.33% lead plus zinc) (see Table 2).

An economic cut-off grade set at a net smelter return ("NSR") of US$100 per tonne was applied as the base case for this initial resource estimate.

Table 2: Mineral Resource Estimates for the Upper Manto, Cinco de Mayo as of September 1, 2012

Resource Category (NSR $100/tonne Cut off)	Tonnage Mt	Gold g/t	Silver g/t	Lead %	Zinc %	Lead + Zinc %	Silver Ounces M	Lead M lbs	Zinc M lbs
Inferred	**12.45**	**0.24**	**132**	**2.86**	**6.47**	**9.33**	**52.7**	**785**	**1,777**

Footnotes:

1. CIM Definition Standards have been followed for classification of mineral resources.
2. Mineral resources are reported at a NSR cut-off value of US$100/tonne.
3. NSR values are calculated in US$ using factors of $0.60 per g/t Ag, $12.32 per g/t Au, $18.63 per % Pb and $14.83 per % Zn. These factors are based on metal prices of US$27.00/oz Ag, US$1,500/oz Au, $1.15/lb Pb and $1.20/lb Zn and estimated recoveries and smelter terms.
4. A minimum mining width of two metres was used.
5. Totals may not add correctly due to rounding.

No data from recent drill hole CM12-431 in the newly discovered deep Pegaso Zone (see below) was used in this estimate.

Sensitivity analysis of the new resource to higher NSR cut-offs reveals significant higher grade portions. This is demonstrated by the $150 NSR cut-off case which gives a total of 9.4 million tonnes of 151 g/t (4.4 opt) silver, 0.26 g/t gold, 3.37% lead, and 7.35% zinc (see Table 3).

Table 3: Resource Sensitivity to Various NSR Cut –Off Values

NSR CUT-OFF ($/t)	Tonnage Mt	Gold g/t	Silver g/t	Lead %	Zinc %	Pb + Zn %	Silver Ounces M	Lead M lbs	Zinc M lbs
$50.00	14.93	0.23	117	2.55	5.77	8.32	56.1	839	1,899
$ 75.00	14.03	0.23	122	2.67	6.04	8.71	54.9	826	1,867
$ 100.00	**12.45**	**0.24**	**132**	**2.86**	**6.47**	**9.33**	**52.7**	**785**	**1,777**
$ 125.00	11.19	0.25	139	3.06	6.80	9.86	50.1	754	1,679
$ 150.00	9.36	0.26	151	3.37	7.35	10.72	45.3	695	1,517

Footnotes: As per Table 2 above, with exception of footnote 2 (mineral resources are reported at NSR cut-off values as indicated.)

Qualified Person: The Mineral Resources for the Cinco de Mayo Property disclosed in this MD&A are derived from the NI 43-101 compliant technical report entitled "Technical Report on the Upper Manto Deposit, Chihuahua, Mexico," authored by Mr. David Ross, P.Geo., an employee of Roscoe Postle Associates and independent of MAG and filed on SEDAR on November 16, 2012. Dr. Peter Megaw, Ph.D., C.P.G., a "Qualified Person" for the purpose of National Instrument 43-101 and a Director of MAG has read and approved the contents of this MD&A as it pertains to the disclosed mineral resource estimate.

Hole CM12-431: The Pegaso Zone

In mid-June 2012, exploration hole CM12- 431 drilled deep beneath the overlap zone between the Bridge Zone and the Jose Manto, cut four significant sulphide intervals within a 300 metre wide skarn and marble zone (see press release dated July 18, 2012). The largest and deepest interval was 61 metres of high-grade massive sulphides that lies behind (to the southwest of) the structures that host the Upper Manto mineralization. This is an entirely new mineralization zone named the "Pegaso Zone", which shows all of the hallmarks of being a near-source part of the CRD system that MAG has been systematically seeking at Cinco de Mayo. The mineralization in the upper intercepts of hole CM12-431 are likely connected to the high-grade silver-lead-zinc mineralization in the 4 kilometre long Upper Manto, indicating that continuous mineralization exists from 125 to 900 metres vertical depth.

These new mineralized intercepts in hole CM12-431 start at 730 metres down hole and continue to nearly 1,000 metres depth down hole (approximately 900 metres vertical depth). The Pegaso Zone is the thickest and deepest intercept, beginning at 927 metres down hole and continuing for 61.6 metres with an average grade of 89 g/t (2.6 opt) silver, 0.78 g/t gold, 0.13% copper with 2.1% lead and 7.3% zinc; including: 31.9 metres that grades 117 g/t (3.4 opt) silver, 1.13 g/t gold, 0.16% copper with 2.7% lead and 9.3% zinc. The Pegaso Zone lies behind (southwest of) the structures that host the Upper Manto, and appears to be a totally new mineralization zone. The three additional intercepts (see Table 4) ranging from 3.12 to 20.15 metres thick lie above this, between 817 and 900 metres depth. The best is the 10 metre intercept (817.22 - 827.22 metres down hole) which returned 1.38 g/t gold, 139 g/t (4.1 opt) silver, 0.11% copper, 2.62% lead and 11.8% zinc. This intercept is believed to be the down-dip extension of the Bridge Zone. The gold and copper grades in all four intercepts are the highest and most consistent yet encountered on the project. Significantly, broad zones of coarse marble and pervasive tungsten-bearing garnet skarn occur above, between and below the massive sulphide zones, but no intrusions were seen in hole CM12-431 and very little of the sulphides encountered to date in the Pegaso Zone appear to be replacing skarn silicates. These results suggest both that the near-intrusion source zone is nearby but has not yet been reached.

Table 4: Pegaso Zone

Hole ID	From (metres)	To (metres)	Interval (metres)	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)	Pb+ Zn (%)
CM12-431	730.15	731.40	1.25	0.42	75	0.029	0.54	4.42	4.96
and	817.55	827.55	10.00	1.38	139	0.113	2.62	11.80	14.43
including	821.10	823.00	1.90	2.35	203	0.124	4.44	15.02	19.46
including	824.37	827.55	3.18	1.12	194	0.172	3.25	13.01	16.25
and	856.78	859.90	3.12	2.42	332	0.149	6.65	2.48	9.13
and	877.00	897.15	20.15	1.31	45	0.073	0.76	4.98	5.74
and	899.45	902.90	3.45	0.30	188	0.052	5.64	5.31	10.95
including+	901.23	901.63	0.40	0.45	914	0.047	30.00	5.02	35.02
and*	927.50	989.10	61.60	0.78	89	0.127	2.05	7.32	9.37
including*	938.35	970.25	31.90	1.13	117	0.155	2.72	9.31	12.03
including*	939.05	953.25	14.20	0.94	141	0.152	2.57	13.95	16.53
including	958.30	964.43	6.13	3.16	196	0.328	5.91	6.19	12.10
+ Contains Pb overlimit (>30 wt%)									
*** Contains Zn overlimit (>30 wt%)**									

Quality Assurance and Control – Cinco de Mayo: The Company has in place a quality control program to ensure best practices in sampling and analysis. Samples were collected by employees of consulting firm Minera Cascabel S.A. de C.V. on behalf of MAG Silver Corp. The diamond drill core samples are shipped directly in security sealed bags to ALS-Chemex Laboratories preparation facilities in Hermosillo, Sonora or Chihuahua City (Certification ISO 9001). Sample pulps are shipped from there to ALS-Chemex Laboratories in North Vancouver, Canada for analysis. All samples were assayed for gold by standard fire assay-ICP finish with a 50 gram charge. Gold values in excess of 3.00 g/t were re-analyzed by fire assay with gravimetric finish for greater accuracy. Silver, zinc, copper and lead values in excess of 100 ppm, 1%, 1% and 1% respectively are also repeated by fire assay and atomic absorption analysis.

Summary of combined Upper Manto-Pegaso Zone results

Combining hole CM12-431 with holes CM12-392 and CM12-399, plus shallower drilling throughout the Upper Manto area (See press releases of March 22, May 17 and July 18, 2012), indicates that mineralization is continuous from 125 metres to 900 metres vertical depth, with a significant broadening in the Pegaso Zone between 800 and 900 metres depth. This broadening coincides with an increase in skarn alteration and increasing zinc, gold and copper grades – consistent with what MAG's CRD zoning model predicts as a source zone is approached. Overall, near-surface Upper Manto mineralization appears higher in silver and lead than deeper Pegaso Zone mineralization which is richer in zinc, copper and gold. The combined vertical metals and alteration zoning and broadening of mineralization is typical in CRD systems worldwide and strongly indicates that the source intrusion is being approached. The overall strength and style of mineralization and alteration further indicate that this source zone may be very large. The strongest mineralization has been found within the overlap zone between the fault slices that host the shallow Jose Manto and the Bridge Zone, suggesting that this structurally complex zone acted as a major conduit for mineralizing fluids and perhaps intrusive emplacement. The degree of mineralization seen so far indicates that the source intrusion could be surrounded by very large-scale mineralization (see press release of May 17, 2012).

Because of the expense of drilling at these depths, MAG has contracted for the execution of an orientation 2 and 3 Dimensional Seismic survey to determine if the system can be better defined in this area before further deep drilling is undertaken. However, further exploration and drilling can resume only upon obtaining the Soil Use Change Permit, drill permits and a surface access agreement with the local Ejido (see below).

"Soil Use Change Permit" and surface access

As of May, 2012, exploration drilling permits in Mexico require a "Soil Use Change Permit," reflecting conversion of land from agricultural to industrial use. These permits incorporate verification of mining concession title, compliance with environmental norms, and surface access permissions. The Ministry of Environment and Natural Resources (the "Ministry") has received and approved the Company's mining concession titles, acknowledging our mineral rights ownership. The Ministry has also examined the Company's water usage and road and drill pad reclamation programs, and advised that the Company has demonstrated compliance above and beyond environmental norms. Into the fourth quarter of 2012, the Company was in the process of negotiating ordinary course surface access permissions with the Ejido Benito Juarez (the "Ejido") as the final component in the application for the necessary Soil Use Change Permits.

The Company had previously purchased 41 specific rights relating to relevant areas of the Cinco de Mayo project area for $660,000 from the Ejido members, who along with the Federal Agrarian Authority had ratified the purchase. The Company was awaiting formal title transfer of the surface rights, when certain members of the Ejido challenged the purchase claiming the 41 rights purchased represented a 41/421 undivided interest in the Ejido owned surface rights, rather than rights to exclusive areas of the property. Given the Company's long-standing and productive working relationship with this Ejido, MAG had anticipated obtaining the requisite access permission and final permit approval sometime in the first quarter of 2013. However, on November 17, 2012 at what the Company believes was an illegally constituted meeting, the Ejido voted to expel MAG from its Cinco de Mayo property and establish a 100 year mining moratorium over Northern Chihuahua. The Company notes that the Ejido assembly has no ability at law to impose a ban on mining as mining is an activity that falls under Federal jurisdiction.

Ejido members challenged the meeting on the grounds that proper notice was not given, key signatures required to properly call the meeting were fraudulent, and that the vote taken at the meeting was fraught with irregularities, including a significant number of votes being cast by unverified proxies. A court hearing was held on February 6, 2013 in Chihuahua where the ejiditarios calling for the meeting to be declared illegal presented their evidence. The opponents who had organized the illegal meeting failed to appear in court on time and their testimony was dismissed by the judge. The judge ordered the Ejido administration to provide original documents for the meeting, which to date they have failed to provide. It is expected to take the judge one to two months to write his decision on the legality of the meeting once he has settled the original documents questions.

MAG remains highly confident that the meeting and the illegal resolutions will be nullified. Once the expected nullification of the November 17, 2012 meeting is issued, the Company will ask government officials to oversee a new assembly meeting of the Ejido to ensure that the necessary procedural and governance rules are respected and the vote is properly conducted. Permission of the Ejido assembly is required to obtain surface access, and although there is no certainty that a new vote would produce a favourable outcome for the Company, MAG believes that the opposition group and its supporters do not represent the will of the majority of the 421 voting members of the Ejido (or of the 12,000 other citizens in the project area). MAG believes that it has the support of a majority of the members of the Ejido and that the requisite authorizations to complete its submission for the Soil use Change Permit will be obtained in due course. Once the surface access permission is obtained, the permit approval process may take 1-3 months to process (during which time the Company will undertake the 2 and 3 Dimensional Seismic surveys referred to above).

The Company remains eager and willing to work with the Ejido and the greater community to define a comprehensive Corporate Social Responsibility Program ("CSR") to coincide with the next phases of our exploration activity. CSR commitments already presented to the Ejido include: repair to the existing medical clinic and staffing it with a full-time doctor and nurse; improving the infrastructure at the local elementary school; offering scholarships to the regional secondary, high school and college programs; developing micro-business opportunities in the town of Benito Juarez; and a cash component. The Company believes that this proposed agreement, valued at approximately $500,000, is generous for the size and stage of the Cinco de Mayo exploration project and is rooted in the Company's approach to business. MAG's goal is to continue its strong working relationship and ensure the Ejido and the greater community benefit from the expected successes and growth at Cinco de Mayo.

The Company believes the Ejido access issue is a temporary delay and is working to resolve the issue on a permanent basis with the Ejido, with the expectation of resuming drilling on the property late in 2013. In the interim, the Company has initiated metallurgical studies in anticipation of a PEA based on the Upper Manto resource.

Pozo Seco Molybdenum-Gold Zone

In late 2009 the Company announced the discovery of a new zone of high grade molybdenum and gold mineralization named "Pozo Seco" in the western part of the Cinco de Mayo project area. Pozo Seco's molybdenum mineralization is comparable in style to molybdenum-bearing mineralization that occurs in the proximal parts of several of the largest Mexican CRD systems, but is many times more extensive than the largest known occurrence in the San Martin-Sabinas skarn-CRD system in Zacatecas. Further, Pozo Seco style gold-bearing silicified limestone breccias (jasperoids) are also common in Mexican CRD systems, but again the Pozo Seco gold mineralized jasperoid is substantially larger than the largest known occurrence in the Santa Eulalia CRD-skarn system in central Chihuahua.

This mineralization is taken as additional evidence that a very large scale CRD system exists at Cinco de Mayo.

In 2010 the Company released an independently prepared first Mineral Resource estimate for the Pozo Seco deposit. Since that time, the Company has worked with three different respected metallurgical laboratories in order to find the best technical solution and associated flow sheet for recovering both oxidized molybdenum and free-milling gold from the Pozo Seco resource. Metallurgical test work indicates that recoveries of both molybdenum and gold are sufficient to warrant the commencement of a PEA, and MAG has engaged Roscoe Postle Associates Inc. ("RPA") and Samuel Engineering to carry out a Preliminary Economic Assessment ("PEA"). The PEA was originally expected to be completed in 2012, but has been extended to include a marketing study on ammonium dimolybdate (ADM), an intermediate product, that if marketable, would reduce the overall operating and capital costs for the project. The PEA is now expected in the fourth quarter of 2013.

The Pozo Seco surface rights are privately owned, and the Company has an access agreement currently in place. The Ejido situation referred to above ("Soil Use Change Permit" and surface access) does not impact Pozo Seco.

Lagartos Properties

The Company owned a combined 135,000 hectare land package along the Fresnillo Silver Trend, a large regional structural zone that hosts the Guanajuato, Zacatecas and Fresnillo epithermal silver-gold vein districts. The package has two major claim groups ('Lagartos NW' and 'Lagartos SE') and various smaller associated claim groups ('Lagartos V' and 'Lagartos X'), collectively the "Lagartos Properties." The Lagartos SE claims surround the Zacatecas Silver District, where a series of six major vein swarms have produced over a billion ounces of silver since 1546. Lagartos NW covers the immediate northwestern projection of the geology and structure of the Fresnillo Mining District into a broad alluvial valley punctuated by volcanic outcrops showing high-level alteration styles and mercury showings virtually identical to those that led to the Juanicipio discovery.

To December 31, 2012, the Company has incurred $13,044,712 on exploration and evaluation costs on the Lagartos properties. During the year ended December 31, 2012, the Company expended $1,027,228 on exploration and evaluation on the combined Lagartos properties (2011: $1,437,812), primarily in the first quarter of the year where drilling on the 'LAG V' claim totaled 619 metres in one hole testing the El Orito Structure. However, more holes will be required to investigate the structure at depth. Field mapping and sampling was initiated during the third quarter on the Lagartos V claim, near the town of Sombrerete, Zacatacas within Lagartos NW.

At December 31, 2012 the Company wrote-off the Lagartos X claim for an amount of $896,099, as exploration results failed to meet the Company's criteria for maintaining the property. The Lagartos X claim of 22,800 hectraes was geographically isolated from the other Lagartos property claims, suggesting the cost recoverability analysis under International Financial Reporting Standards ("IFRS") had to be assessed independently of the other Lagartos property claims.

Subsequent to year end, the Company reduced its land claim holdings on both the Lagartos NW and Lagartos SE packages. The Company's claims now cover approximately 60,000 hectares or 53% of the original Lagartos claims. However, the Company believes the remaining claims are the more prospective claims, and that the recoverable value of these claims remains equal to or in excess of the remaining accumulated costs of $12,148,613. Therefore, no further write downs have been taken on the Lagartos properties.

The Company's planned expenditures for the Lagartos Properties in 2013 is approximately $400,000.

Mojina

The Mojina Property is located in northern Chihuahua State 5 kilometres from the town of Ricardo Flores Magon and 40 kilometres south of the Company's Cinco de Mayo property. Mojina is easily accessed from a paved highway and unpaved roads and tracks. Mojina lies along the main strand of the Mexican CRD Belt along the same structure and in the same stratigraphic section as Cinco de Mayo. A small former mine is located on the property which reported limited but high grade past production, estimated at 125,000 tonnes grading 80-330 g/t (2.3 - 10 opt) silver, 2-4 g/t gold and 8-10% lead from oxidized manto ores between 1954 and 1972.

On March 30, 2010, the Company entered into an option agreement to earn a 100% interest in the Mojina Property, subject to a 2.5% NSR royalty, half of which can be purchased at any time for $1,250,000. Under the terms of the agreement, the Company paid $35,000 upon signing the agreement and an additional $65,000 in 2010, an additional $61,181 in 2011, and an additional $81,132 in January 2012. To earn its 100% interest, the Company is required to make additional scheduled cash payments totalling C$805,000 through 2015 (including C$150,000 made subsequent to year end), and incur cumulative qualifying exploration expenditures totalling $2,500,000 over five years to 2015, including expenditures of $800,000 by March 31, 2013 which have been completed. To December 31, 2012, the Company had incurred $1,424,871 in exploration and evaluation costs, including $1,116,620 in qualifying expenditures under the agreement.

On June 25, 2010, the Company acquired by concession an additional claim adjacent to the optioned claims.

During the year ended December 31, 2012, the Company expended $407,037 in exploration on the Mojina Property (2011: $583,342). The Company plans to expend approximately $575,000 on the exploration program for the Mojina Property in 2013.

Esperanza Joint Venture

During the year ended December 31, 2010, the Company entered into an option agreement with Canasil Resources Inc. ("Canasil") to earn a 60% interest in certain mineral claims constituting the Esperanza Property, a silver-zinc-lead project covering 17,009 hectares, located 100 km SE of the city of Durango on the border between Durango and Zacatecas States. Pursuant to the agreement, the Company paid $47,315 upon signing the agreement in 2010, $102,070 in 2011, and a further $150,769 in 2012. To earn its 60% interest in the property, the Company would have to make an additional cash payment of C$200,000 on September 1, 2013 and incur additional exploration expenditures of approximately $2.5 million in stages to September 1, 2014. During the year ended December 31, 2012, the Company expended $1,471,735 (2011: $602,705) in exploration and evaluation expenditures on the property. After a review of assay results to date, the Company assessed the recoverability of costs incurred and determined that exploration and evaluation costs totaling $2,468,380 should be written down to nil as of December 31, 2012.

The Don Fippi (Batopilas) Property

The 100%-owned Batopilas project covers 4,800 hectares in the historic Batopilas Silver District in southwestern Chihuahua. Previous exploration work in 2010, included mapping and sampling along a new road being built across the property by the State of Chihuahua. Construction of the road was suspended during the 2011 rainy season and resumed east of the district in late 2012. Work is expected to return to the project area in late 2013 but until the road is advanced, MAG cannot move forward on drilling the high-quality targets that remain in this high priority area.

The Company expended $53,787 at Batopilas during the year ended December 31, 2012 (2011: $57,527), primarily on holding costs. To December 31, 2012, the Company has incurred $6,189,294 on exploration and evaluation costs on the property. The 2013 planned expenditures on the property are approximately $54,000 relating primarily to property maintenance.

Other Properties

The Company's remaining properties consist of the Nuevo Mundo claims, the Guigui claim options and the Lorena claims.

Nuevo Mundo

The Nuevo Mundo Property abuts the eastern side of Goldcorp's "Camino Rojo" property in northern Zacatecas State. According to public records, Camino Rojo is reported to contain a 2.3 million ounce gold resource. Although Camino Rojo was largely a blind discovery, it is known to have a strong and characteristic Induced Polarization signature. Alternatives for this property are currently under review by the Company.

During the year ended December 31, 2012, the Company expended $108,815 (2011: $234,382) in exploration and evaluation costs at Nuevo Mundo and accumulated expenditures on the property total $1,325,306 to date. The 2013 planned expenditures at Nuevo Mundo are approximately $256,000.

Guigui

The Guigui project is a 4,500-hectare property in the Santa Eulalia Mining District, home to the world's largest CRD camp. Strong aerial magnetic anomalies remain to be drilled. The Company incurred $49,484 (2011: $50,010) in costs on Guigui during the year ended December 31, 2012, primarily to maintain the property. Accumulated exploration and evaluation expenditures to date on the property total $2,902,298. The 2013 planned exploration program is approximately $100,000 relating primarily to property maintenance.

Lorena

The La Lorena property is located just north of the Guanajuato Silver Mining District within the Fresnillo Silver Trend and was identified from field work as a Juanicipio look-alike and staked in early 2008. No drilling or field work has been carried out and the claim group was significantly reduced during 2010. One drill target has been identified, but surface access needs to be resolved first. Negotiations to access the principal drill target from a different direction are in process.

The Company expended $101,726 (2011: $91,686) in exploration and evaluation costs at La Lorena during the year ended December 31, 2012 and cumulative expenditures to date total $1,214,214. The 2013 planned expenditures at Lorena are approximately $730,000.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected quarterly financial information for each of the last eight quarters (as determined under International Financial Reporting Standards as issued by the IASB):

Quarter Ending	Revenue[1]	Net Income (Loss)[2]	Net Loss per share
December 31, 2012	61,890	$(6,147,126)	$(0.10)
September 30, 2012	$28,521	$(3,609,463)	$(0.06)
June 30, 2012	$52,151	$(1,803,362)	$(0.03)
March 31, 2012	$71,180	$(754,371)	$(0.01)
December 31, 2011	$200,791	$(3,787,408)	($0.07)
September 30, 2011	$98,672	$(3,049,184)	$(0.05)
June 30, 2011	$105,561	$37,430 [3]	$0.00
March 31, 2011	$107,370	$(1,451,582)	$(0.03)

Notes:

(1) The Company's only source of revenue during the quarters listed above was interest earned on bank cash balances. The amount of interest revenue earned correlates directly to the amount of cash on hand during the period referenced and prevailing interest rates. The Company has no operating revenues.

(2) Net losses by quarter are often materially affected by the timing and recognition of large non-cash expenses (specifically share based payments and property write-offs) as described above at "Financial Performance" and below in "Fourth Quarter."

(3) The results for the quarter ended June 30, 2011 include an arbitration award of $1,858,120 received from Fresnillo plc.

FOURTH QUARTER

For the three months ended December 31, 2012, the Company incurred a net loss of $6,147,126 compared to a loss of $3,787,408 in the comparable prior quarter. The net loss increased compared to the prior quarter primarily due to increased exploration and evaluation write-offs and higher share base payment expense. Exploration and evaluation costs written off in the three months ended December 31, 2012 amounted to $3,364,479 (2011: $531,515) where the Esperanza property option was written off in its entirety ($2,468,379) and a claim under the Lagartos properties ("Lagartos X") was also written off ($896,099) (see "Results of Operations" above). In the three months ended December 31, 2011 the San Ramone property was written off totaling $531,515. During the three months ended December 31, 2012, the Company granted 300,000 stock options (2011: nil), and recorded $980,401 (2011: $431,204) of share based payment expense (a non cash item) relating to stock options both granted and vesting to employees and consultants in the period. The fair value of all share-based payment compensation is estimated using the Black-Scholes-Merton option valuation model, assuming no dividends are to be paid, a weighted average volatility of the Company's share price of 50% (2011: n/a), an annual risk free interest rate of 1.31% (2011: n/a), and expected option lives of three years.

Offsetting the loss in the three months ended December 31, 2012 was a foreign exchange gain in of $317,350 (2011: loss of $120,463) resulting from holding US$ in Company's parent entity (where the functional currency is C$), while the US$ strengthened against the C$. In the three months ended December 31, 2012, the Company also recorded a currency translation loss of $520,268 (2011: gain of $888,083) in OCI, resulting from the translation from C$ to US$ of the Company's parent entity, which has a C$ functional currency. The C$ as measured against the US$ was 1.0051 at December 31, 2012, compared to 1.0171 US$/C$ at September 30, 2012.

In the quarter ended December 31, 2012, 249,853 stock options were exercised for cash proceeds of $1,595,188 (2011: nil). Operationally, in the three months ended December 31, 2012, the Company incurred $1,339,400 on exploration and evaluation expenditures (2011: $2,101,240) on its 100% owned properties and two optioned properties (Mojina and Esperanza), and the Company incurred direct expenditures on the Juanicipio property of $96,777 (2011: $166,117), and its share of joint venture advances for the quarter amounted to $1,277,760 (2011: $572,000).

OUTLOOK

The Company continues to explore its properties in Mexico and intends to enhance its project portfolio through successful exploration and project development. The Company's working capital position remains strong and the Company continues to execute its business plan prudently. The Company reviews and assesses the carrying amount of its exploration and evaluation assets and of its investment in associates for impairment when facts or circumstances suggest that the carrying amount is not recoverable. Assessing the recoverability of these amounts requires considerable professional technical judgment, and is 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. Based on its analysis, and on current and expected metals prices and cost structures, management has determined that the values of the Company's exploration and evaluation assets and of its investment in associates, have not been impaired at this time. However, should current market conditions deteriorate and commodity prices decline for a prolonged period of time, an impairment of mineral properties may be required.

Minera Juanicipio Outlook

The Technical Committee and Board of Directors of Minera Juanicipio, comprised of representatives from both Fresnillo and the Company meet several times per year to discuss the business of Minera Juanicipio and to review and approve plans for the exploration and development of the Juanicipio property. With the completion of the AMC Study which recommended the advancement of the project (see 'Results of Operations, Juancipio Property' above), MAG and Fresnillo now have a framework on which the joint venture Technical Committee can build upon for the continued advancement of the Juanicipio Project.

Minera Juanicipio is currently still operating under the two approved budgets from 2012, an $8.5 million exploration budget and the $25.4 million development budget. There is approximately $2.2 million or 7,000 metres of the 2012 exploration budget that was not completed in 2012 and is currently being expended and drilled in 2013. The 2013 exploration budget will be determined in the second quarter of 2013, likely at the next meeting of the Technical Committee. The budgeted $25.4 million underground development program was originally budgeted for $10.0 million in 2012 and the remaining $15.4 million for 2013, but the majority of this budget has been rolled over into 2013 and the early part of 2014.

Fresnillo now reports that it expects the underground decline ground breaking to commence in the second quarter of 2013. Five different contractors from North and South America have been asked to tender for the decline construction and a decision is pending.

Currently, there are a total of 11 drills operating on the property in various work categories from exploration to water studies with two more coming in for infill drilling at Valdecañas.

Cinco de Mayo Outlook

Further exploration and drilling can resume only upon obtaining the Soil Use Change Permit, drill permits and a surface access agreement with the local Ejido (see '"Soil Use Change Permit" and surface access' above). The Company believes the Ejido access issue is a temporary delay and is working to resolve the issue on a permanent basis with the Ejido, with the expectation of resuming drilling on the property late in 2013.

OUTSTANDING SHARE DATA

The Company's authorized capital consists of an unlimited number of common shares without par value. As at March 27, 2013, the following common shares and stock options were outstanding:

	Number of Shares	Exercise Price	Remaining Life
Capital Stock	60,141,718		
Stock Options	3,678,959	$5.32 - $12.19	3 months to 5 years
Diluted	63,820,677		

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2012 the Company had 60,023,835 common shares issued and outstanding (2011: 55,667,139).

At December 31, 2012, the Company had working capital of $40,492,095 (2011: $25,779,667), including cash of $40,621,158 (2011: $26,217,409). Included in the cash and working capital are proceeds from a completed brokered private placement for 3,526,210 common shares of the Company at a price of C$9.40 per share, which closed on September 5, 2012. Gross proceeds of the placement totaled $33,451,321, and the Company paid a 5.25% commission of $1,756,194 to the underwriters on this placement, and legal and filing costs totaled an additional $408,774, for net proceeds of $31,286,353. The Company intends to use the net proceeds from the offering to fund its share of the recently approved permitting and underground development program for Juanicipio, for the exploration advancement of Cinco de Mayo and its other properties, and for general corporate purposes. No financings were completed in 2011.

Accounts receivable as at December 31, 2012 totaled $572,295 (2011: $805,106) and is comprised primarily of Mexican value added taxes ("IVA") repayable to the Company by the Government of Mexico, and is all current in receipts. Current liabilities at December 31, 2012 amounted to $1,315,261 (2011: $1,845,968) and are attributable primarily to accrued exploration expenses.

The primary use of cash during the year ended December 31, 2012 was for exploration and evaluation expenditures totaling $11,981,221 (2011: $9,014,714). During the year ended December 31, 2012, the Company also expended on its own account and through advances to Minera Juanicipio $4,577,611 (2011: $2,583,367) on the Juanicipio property. The Company makes cash deposits to Minera Juanicipio from time to time as cash called by operator Fresnillo. The Company's primary source of capital has been from the sale of equity.

During the year ended December 31, 2012, 824,901 stock options were exercised for cash proceeds of $5,464,805 (2011: 505,525 stock options for cash proceeds of $1,978,174), and an additional 20,000 stock options were exercised under a cashless exercise provision of the plan whereby the Company paid $13,735 in employee withholding taxes and issued 5,585 shares in settlement of the stock options (2011: nil).

In the years ended December 31, 2012 and 2011 there were no shares issued for mineral properties.

The Company currently has sufficient working capital ($40.5 million at present) to maintain all of its properties and currently planned programs through 2013. However, the Company will require additional capital in the future to meet its project related expenditures, including its cash calls on the Juanicipio project. It is unlikely that the Company will generate sufficient operating cash flow to meet all of its future expenditure requirements. Future liquidity will therefore depend upon the Company's ability to arrange additional debt or equity financing, as the Company relies on equity financings to fund its exploration and development, and its corporate activities.

Contractual Obligations

The following table discloses the contractual obligations of the Company (as at the date of this MD&A) for optional mineral property acquisition payments, optional exploration work and committed lease obligations for office rent and equipment. Based on exploration results, the Company will select at its discretion, only certain properties to complete option and purchase arrangements on.

Option Payments Expenditures	**Total**	**Less than 1 year**	**1-3 Years**	**3-5 Years**	**More than 5 years**
Mojina Property Option (1)	$ 663,366	$ -	$ 663,366	$ -	$ -
Cinco De Mayo (2)	148,075	18,075	130,000	-	-
Subtotal - Option Payments	$ 811,441	$ 18,075	$ 793,366	$ -	$ -
Option Payments -Exploration & Evaluation					
Mojina Property Option (1)	1,383,380	-	1,383,380	-	-
Subtotal - Exploration & Evaluation	$ 1,383,380	$ -	$ 1,383,380	$ -	$ -
Option Payments and Exploration Expenditures – Total	**$ 2,194,821**	**$ 18,075**	**$ 2,176,746**	**$ -**	**$ -**
Office Lease	293,056	167,461	125,595	-	-
Total Obligations	**$ 2,487,877**	**$ 185,536**	**$ 2,302,341**	**$ -**	**$ -**

(1) Mojina Property option consists of $1,383,380 in further exploration commitments and $663,366 in property option payments.

(2) Cinco De Mayo property option payments of $148,075 on two auxiliary claims acquired in 2010.

Other contractual obligations include a 2.5% NSR royalty under the terms of an agreement dated February 26, 2004, whereby the Company acquired a 100% interest in the Cinco de Mayo property, and a 4.5% NSR royalty on the interest in the Don Fippi mining concessions located in the Batopilas, and a 2.5% NSR royalty under the terms an agreement dated March 30, 2010, whereby the Company entered into an option agreement to earn a 100% interest in the Mojina Property.

The Company makes cash deposits to Minera Juanicipio from time to time as cash called by operator Fresnillo. The scale and scope of the Juanicipio project will require development capital in the years ahead exceeding the Company's on hand cash resources. It is unlikely that the Company will generate sufficient operating cash flow to meet these ongoing obligations in the foreseeable future. Accordingly the Company will need to raise additional capital in the future and is currently evaluating debt, equity, and other financing alternatives.

Other Items

The Company is unaware of any undisclosed liabilities or legal actions against the Company and the Company has no legal actions or cause against any third party at this time other than the claims of the Company with respect to its purchase of 41 land rights within the Cinco de Mayo property boundaries, and the associated surface access negotiations with the Ejido (see '"Soil Use Change Permit" and surface access' above).

The Company is unaware of any condition of default under any debt, regulatory, exchange related or other contractual obligation.

ADDITIONAL DISCLOSURE

Trend Information

Other than the Company's obligations under its property option agreements and the Minera Juanicipio joint venture (see "Contractual Obligations" above), there are no demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the Company's liquidity either increasing or decreasing at present or in the foreseeable future. The nature of the Company's business is demanding of capital for property acquisition costs, exploration commitments and holding costs. The Company's liquidity is affected by the results of its own acquisition, exploration and development activities. The acquisition or 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 acquire or find one may have a negative effect. 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 (see 'Liquidity and Capital Resources' above).

RISKS AND UNCERTAINTIES

The Company's securities should be considered a highly speculative investment and investors should carefully consider all of the information disclosed in the Company's Canadian and U.S. regulatory filings prior to making an investment in the Company, including the risk factors discussed under the heading "Risk Factors" in the Company's most recent Annual Information Form ("AIF") dated March 27, 2012 available on SEDAR at www.sedar.com and www.sec.gov.

The volatile global economic environment has created market uncertainty and volatility in recent years. The Company remains financially strong and will monitor the risks and opportunities of the current environment carefully. These macro-economic events have in the past, and may again, negatively affect the mining and minerals sectors in general. The Company will consider its business plans and options carefully going forward.

In the normal course of business, the Company enters into transactions for the purchase of supplies and services denominated in Canadian dollars, US dollars or Mexican Pesos. The Company also has cash and certain liabilities denominated in Canadian dollars and Mexican Pesos. As a result, the Company is subject to foreign exchange risk from fluctuations in foreign exchange rates (see Note 10(c) in the audited consolidated financial statements of the Company as at December 31, 2012).

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

The Company does not have offices or direct personnel in Mexico, but rather is party to a Field Services Agreement, whereby it has contracted administrative and exploration services in Mexico with MINERA CASCABEL S.A. de C.V. ("Cascabel") and IMDEX Inc. ("IMDEX"). These companies have a common director with the Company, however, all transactions are incurred in the normal course of business, and are measured at the exchange amount which was the consideration established and agreed to by the noted parties, and represents a fair market value for services rendered. A significant portion of the expenditures which are incurred on the Company's behalf, are charged to Company on a "cost + 10%" basis typical of industry standards.

During the year ended December 31, 2012, the Company accrued or paid Cascabel and IMDEX consulting and administration fees and reimbursement of travel costs totaling $321,723 (December 31, 2011: $327,983) and exploration reimbursements and other field costs totaling $2,374,816 respectively (December 31, 2011: $2,480,698) under the Field Services Agreement. Included in trade and other payables at December 31, 2012 is $501,495 related to these services (December 31, 2011: $431,946).

The Company is obligated to a 2.5% NSR royalty to Cascabel under the terms of an option agreement dated February 26, 2004, whereby the Company acquired a 100% interest in the Cinco de Mayo property from Cascabel.

Any amounts due to related parties arising from the above transactions are unsecured, non-interest bearing and are due upon receipt of invoices.

The immediate parent and ultimate controlling party of the consolidated group is MAG Silver Corp. (incorporated in British Columbia, Canada).

The details of the Company's subsidiaries and ownership interests are as follows:

Significant subsidiaries of the Company are as follows:

Name	Country of Incorporation	Principal Activity	MAG' effective interest 2012 (%)	2011 (%)
Minera Los Lagartos, S.A. de C.V.	Mexico	Exploration	100%	100%
Minera Pozo Seco S.A. de C.V.	Mexico	Exploration	100%	100%
Minera Sierra Vieja S.A. de C.V.	Mexico	Exploration	100%	100%

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Minera Juanicipio, S.A. de C.V. ("Minera Juanicipio"), created for the purpose of holding and operating the Juanicipio Property, is held 56% by Fresnillo plc ("Fresnillo") and 44% by the Company. Minera Juanicipio is currently governed by a shareholders agreement. All costs relating to the project and Minera Juanicipio are required to be shared by the Company and Fresnillo pro-rata based on their ownership interests in Minera Juanicipio (see Note 6).

Compensation of Key Management Personnel including Directors

During the year, compensation of key management personnel was as follows:

	Year ended December 31 2012	2011
Salaries and other short term employee benefits	$ 1,383,653	$ 1,290,137
Share based payments	2,798,726	2,505,783
	$ 4,182,379	$ 3,795,920

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and consists of its Directors, the Chief Executive Officer, the Chief Financial Officer and the Vice President of Operations.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with International Financial Reporting Standards("IFRS") as issued by the International Accounting Standards Board ("IASB"), requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Management has identified (i) mineral property acquisition and exploration deferred costs (ii) provision for reclamation and closure, (iii) deferred income tax provision and (iv) share based payments as the main estimates for the following discussion. Please refer to Note 2 of the Company's audited consolidated financial statements of the Company as at December 31, 2012 for a description of all of the significant accounting policies.

Under IFRS, the Company defers all costs relating to the acquisition and exploration of its mineral properties ("exploration and evaluation" assets). 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 reviews when events or changes in circumstances indicate the carrying values of its properties 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. IFRS also allows the reversal of impairments if conditions that gave rise to those impairments no longer exist.

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 do create measurement uncertainty concerning the estimate 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.

Reclamation and closure costs have been estimated based on the Company's interpretation of current regulatory requirements, however changes in regulatory requirements and new information may result in revisions to estimates. The Company recognizes the fair value of liabilities for reclamation and closure costs in the period in which they are incurred. A corresponding increase to the carrying amount of the related assets is generally recorded and depreciated over the life of the asset.

The deferred income tax provision is based on the liability method. Deferred taxes arise from the recognition of the tax consequences of temporary differences by applying enacted or substantively enacted tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of certain assets and liabilities. The Company records only those deferred tax assets that it believes will be probable, that sufficient future taxable profit will be available to recover those assets.

Under IFRS 2 - *Share-based Payments*, stock options are accounted for by the fair value method of accounting. Under this method, the Company is required to recognize a charge to the statement of loss based on an option-pricing model based on certain assumptions including dividends to be paid, historical volatility of the Company's share price, an annual risk free interest rate, forfeiter rates, and expected lives of the options.

CHANGES IN ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The accounting policies set out below have been applied consistently to all periods presented herein, and with the exception of the change in presentation currency effective January 1, 2012. The accounting policies have been applied consistently by the Company and its subsidiaries for all periods presented.

Functional currency and change in presentation currency

The functional currency of parent company, MAG, is the Canadian dollar ("C$") and the functional currency of its Mexican subsidiaries and investment in associate is the United States dollar ("US$"). Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Effective January 1, 2012, the Company changed its presentation currency from the C$ to the US$. The change in presentation currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the mining industry. In making this change to the US$ presentation currency, the Company followed the guidance in IAS 21 *The Effects of Changes in Foreign Exchange Rates* and have applied the change retrospectively as if the new presentation currency had always been the Company's presentation currency. In accordance with IAS 21, the financial statements for all years and periods presented have been translated to the US$ new presentation currency as follows:

- All assets and liabilities have been translated from their functional currency into the new US$ presentation currency using the closing current exchange rate at the date of each statement of financial position (December 31, 2011: $0.9833US ; January 1, 2011: $1.0054US)
- Income and expenses for each statement of loss and comprehensive loss presented have been retranslated at average exchange rates prevailing during each reporting period;
- Equity balances have been retrospectively translated at historical rates prevailing during the period incurred; and
- All resulting exchange differences have been recognized in other comprehensive income and accumulated as a separate component of equity (cumulative translation adjustment).

The loss per share for the year previously reported as C$0.15 is reported under the US$ presentation currency as $0.15.

RECENT ACCOUNTING PRONOUNCEMENTS

The Company has reviewed new accounting pronouncements that have been issued but are not yet effective. These include:

IAS 1, Presentation of Financial Statements, retains current IAS 1 presentation standards, but requires disclosure of Other Comprehensive Income (Loss) items distinguishing between those that are recycled to profit and loss and those that are not recycled. Retrospective application is required, and the standard is effective for annual periods beginning on or after July 1, 2012.

The Company will be required to adopt ***IFRS 9 Financial Instruments***, which replaces the current standard, IAS 39 Financial Instruments: Recognition and Measurement. The new standard replaces the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value, and is effective for annual periods beginning on or after January 1, 2015, with early application permitted.

IFRS 10 Consolidated Financial Statements establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation—Special Purpose Entities and is effective for annual periods beginning on or after January 1, 2013.

IFRS 11 Joint Arrangements establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. This standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 12 Disclosure of Involvement with Other Entities requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 13 Fair Value Measurement defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets. This standard is effective for annual periods beginning on or after January 1, 2013.

IAS 27 Consolidated and Separate Financial Statements, as amended in May 2011, provides guidance on the accounting and disclosure requirements for subsidiaries, jointly controlled entities, and associates in separate, or unconsolidated, financial statements. It will have no impact on consolidated financial statements and is effective for annual periods beginning on or after January 1, 2013.

IAS 28 Investments in Associates as amended in May 2011, provides detailed guidance on the application of the equity method to associates, subsidiaries and joint ventures (previously excluded from this standard), and is effective for annual periods beginning on or after January 1, 2013.

IFRS 10, 11, and 12 and IAS 27 and 28 must be adopted concurrently. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in the reports that it is required to file or submit under applicable securities laws is recorded, processed, summarized and reported in the manner specified by such laws. The Chief Executive Officer and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures as of December 31, 2012 through inquiry, review, and testing, as well as by drawing upon their own relevant experience. The Company retained an independent third party specialist in each of the past four years to assist in the assessment of its disclosure controls and procedures. The Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective as at December 31, 2012.

Internal Control Over Financial Reporting

The Company also maintains a system of internal controls over financial reporting, as defined by National Instrument 52-109 - *Certification of Disclosure Issuers' Annual and Interim Filings* in order to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable and in accordance with International Financial Reporting Standards. The Company retains an independent third party specialist annually to assist in the assessment of its internal control procedures. The Board of Directors approves the financial statements and ensures that management discharges its financial responsibilities. The Board's review is accomplished principally through the audit committee, which is composed of independent non-executive directors. The audit committee meets periodically with management and auditors to review financial reporting and control matters. The Board of Directors has also appointed a compensation committee composed of non-executive directors whose recommendations are followed with regard to executive compensation. From time to time the board may also form special sub-committees, which must investigate and report to the Board on specific topics.

The Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal control over financial reporting as of December 31, 2012 and have concluded that the Company's internal control over financial reporting is effective. There have been no changes in internal controls over financial reporting during the year ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

SUBSEQUENT EVENTS

Subsequent to December 31, 2012:

a) The Company issued 117,883 common shares pursuant to the exercise of stock options between C$6.32 and C$7.42 per share for aggregate proceeds of C$855,021;

b) 266,875 stock options with an exercise price of C$12.91 expired unexercised; and,

c) The Company granted 100,000 inducement stock options to a new officer of the Company, exercisable at C$9.61 per share, with a term of five years, and vesting 33,334 immediately, 33,333 after 12 months and 33,333 after 24 months from the date of grant.