

MAG SILVER CORP  
Form 6-K  
June 08, 2004

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

**Report of Foreign Private Issuer**

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

For the month of **May 2004**

**MAG Silver Corp.**

(SEC File No. 0-50437)

**Suite 800 - 409 Granville Street, Vancouver BC, V6C 1T2, CANADA**

Address of Principal Executive Office

The registrant files annual reports under cover:

Form 20-F

Form 40-F

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

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

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

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

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

Date: **June 7, 2004**

*"George Young"*

**GEORGE S. YOUNG**

**President, CEO**

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**MAG Silver Corp.**

**FORM 52-109F2**

**CERTIFICATION OF INTERIM FILINGS**

I, George S. Young, President and CEO of **MAG Silver Corp.** (the "Corporation"), certify that:

1.

I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) of MAG Silver Corp, (the "issuer") for the interim period ending March 31, 2004.

2.

Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;

I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) of MAG Silver Corp, (the "issuer") for the interim period ending March 31, 2004.

3.

Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;

4.

The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:

a.

designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance 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 the interim filings are being prepared; and

b.

designed such internal control over financial reporting, or caused it 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 the issuer's GAAP; and

5.

I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: May 14, 2004

*"George S. Young"*

President & CEO

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**FORM 52-109F2**

**CERTIFICATION OF INTERIM FILINGS**

I, Frank R. Hallam, CFO of **MAG Silver Corp.** (the "Corporation"), certify that:

1.

I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) of MAG Silver Corp, (the "issuer") for the interim period ending March 31, 2004.

2.

Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;

3.

Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;

4.

The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:

a.

designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance 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 the interim filings are being prepared; and

b.

designed such internal control over financial reporting, or caused it 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 the issuer's GAAP; and

5.

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I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: May 14, 2004

*"Frank R. Hallam"*

Chief Financial Officer

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

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

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**MAG SILVER CORP.**

**(formerly Mega Capital Investments Inc.)**

**(An exploration stage company)**

**Consolidated Balance Sheets**

	Mar. 31, 2004	Dec. 31, 2003
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 4,172,042	\$ 4,795,822
Accounts receivable	350,183	259,501
Interest receivable	75,406	64,127
Prepaid expenses	15,622	8,750
<b>TOTAL CURRENT ASSETS</b>	<b>4,613,253</b>	<b>5,128,200</b>
<b>MINERAL RIGHT ACQUISITION COSTS (Note 8)</b>	<b>1,316,216</b>	<b>1,314,678</b>
<b>DEFERRED EXPLORATION COSTS (Note 8)</b>	<b>2,538,593</b>	<b>2,057,542</b>
<b>EQUIPMENT (Note 4)</b>	<b>31,796</b>	<b>34,374</b>
<b>TOTAL ASSETS</b>	<b>\$ 8,499,858</b>	<b>\$ 8,534,794</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 61,051	\$ 208,018

TOTAL LIABILITIES	61,051	208,018
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**SHAREHOLDERS' EQUITY**

Share capital (Note 5)

Authorized - 1,000,000,000 common shares,  
without par value

Issued and outstanding at March 31, 2004

- 23,658,245 common shares (December 31, 2003

- 23,093,995)

9,730,147 9,504,984

Contributed surplus (Note 5 (c))

75,308 75,308

Deficit

(1,366,648) (1,253,516)

TOTAL SHAREHOLDERS' EQUITY

8,438,807 8,326,776

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

\$ 8,499,858 \$ 8,534,794

ON BEHALF OF THE BOARD:

*"George Young" (signed)*      *"R. Michael Jones" (signed)*George Young, President & Director  
R. Michael Jones, Director

See accompanying Notes to the Consolidated Financial Statements.

**MAG SILVER CORP.****(formerly Mega Capital Investments Inc.)****(An exploration stage company)****Consolidated Statement of Operations and Deficit**

For the 3-month period

Ended March 31

2004	2003
(unaudited)	(unaudited)

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Expenses:

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

**MAG SILVER CORP.****(formerly Mega Capital Investments Inc.)****(An exploration stage company)****Consolidated Statements of Shareholders' Equity**

	Common shares without par value		Special warrants		Contributed	Deficit accumulated during the exploration stage	Total shareholders' equity
	Shares	Amount	Shares	Amount	Surplus		
		\$					
Issued for cash	1,500,000	150,000	-	\$ -	\$ -	\$ -	\$ 150,000
Net loss	-	-	-	-	-	(4,279)	(4,279)
B a l a n c e , O c t o b e r 3 1 , 1 9 9 9	1,500,000	150,000	-	-	-	(4,279)	145,721
Net loss	-	-	-	-	-	(3,787)	(3,787)
B a l a n c e , D e c e m b e r 3 1 , 1 9 9 9	1,500,000	150,000	-	-	-	(8,066)	141,934
Issued for cash	1,500,000	240,222	-	-	-	-	240,222
Net loss	-	-	-	-	-	(5,641)	(5,641)
B a l a n c e , D e c e m b e r 3 1 , 2 0 0 0	3,000,000	390,222	-	-	-	(13,707)	376,515
Net loss	-	-	-	-	-	(279,639)	(279,639)
B a l a n c e , D e c e m b e r 3 1 , 2 0 0 1	3,000,000	390,222	-	-	-	(293,346)	96,876
Issued for cash			2,400,000	375,000	-	-	375,000
Net loss	-	-	-	-	-	(122,631)	(122,631)
B a l a n c e , D e c e m b e r 3 1 , 2 0 0 2	3,000,000	390,222	2,400,000	375,000	-	(415,977)	349,245
Issued for cash (Note 5)	11,500,000	5,109,766	-	-	-	-	5,109,766

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Conversion of special warrants	2,400,000	375,000	(2,400,000)	(375,000)	-	-	-
Agent's Administration shares	10,000	5,000					5,000
Finders' fee shares (Note 9)	500,000	250,000	-	-	-	-	250,000
Issued to obtain mineral property option rights	200,000	100,000	-	-	-	-	100,000
Issued on acquisition of Lexington (Note 9)	200,000	180,000	-	-	-	-	180,000
Warrants exercised	5,183,995	3,068,996	-	-	-	-	3,068,996
Stock options exercised	100,000	26,000	-	-	-	-	26,000
Stock options granted to consultants	-	-	-	-	75,308	-	75,308
Net loss	-	-	-	-	-	(837,539)	(837,539)
Balance, December 31, 2003	23,093,995	\$ 9,504,984	-	\$ -	\$ 75,308	(1,253,516)	\$ 8,326,776
Warrants exercised	424,250	174,363	-	-	-	-	174,363
Stock options exercised	140,000	50,800	-	-	-	-	50,800
Net loss	-	-	-	-	-	(113,132)	(113,132)
Balance, March 31, 2004	23,658,245	\$ 9,730,147	-	\$ -	\$ 75,308	(1,366,648)	\$ 8,438,807

**MAG SILVER CORP.**

(formerly Mega Capital Investments Inc.)

(An exploration stage company)

**Consolidated Statements of Cash Flows**

Three      Three months

	months	ended
	ended	
	March 31,	March 31,
	2004	2003
<b>OPERATING ACTIVITIES</b>		
	\$	
Loss for the period	(113,132)	\$ (99,470)
Items not involving cash:		
Write-off of computer software	-	-
Write-off of investment	-	-
Amortization	2,578	269
Non-cash compensation expense	-	-
Changes in operating assets and liabilities		
Accounts receivable	(90,682)	(3,782)
Interest receivable	(11,279)	-
Prepaid expenses	(6,872)	-
Accounts payable and accrued liabilities	(146,967)	105,650
	(366,354)	2,667
<b>INVESTING ACTIVITIES</b>		
Term deposit	-	-
Purchase of equipment	-	-
Advances to Minera Los Lagartos, S.A. de C.V.	-	-
Acquisition of Minera Los Lagartos, S.A. de C.V. (Note 10)	-	(86,250)
Acquisition of Lexington Capital Group Inc. (Note 10)	-	-
Mineral rights	(1,538)	-
Deferred exploration costs	(481,051)	(89,690)
	(482,589)	(175,940)
<b>FINANCING ACTIVITIES</b>		
Issue of share capital	225,163	4,000
Issue of special warrants	-	-
Deferred financing costs	-	(87,199)
Short-term loan	-	150,000
	225,163	66,801

INCREASE (DECREASE) IN CASH	(623,780)	(106,472)
CASH, BEGINNING OF PERIOD	4,795,822	167,276
	\$	\$
CASH, END OF PERIOD	4,172,042	60,804
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -
Issue of shares in connection with acquisition of Minera Los Lagartos, S.A. de C.V. (Note 10)	\$ -	\$ -
Issue of shares in exchange for mineral property option rights	\$ -	\$ -
Issue of shares in connection with acquisition of Lexington Capital Group Inc. (Note 10)	\$ -	\$ -

**MAG SILVER CORP.****(formerly Mega Capital Investments Inc.)****(An exploration stage company)****March 31, 2004****1.****NATURE OF BUSINESS**

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

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

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

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity to the public, will be sought to finance the operations of the Company.

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

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**MAG SILVER CORP.**

**(formerly Mega Capital Investments Inc.)**

**(An exploration stage company)**

**March 31, 2004**

2.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a)

### *Principles of consolidation*

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

(b)

### *Use of estimates*

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

(c)

### *Financial instruments and foreign exchange risk*

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

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

(d)

*Mineral rights and deferred exploration costs*

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

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**MAG SILVER CORP.**

**(formerly Mega Capital Investments Inc.)**

**(An exploration stage company)**

**March 31, 2004**

**2.**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(d)

*Mineral rights and deferred exploration costs (continued)*

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

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

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

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

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

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

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**MAG SILVER CORP.**

**(formerly Mega Capital Investments Inc.)**

**(An exploration stage company)**

**March 31, 2004**

2.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(d)

*Mineral rights and deferred exploration costs (continued)*

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

(e)

*Equipment*

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

(f)

*Income taxes*

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

(g)

*Stock-based compensation*

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

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

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**MAG SILVER CORP.**

**(formerly Mega Capital Investments Inc.)**

**(An exploration stage company)**

**March 31, 2004**

**2.**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*(h)*

*Foreign exchange translation*

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

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

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

(i)

*Loss per share*

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

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

**3.**

**EQUIPMENT**

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

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**MAG SILVER CORP.**

**(formerly Mega Capital Investments Inc.)**

**(An exploration stage company)**

March 31, 2004

#### 4. SHARE CAPITAL

(a)

##### *Issued and outstanding*

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

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

(b)

##### *Stock options*

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

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

Weighted

Weighted

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

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**MAG SILVER CORP.**

**(formerly Mega Capital Investments Inc.)**

**(An exploration stage company)**

**March 31, 2004**

**4.**

**SHARE CAPITAL (Continued)**

*(b)*

*Stock options (continued)*

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

Range of Exercise Prices	Options Outstanding and Exercisable		
	Number Outstanding and Exercisable at December 31, 2003	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price

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\$0.20	100,000	1.05	\$0.20
0.50	575,000	4.03	0.50
0.70	355,000	4.11	0.70
	1,030,000	3.96	\$0.52

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

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

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

Risk-free interest rate

3.76%

Expected life of options

5 years

Annualized volatility

63%

Dividend rate

0.00%

No options were granted in 2002.

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**MAG SILVER CORP.**

**(formerly Mega Capital Investments Inc.)**

**(An exploration stage company)**

**March 31, 2004**

**4.**

**SHARE CAPITAL (Continued)**

*(c)*

*Share purchase warrants*

	Number of Warrants	Weighted- Average Exercise Price
Balance at December 31, 2002	-	\$ -
Issued on conversion of Special Warrants	1,500,000	0.20
Issued on conversion of Special Warrants	450,000	0.40
Issued in connection with issuance of common shares	5,750,000	0.75