

MAG SILVER CORP
Form 6-K
July 26, 2004

TECHNICAL REPORT

on the

LAKEMOUNT PROPERTY

Esquega-Lastheels-McMurray-Chabanel Townships

Wawa Area, District of Sault Ste. Marie, Ontario

NTS 42-C / 2

Prepared by:

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July 8, 2004

On Behalf of:

Platinum Group Metals Ltd.

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Summary

The Lakemount Property consists of a contiguous block of two mining leases and four staked mining claims totaling 3,625 hectares and measuring roughly 4 by 7 kilometres. The property is located approximately 10 kilometres east of the town of Wawa, in northwestern Ontario. Highway 101 crosses through the central portion of the property allowing entry to a network of moderately overgrown logging roads that provide access to the known mineral occurrences.

The Lakemount Property covers a portion of the southern limb of the Archean aged Michipicoten Greenstone Belt that forms part of the Wawa subprovince of the Canadian Shield. Three apparently long-lived and deep-seated fault systems (Mildred Lake Fault, Kapuskasing-Wawa Lake Fault, Algoma River Fault) converge in the southwest corner of the Property and splays and related subsidiary faults effect the majority of rock units on the property. A carbonatite complex and late ultramafic intrusive complexes, including kimberlite dykes in and around the property, appear to be associated with the convergent regions of these major deep seated faults.

To date, eight mineralized occurrences have been discovered and explored on the Lakemount Property dating back to 1928. These zones include a significant zone of copper-nickel-cobalt-platinum-palladium-gold mineralization associated with the disseminated sulphides at/near the base of the Sunrise Intrusion on the northern portion of the property; copper-zinc-gold values associated with shear-breccia zones cutting mafic metavolcanic rocks and a recently discovered kimberlite dyke which may indicate potential for diamonds on the property.

The bulk of the historical work on the property has been focused on the disseminated nickel-copper-PGE mineralization of the Lakemount (□F□) Zone within the Sunrise Intrusion. Prior to PTM□s work on the project beginning in October 2003 146 diamond drill holes totaling over 23,000 metres had been completed and traced nickel-copper mineralization for over 792 metres along strike and to a vertical depth of 243 metres within the border phase along the southern contact of the Intrusion. Limited historical assaying for platinum and palladium had indicated the presence of locally strongly elevated platinum group metal (□PGE□) values. In particular hole 11, completed and assayed in 1942, yielded a reported 17.4 metre intercept grading 1.1% copper, 0.5% nickel, 4.2 g/t palladium and 1.5 g/t platinum.

On the basis of the available information PTM optioned the Lakemount Property with the stated intention of testing the known zone of nickel-copper mineralization for elevated PGE□s. In addition to that portion of the Lakemount Zone tested by prior drilling previously completed airborne and ground geophysical surveys had indicated potential for extending the Lakemount Zone both along strike to the west and downdip. Prospecting along the western end of the Sunrise Intrusion, over 1.0 kilometre west of the Lakemount Zone was

reported to have returned high grade palladium values, to 10.0 g/t Pd, from grab samples.

Platinum Group Metals Ltd. (["PTM"]) has an option to earn a 51% interest in the Lakemount Property from Western Prospector Group Ltd. (["WPG"]). PTM may earn an initial 25% interest in the Property by making cash payments to Western totaling \$110,000, issuing 75,000 common shares and incurring \$1,500,000 in exploration expenditures prior to December 31, 2006. PTM may, having vested at 25% by meeting the conditions outlined above and paying all applicable

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taxes, lease fees and property maintenance costs during this period, earn an additional 26% interested under the terms outlined below or remain at 25% and form a 25/75% joint venture with WPG. In order to increase their vested interest from 25% to 51%, earn an additional 26% interest, PTM must make an additional cash payment to WPG of \$40,000 on October 30, 2007, issue an additional 75,000 common shares prior to December 31, 2008 and incur and additional \$1,000,000 in exploration expenditures prior to December 31, 2008.

During November/December of 2003 PTM completed an 8 hole diamond drill program, totaling 1488 metres to test the Lakemount Zone. Hole LK03-01 was collared in an attempt to twin hole 11 from the 1942 drill program and confirm the reported high grade PGE values. While a significant thickness of disseminated sulphide mineralization was intersected in hole LK03-01 (20.15 metres grading 0.34% Cu and 0.33% Ni) PGE values, while still elevated, were orders of magnitude lower than the historically reported averages for hole 11 (averaging 0.26 g/t platinum (["Pt"]) plus palladium (["Pd"]) over the above mentioned 20.15 metre interval).

The highlight of the 2003 drilling program were intersections of significantly higher than average historically reported Ni and Cu grades in holes LK03-06 (5.50 metres grading 0.67% Cu, 0.74% Ni and 0.93 g/t Pt+Pd+Au) and hole LK03-08 (13.0 m grading 0.48% Cu, 0.87% Ni and 0.59 g/T Pt+Pd+Au).

These significantly elevated values provided sufficient encouragement to continue exploration of the Lakemount Zone and a helicopter-borne time-domain (Geotem) electromagnetic/magnetic survey was completed over the central portion of the Lakemount Property in March of 2004. In total 180 line km of surveying were completed. Several conductive and magnetic zones were identified on the property. Importantly seven conductive zones were identified within or in very close spatial proximity to the Sunrise Intrusion.

A second diamond drill program, consisting of 8 additional holes (LK04-09 to 16), was completed by PTM in late March-April 2004 targeting both airborne geophysical anomalies identified by the Geotem survey and targets generated by the first PTM drill program. At the time of writing final results for only hole LK04-16 were available to the author from this program. Assaying for hole LK04-16 was completed on a rush basis after the identification of ["balls"] massive sulphide ranging from 1 to 4 cm in diameter. These sulphide ["balls"] have cores of massive, coarse-grained pentlandite and pyrrhotite and may indicate the presence of more massive sulphide accumulations within the Sunrise Intrusive system than encountered to date. Hole LK04-16 returned an 11 metre intercept grading 0.56% Cu, 0.74% Ni and 0.77 g/t Pt+Pd+Au, results consistent with the higher grade intercepts in holes

LK03-06 and 08 which are located 50 metres to the east and 250 metres to the west respectively within the higher grade core of the Lakemount Zone.

At the time of writing a downhole UTEM survey of a number of the holes drilled in 2003/04 by PTM had been completed and was awaiting final interpretation. Preliminary interpretation indicated the presence of several off-hole anomalies including a [complex] anomaly in the vicinity of hole LK04-16. The geophysical program was undertaken to test the Lakemount Zone for massive to very heavily disseminated zones of conductive sulphide mineralization which may have sourced the massive sulphide balls observed in hole LK04-16.

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In summary work to date on the Lakemount Property has demonstrated the presence, within the Sunrise Intrusion, of a significant body of disseminated Ni-Cu-PGE mineralization. Based on the sulphide accumulations in hole LK04-16 there appears to be potential, within the same system, for more massive, and therefore likely higher grade, Ni-Cu-PGE sulphide mineralization. It is recommended that, pending the results of on-going assaying and geophysical surveys, that additional drilling continue to test the Sunrise Intrusion both at depth and along strike from the higher grade portions of the known mineralized system, that all conductors both within and adjacent to the intrusion be drill tested and that an economic model be developed for the existing Ni-Cu-PGE resource to determine if there is a grade/tonnage scenario which would allow the resource to be exploited at a profit. An initial \$271,750 diamond drilling program is proposed for further testing of the Lakemount Zone which may be revised upwards pending the results of the above mentioned on-going work.

In addition to the obvious focus on the Ni-Cu-PGE mineralization of the Lakemount Zone a more thorough examination of the potential of the other mafic/ultramafic bodies on the property is required to determine if there are valid exploration targets within these bodies. The recently completed airborne survey also identified a number of other features on the property, some associated with known mineral occurrences, which have as yet not been ground truthed and this should be a priority. While the diamond play in the Wawa area has not, to date, produced any economic discoveries it is recommended that PTM make an effort to find a partner to better evaluate the potential of the property from this perspective. A budget of \$77,500 is proposed for ground based follow-up to the airborne survey, trenching and additional investigation of the kimberlite/diamond potential of the property.

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Introduction

The Lakemount Property is situated 10 kilometres east of Wawa, Ontario. The property is comprised of two leases and four staked claims (38 claims units) totaling approximately 3625 hectares. Platinum Group Metals Ltd. has an option to earn a majority interest in the property, subject to the terms and conditions of an option agreement with Western Prospector Group Ltd. and subject to the terms of agreements between WPG and the vendor groups.

The original discovery of mineralization on the Lakemount Property occurred in 1928 when prospectors uncovered polymetallic veins within mafic volcanic rocks which yielded grab

samples grading between 3 and 10 g/t gold. In 1942, copper-nickel mineralization was discovered in the Sunrise Intrusion and by 1957 approximately 23,000 metres of diamond drilling in 146 drill holes had outlined a broad zone of disseminated nickel-copper mineralization over a strike length of roughly 800 metres along the southern contact of the Sunrise Intrusion – the Lakemount Zone. Limited assaying during the 1940’s and 50’s also indicated the presence of locally strongly elevated platinum group metal values associated with the copper-nickel zone. Since 1967, little work has been conducted on the Lakemount Zone with attention being focused on exploration for gold-bearing volcanic hosted massive sulphide zones. More recently, as a result of discovery of diamondiferous kimberlite bodies in the Wawa area, exploration has focused on the potential of the property to host diamond-bearing intrusions and led to the discovery of a kimberlite dyke on the property in 2000. To date a total of approximately 29,000 metres of diamond drilling have been completed on the property since 1942.

Terms of Reference

The author has produced this report at the request of Platinum Group Metals Ltd. as an update/revision to the existing technical report prepared by Mr. J.C. Archibald for the Western Prospector Group Ltd. in 2001 from which this report draws extensively. The author is employed by Platinum Group Metals Ltd. in the capacity of Manager, Exploration and has been since 2000. The author is also a share/option holder in the company and cannot, therefore, be considered independent. The author declares that he has no direct interest in the Lakemount Property and expects to receive no direct compensation for writing of this report, save for what he would be entitled under the terms of his employment agreement with the company. The author is a Professional Geologist registered in the Province of Ontario – License number 0227. The report has been prepared under the guidelines of National Instrument 43-101 and 43-101F in support of a private placement financing being undertaken by Platinum Group Metals Ltd. at the time of writing.

The author warrants that he has visited the property in the fall of 2003 in advance of the current exploration activities by PTM, that he has had access to historical reports and records on the property as compiled and recorded by J.C. Archibald (2001) and Dennis Gorc of Platinum Group Metals Ltd.. The author also acknowledges the assistance of Mr. Gorc, who is supervising the Lakemount Project on behalf of PTM, in preparation of this report. The author has reviewed all said data and believes it to be accurate to within the limits imposed by the quality and state of preservation of the historical data.

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Disclaimer

The author has relied heavily on previous exploration records and reports, in particular those prepared by property vendors C.W. Archibald (1991), J.C. Archibald (2001) and information provided by Mr. Dennis Gorc, in preparation of this report. Information on the status of mineral claims comprising the property is drawn from the Ontario Ministry of Northern Development and Mines. A legal opinion of the legal/ownership status of the property and interworkings of the agreements governing said ownership was, at the time of writing, being prepared by legal council on behalf of Platinum Group Metals Ltd. but was not available to the author. The author further notes that the resource calculation on the Lakemount Zone reported herein is not 43-101 compliant and takes no responsibility for the quality and

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accuracy of said calculation as reported by J.A. McGregor, 1968. This resource estimate is reported for completeness and should not be used in any way to value the property.

Property Description and Location

Location

The mining leases and mineral claims comprising the Lakemount Property are situated within Esquega, McMurray, Lastheels, and Chabanel Townships within the Sault Ste. Marie Mining Division (Algoma District) of Northwestern Ontario, Canada. The property is centered at latitude

47° 50' N and longitude 84° 34' W, some 10 kilometres east of the town of Wawa (Figure 1). Wawa is a town of 1500 people and provides both a base of operations and local supply centre.

Property Description

The Lakemount Property consists of four staked claim blocks consisting of a total of 38 unpatented crown mineral claim units, a 17.3 x 1.0 km. square lease block, and one patented mining lease (Parcel 2017-Household Lease #218693) block totaling approximately 3525 hectares. The leases and claims are contiguous and can be described as follows:

- A) N 470 Lease (Parcel 2017 Algoma Central Railway) Under an agreement dated May 5, 1998 between Talisman Enterprises Inc. and Tidal Explorers Ltd. Tidal purchased the title to said Lease registered as Parcel 2017 in the register for Algoma West Section being part of Esquega Township in the District of Algoma. Registration Number 218693 (West Household Lease), Land Registry of Sault Ste. Marie, Ontario. Taxes are approximately \$4,000 per year.

The patented lease N470 is a lifetime patented lease fully owned by Tidal Explorers Ltd. Approximately \$4,000 in school and district taxes have been paid to the year 2004 but can be accumulated each year.

Area of patented lease - 777 hectares

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- B) Wagner Forest Management License Area, Agreement dated January 1, 2001 between 3011651 Nova Scotia Limited and Tidal Explorers Ltd. located in the District of Algoma, Province of Ontario as defined by the following coordinates and illustrated on the attached map (Figure 2) (land area represents 86.5 single claim units equivalent). The Licensed Area (UTM zone 16, NAD 27) consists of certain grid claims, or portions thereof, listed as follows by the midpoint coordinates, commencing in the most northwesterly part of the Licensed Area. The Licensed Area is located entirely within Esquega Township in the District of Algoma, Province of Ontario.

Northerly	Easterly	Gross	Net	Township
5 321 500	674 00 to 677 500	4	4	Esquega
5 322 500	674 00 to 677 500	4	4	Esquega
5 323 500	674 00 to 677 500	4	3	Esquega
5 324 500	674 00 to 675 500	2	2	Esquega
5 325 500	674 00 to 675 500	2	2	Esquega
5 323 500	675 00 to 675 500	3	3	Esquega

Total

19(est.) 18 units(act.)

Area of Wagner Lease - 2240 hectares

In order to maintain the Wagner Leases in good standing approximately tax payments of \$1100.00 and exploration expenditures of \$1500.00 are required by December 31st of each year but can be accumulated for five years. A base rental fee of \$19,800.00 and an exploration expenditure of \$36,000.00 is due for each of the first four years (or \$3100.00 combined for each of the eighteen units if some of the units are dropped). The property can then be brought to lease during the fifth year.

C) Crown claims (McMurray-Lastheels-Chabanel Township) (4 groups of claims totaling 38 claim units)

Claim No.	Township	Block Size (Hectares)	Type
1196556	Chabanel	112	unpatented
1235485	Chabanel-McMurray	144	unpatented
1235512	Lastheels	256	unpatented
1235514	Lastheels	96	unpatented
Area of Staked Claims - 608 hectares			

The four unpatented crown claims have minimum annual work expenditures of \$15,200.00. To date

\$10,898.00 has been applied to claims 1196556 and 1235485.

Sault Ste Marie Division 50

Client: 102807 ARCHIBALD, FREDERICK THOMAS

Township Area	Claim Number	Recording Date	Claim Due Date	Units	Percent Option	Work Required
Chabanal	SSM 1196556	2000/Jul/28	2003/Jul/28*	7	100.0%	2800
Chabanal-McMurray	SSM 1235485	2000/Jul/20	2004/Jul/20*	9	100.0%	3600
Lastheels	SSM 1235512	2000/Sep/12	2002/Sep/12*	16	100.0%	6400
Lastheels	SSM 1235514	2000/Oct/18	2002/Oct/18*	6	100.0%	2400

Total Area of Lakemount Property - 3625 hectares

** Note: As legal proceedings have been initiated concerning the legal ownership and title to these claims (see section on ownership below) the Ontario Ministry of Northern Mines and Development will not accept the filing of work against these claims until such time as the legal dispute is settled. At that time work totaling \$400/unit/year (or \$15,200/year) must be filed against these claims to maintain them in good standing. At the time of writing an assessment filing of \$20,400 would be required to keep the claims in good standing through their 2004 anniversary dates.*

Ownership and Agreements***Platinum Group Metals Option Agreement***

Under the terms of a Letter Agreement dated October 28, 2003 Western Prospector Group Ltd. (WPG) granted to Platinum Group Metals Ltd. (PTM) an option to earn up to a 51% interest in the Lakemount Property as described above. Under the terms of the Letter Agreement PTM may earn an initial 25% interest by making cash payments of \$110,000 to WPG, issuing 75,000 common shares in WPG's favour and completing \$1,500,000 in exploration expenditures on the property prior to December 31, 2006 as per the schedule outlined below

<i>Cash Payments</i>	<i>(total \$110,000)</i>	<i>Shares to Be Issued</i>	<i>(total 75,000)</i>
On signing	\$ 25,000 (paid)	0	
October 30, 2004	\$ 25,000	25,000	
October 30, 2005	\$ 25,000	25,000	
October 30, 2006	\$ 35,000	25,000	

Cumulative Exploration Expenditures (total \$1,500,000)

December 31, 2003	\$ 100,000 (completed)
December 31, 2004	\$ 400,000
December 31, 2005	\$ 800,000
December 31, 2006	\$ 1,500,000

Having made the above mentioned payments and completed the required exploration expenditures PTM may opt to either vest at a 25% interest in the property and form a joint venture with WPG or to earn an additional 26% interest (for a total earned interest of 51%) by making additional cash payments to WPG totaling \$40,000, issuing an additional 75,000 common shares to WPG and incurring an additional \$1,000,000 in exploration expenditures prior to December 31, 2008.

Once PTM has either decided to vest at a 25% interest or proceeded to and vested at 51% interest a joint venture would be formed between PTM and WPG under which the two parties would contribute pro-rata to the ongoing exploration of the Property. The Letter of Agreement stipulates that should either joint venture partner fail to contribute during this phase their interest will be diluted on a pro-rata basis. Should the retained interest of either party fall below 15% said interest will be converted automatically into a 1% NSR royalty on metals and a 2% NSAR royalty on precious stone production. Also, under the Letter Agreement, PTM is named as operator throughout the duration of the option period.

Western Prospector Option Agreement

Under the terms of a Letter Agreement (Badger Agreement) dated June 7, 2001, the details of which are outlined below, between Badger and Co. Management Corp. and Tidal Explorers Ltd. Badger and Co. acquired an option to earn up to a 100% interest in and to the Lakemount Property. By an Assignment and Assumption Agreement dated August 15, 2001 among Badger & Co., Tidal Explorers Ltd. and Western Prospector Group Ltd., Badger & Co. assigned to WPG in its entirety the option rights with respect to the Lakemount Property it had acquired as per the terms of the Badger Agreement. In accordance with the terms of the Letter Agreement and the Assignment and Assumption Agreement WPG reimbursed Badger and Co. its costs totaling \$15,000 incurred in investigating the Lakemount Property and \$5,000 cash payment made by Badger to Tidal on signing of the Badger Agreement.

Under the terms of the Badger Agreement and subsequent Assignment Agreement WPG has the option to earn an initial 80% interest in the Lakemount Property in consideration of cash payments to Tidal totaling \$85,000 (\$5,000 paid by Badger on signing, \$20,000 on August 31, 2001 (paid) and \$20,000 on each of June 30, 2002 (paid), 2003 (paid) and 2004, issue to Tidal a total of 250,000 common shares in the capital stock of the Company (100,000 on CDNX acceptance (issued) and 50,000 on each of June 30, 2002(issued), 2003 (issued) and 2004 (see amendment below), as well as undertaking and completed cumulative exploration expenditures on the Lakemount Property of \$1,500,000, of which total \$200,000 were to have been incurred by June 30, 2002 (met), \$700,000 by June 30, 2003 (met), and \$1,500,000 by June 30, 2004 (see amendment below).

The terms of the Assignment and Assumption Agreement were amended on April 17, 2002 so as to provide additional time for Tidal and WPG to enter into a formal agreement the production of said agreement having been delayed.

The Badger Agreement was amended as at May 9, 2002 by making the June 30, 2002 cash payment due upon [the earlier of completion of a private placement of WPG's securities and June 30, 2002]. This payment was made on June 30, 2002. This amendment also extended the June 30, 2002 date for completion of the 2002 work program at Lakemount to September 30, 2002 with the provision that a minimum \$65,000 be committed to the Wagner Lease portion of the Lakemount Property to meet assessment work requirements.

At the time of writing of this report WPG and Tidal were in the final phases of discussion regarding a Final and Complete Option Agreement between the two parties which, in addition to providing the Final Agreement provided for in the Assignment and Assumption Agreement would extend the date for the 2004 exploration expenditures commitment in favour of addition cash and share payments to Tidal from WPG through 2006. WPG has warranted to the author that these discussions will be concluded in due course and that they will not effect PTM's option agreement on the Property.

Upon completion of the amended terms of the Badger Agreement WPG will have earned an 80% interest in the Lakemount Property. Western will then have the right to purchase the remaining 20% interest in incremental amounts of \$300,000 for each 1% interest for a total maximum price of \$6,000,000 to reach a 100% interest in the property. Both the rights to purchase the remaining interest in the property and the first right to purchase or buyout any underlying interest including NSR interests in the Property will also follow-through to PTM on a pro-rata basis once PTM has earned a vested interest.

Underlying Vendors

The Lakemount Property as it currently exists represents an amalgamation of 4 separate properties put together by Tidal Explorers. The four separate land parcels are

1. Parcel 2017 (also referred to as Lease N470) which is a patented lease covering 777 hectares (Figure 2) acquired by Tidal Explorers Ltd. via a sales agreement dated May 5, 1998 and subject to a Letter Agreement dated June 13, 2001 between Tidal Explorers and Algoma Central Corporation. As per the terms of the Letter Agreement ([Tidal-Algoma Agreement]) Algoma agreed to extinguish a perpetual rent-charge on the land known as Parcel 2017 Algoma West Section, Esquega Twp in favour of a one-time cash payment of \$5,000 (paid) and the granting in favour of Algoma a 1.5% NSR royalty on mineral production and a 1.5% NSAR (net sales returns) royalty on the production of precious and semi-precious stones from this land parcel. There is no buy-out provision for this royalty in the [Tidal-Algoma Agreement]. This parcel is also subject to restriction of title pertaining to right-of-way allowances for the location of Highway 101. Algoma

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Central Corporation also retains timber rights to the Parcel. Annual tax payments of \$4,000 are required to be made by Tidal.

2. The Wagner Licensed Area, as described above, covers approximately 2240 hectares. Under the terms of a Mining Rights Option Agreement dated November 4, 1997 between 3011650 Nova Scotia Limited as the Optionor and Algoma Central Corporation

as the Optionee 3011650 Nova Scotia Limited was granted an option to purchase a 50% interest in and to certain Subject Mineral Rights held by Algoma Central Corporation in the greater Lake Superior area at a purchase price of \$25/acre which included the Wagner Licensed Area.

Tidal Explorers entered into a Mineral Exploration License Agreement (["Tidal-Nova Scotia Agreement"]), dated January 1, 2001 for a term of five years, renewable for a second five year term at Tidal's option, with 3011651 Nova Scotia Limited (then trading as ["Cedar Falls Forest Resources"]) to acquire Nova Scotia's interest in and to the Wagner License. Under the terms of the Tidal-Nova Scotia Agreement Tidal will make annual rental payments to Nova Scotia of \$19,800 to December 31, 2005 after which the License area may be brought to Lease or if not taken to Lease through to December 31, 2010. Tidal will also incur minimum annual exploration expenditures of \$36,000 to December 31, 2005 after which the License area may be brought to Lease or it not taken to Lease through to December 31, 2010. There is also a 3% NSR royalty reserved on the aforementioned 50% property interest in favour of Nova Scotia.

It is further noted that that portion of Parcel 413, located south of Highway 101, is subject to a debenture by 3011650 Nova Scotia Limited in favour of Traveler's Insurance Company, John Hancock Mutual Life Insurance Company, Melon Bank N.A., as trustee, registered as instrument number 215247 on November 5, 1997 in the principal amount of \$31,750,000. As this debenture represents a lien against future timber production and surface right from this portion of the parcel it is unclear what effect it may have on the mineral rights to the property. PTM has sought a legal opinion as to the effect of the debenture on its ability to earn its option interest in the property. A preliminary draft of the legal opinion made available to the author indicates that the mineral rights to the Wagner License should not be affected save as they interact with the surface rights. Therefore there should be no lien against future mineral production but surface access would require the agreement of the debenture holders.

3. Crown Claims SSM 1196556 and 1235485 in McMurray-Chabanel Townships held under the name of Mr. Fredrick Thomas Archibald, a principal of Tidal Explorers Ltd.
4. Crown Claims 1235512 and 1235514 in Lastheels Township held under the name of Mr. Fredrick Thomas Archibald, a principal of Tidal Explorers Ltd.

Note that the Crown Claims listed above in sections 3 and 4 and held under the name of Mr. Archibald were encumbered on November 21, 2001 by pending legal proceedings initiated by a third party litigant. At the time of writing these legal proceedings had not been resolved and the legal status of these claims, and therefore of the various property agreements as they related to these claims, remains uncertain.

Note that the author has relied on documentation provided by PTM and WPG in compiling this section and makes no warranties as to the legal accuracy of the statements above, nor is the author qualified to provide a legal opinion on the agreements/land status. It is, however, the author's professional opinion that PTM's option is valid in all respects subject to finalizing of the Final and Complete Option Agreement between WPG and Tidal. The encumbrances on surface rights on the Wagner License ground related to the aforementioned debenture and the pending legal proceedings on the Archibald Crown Claims should have no direct bearing on the PTM-WPG Agreement nor underlying agreements save and except should the Crown Claims be forfeited. In this case they would simply be excluded from the PTM-WPG Agreement and the other properties would remain subject to said Agreement.

All known mineral prospects on the Lakemount Property occur within the N470 Lease area. Potential extensions of the Lakemount Zone within the Sunrise Intrusion occur within the Wagner License.

Previous shallow surface trenches which have not been back-filled to date and naturally occurring acidic drainage waters from surface sulphide showings on the property constitute the only existing environmental liabilities on the Property and neither of these is considered to be of a serious nature. On-going exploration activities are expected to have minimal environmental impact until such time as a resource is calculated for the Lakemount Zone and the economic potential of this resource determined. As all of the proposed exploration is on private lease land, there are no permits required to conduct this work.

Accessibility, Local Resources And Physiography

The Lakemount Property is located approximately ten kilometres east of the town of Wawa and approximately four kilometres southwest of Hawk Junction in northwestern Ontario. Wawa is located on the Trans Canada Highway 17. Highway 101 (which joins Wawa to Hawk Junction) cuts through the south-central portion of the property. Wawa is located along the Trans Canada Highway 17 some 220 kilometres north of Sault Ste. Marie and 520 kilometres east of Thunder Bay. A timber road from Hawk Junction accesses the northern and northeast sections of the property. The northwest section is accessed by the Loonskin Lake Forest Access Road. The southwest section of the property is accessed by the Twin Lakes and Firesand Forest Access Road. Highway 101 is a paved, all-season road (Figure 3).

Access can also be made by floatplane to Wawa Lake, Hawk Lake, or Sunrise Lake. The eastern edge of Wawa Lake cuts the west boundary of the claim group. A gravel tote-road connects Highway 101 to Hawk Junction by way of Hawk Lake. Floatplane services are available from Wawa and from Hawk Lake. The CPR and ACR railways connect through Hawk Junction. PTM has also upgraded an existing Forest Service Access route to provide year-round access to the Sunrise/Elbow Lake area of the property, the location of this trail is indicated on Figure 3.

The Lakemount Property has an abundant water supply from lakes within the property boundaries. Power is available from a power-transmission line which traverses along Highway 101 or from lines which traverse the west side of the property. A skilled and experienced

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workforce is available in Hawk Junction and Wawa. Housing and supplies are available in Wawa.

The southeasterly portion of the property and the Firesand Creek area of the property are covered by flat glacialfluvial-outwash or overburden and are devoid of outcrop. The northern and western portions of the property are covered by gently undulating terrain and approximately five percent of the area is exposed outcrop. Tree cover consists of mature birch, poplar and spruce ranging from 10 to 30 centimetres in diameter. Over the southern and southeastern sections of the property are jackpine stands which were planted roughly 30 years ago. Forest harvesting has been conducted along the east, northwest, and southern sides of the property within the past ten years. The property overlies relatively flat rolling

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terrain with not more than a few hundred metres of relief.

Exploration on the property can be conducted on a year round basis although roads and trails on the property are difficult to access during spring thaw and freeze-up in the fall for periods of roughly 3-4 weeks. The property is of sufficient size to allow a number of potential sites for future production facilities.

Exploration History

The Lakemount Property has a lengthy history of mineral exploration with written records dating back to 1928. The initial focus of exploration was on gold prospects following the discovery of other significant gold prospects/producers in the nearby greenstone sequences. Continued prospecting of the property led to the discovery, in 1929, of the Lakemount Zone and the focus shifted to evaluation of the Ni-Cu mineralization in the Sunrise/Elbow Lakes area. Most recently work has focused on the potential of the property to host diamondiferous kimberlite occurrences. Brief summaries of the previous exploration efforts on the property follow.

In 1928, Engineers Holding Company Ltd. sampled several quartz vein systems on the Property which led to the discovery of the Zone 1 and 2 vein systems. Initial sampling returned results highlighted by: No. 1 Vein (Pit 2) assaying to 18.50 g/t Au and 13.2% Cu over a 2.4 metre chip sample. Pit 3 assay values to 5.50 g/t Au 3.72% Cu over 3.2 metres (Allen, 1928).

In 1929 a 45.5 kilogram sample of sheared and sulphide-mineralized peridotite was collected from the newly named F Zone (Lakemount Zone) in the Elbow Lake area. The sample was processed by the Ontario Department of Mines. Ore Dressing Report No. 318 (Appendix A) reported weighted average results of 1.23% Cu, 0.51% Ni, 0.14% Zn, 0.30 g/t Au, 8.60 g/t Ag, and 2.10 g/t Pd. Copper recoveries were reported as 97.98%, nickel recoveries as 76.49% and gold recoveries at 59.8% of reported head grades. The material was deemed acceptable for concentration and smelting.

In 1936, J.H. Teare discovered three gold-bearing veins associated with northwest trending iron formation, on the east side of Leroy Lake. Grab samples collected from one of three veins, which was traced on surface for approximately 457 metres along strike, assayed between 9.10 and 11.50 g/t gold. Grabs samples from a second vein also returned elevated Au values with a high of 6.75 g/t gold.

In 1942, Lakemount Mines Ltd. as a follow-up to the discovery of copper-nickel mineralization in peridotite near Elbow Lake, drilled the first reported test holes on the property. In total Lakemount completed drilling of 172.6 metres in holes XR1-10. In 1943 Lakemount Mines optioned the property to Corinth Holdings who continued to test the Lakemount Zone. In total Corinth reported drilling 2863.6 metres in 23 holes. Corinth reported that holes 5-14 of this program returned copper-nickel mineralized peridotite intercepts ranging from 9.6 to 26.1 metres, averaging 16.7 metres, in width. Based on the 42-43 drilling Corinth defined the presence of two sub-parallel zones of disseminated sulphide mineralization within the Sunrise Intrusion separated by approximately 120 metres of sparse mineralization. Both zones subcrop and strike roughly east-west paralleling the basal contact of the Sunrise Intrusion.

Highlights of the Corinth drilling program included hole No. 7 which returned reported assay values averaging 0.92% copper, 1.29% nickel, and 2.10 g/t platinum over 1.52 m. at a depth of 12.1 metres and Hole No. 11, drilled below No. 7, which reported assay values averaging 1.11% Cu, 0.50% Ni, 1.71 g/t Pt and 4.62 g/t Pd over 17.4 metres at a down hole depth to the top of mineralized zone of 103 metres. The Lakemount Zone was drilled to a vertical depth of 91 metres and along strike for 274 metres. Reference in the available information from the Corinth drilling program was made to difficulties in assaying for platinum and the above mentioned palladium values must therefore be considered circumspect.

In 1943, four samples of Lakemount Zone mineralization were assayed by Ledoux & Co. Inc. Chemists and Assayers and returned a reported average grade of 0.43% Cu, 0.52% Ni, and 0.79 g/t Pt. The observation was made that, in general, platinum values increase in association with nickel values which fits with correlation between the presence of pentlandite and PGE mineralization observed and reported by Corinth.

Also in 1943, an independent survey by Douglas S. Baird estimated an average grade of 1.03 g/t platinum from copper-nickel mineralization above the 91-metre level on the Lakemount Zone.

In 1944, copper mineralization was discovered by Lakemount Mines Ltd. within the western extension of the peridotite at the northwest corner of Sunrise Lake approximately 1800 metres to the west of the Lakemount Zone. The same year N.A. Timmins Explorations completed drilling of 4,905 metres in 28 holes to further test the Lakemount Zone.

In 1944, assays completed by Consolidated Mining and Smelting at Trail, B.C. from DDH No. 11 from the 1943 Corinth drilling program reported an average grade of 1.71 g/t Pt and 5.49 g/t Pd over the 17.4 metre interval indicated above. Hole 7 was also assayed and the platinum-palladium assays are summarized below:

Hole No.	Intersection (m)	Width (m)	Pt(g/t)	Pd(g/t)	Assay Details
7	12.2 - 13.7	1.5	2.10	not assayed	1943
11	103.0 - 120.4	17.4	1.71	4.63	Trail, B.C.1944

There is no further reported exploration activity on the Property until 1951 and 1952 when Kelore Mines Limited completed a further 5943 metres of diamond drilling in 34 holes again testing the Lakemount Zone. Lakefield Research Laboratories tested a sample of drill core for flotation the same year with positive results (Appendix B). Recoveries were on the order of 75% for Ni and 88% for Cu. J.W.N. Bell Labs in Haileybury, Ontario reported an average assay grade of 0.34 g/t Pd and 0.34 g/t Pt from thirteen holes collected by Kelore.

In 1953 Ventures Ltd. completed an additional 5,263 metres of drilling in 31 drill holes and reported an estimated resource within the Lakemount Zone of 4,550,000 tonnes averaging 0.32% Cu and 0.51% Ni to a depth of 243 metres. This resource was conducted utilizing a sectional block method and does not conform to the current guidelines of National Policy 43-101 and is mentioned here only for completeness.

In 1956 New Kelore Mines Ltd. carried out an electromagnetic survey over Zones 1 and 2 on the east section of the property and completed an additional 3,798 metres of diamond drilling on the Lakemount Zone and other targets in 14 holes.

In 1957 Lakemount Mines reported drilling 5 additional holes in the Lakemount Zone and reported that a total of 23,165 metres of diamond drilling had been conducted on the Zone. According to the Lakemount report copper-nickel mineralization of the Lakemount Zone had been delineated over a strike length of 792 metres and to a depth of 335 metres. Lakemount Mines reported a resource (not categorized in accordance with NP 43-101 and again included solely for completeness) of 2,500,000 tonnes grading 0.36% Cu and 0.55% Ni.

In 1962, the Algoma Central Railway completed an airborne magnetometer and electromagnetic survey over the area. A horizontal-loop electromagnetic survey was carried out over the Elbow Lake area.

In 1967, Selco Exploration Co. Ltd. performed airborne electromagnetic and magnetic surveys over the property at approximately 400 metre intervals. A magnetic and coincident electromagnetic anomaly was indicated over the basal portion of the Sunrise Intrusion.

In 1968, R.A.McGregor (a consultant to AMAX) conducted a resource calculation (not categorized in accordance with NP 43-101 and included for completeness only) of the Lakemount Zone and reported 2,500,000 tonnes averaging 0.55% Ni and 0.36% Cu, in keeping with the previously resource reported by Lakemount Mines in 1957, of which 1,700,000 could have open pit potential. The mineralized zone outlined by drilling had a strike length of 792 metres, a depth of 243 metres and an average width of 21.0 metres.

In 1968, an electromagnetic multiphase survey was completed over the No.1 and No.2 Veins area near Bremner Lake.

Between 1978 and 1982, Firespur Explorations Limited performed geological reconnaissance, ground-based VLF electromagnetic surveying and proton magnetometer surveys over the Lakemount Property. Approximately 1032 metres of diamond drilling in nine holes was completed on the property. The area on the east side of Elbow Lake was stripped, washed, channel sampled and assayed for copper-nickel values.

In 1981 and 1982, R. P. Sage of the Ontario Department of Mines mapped the areas of McMurray, Chantal, Esquega and Lastheels Townships at a scale of 1:15,840.

In 1989, Firesand Resources Ltd. stripped and mapped mineral zones 'B','C','E','F','H','J','X', and No.1-2. A total of 1192 metres in nine diamond drill holes were completed on the 'E' and Lakemount Zones.

In August of 2000, a kimberlite dyke was intersected by diamond drilling by Sonic Soils Ltd. in the southwest portion of the Lakemount Property. This ultramafic-fragmental kimberlite (heterolithic breccia) was intersected between 14.85 metres and 33.50 metres in depth (drill width of 18.7 metres), and is believed to be associated with the Mildred Lake Fault system.

Table 1 summarizes the work completed on the Lakemount Property to date, including the work completed by PTM as described below. The work summarized above is considered to be historic in nature and, based on the available information, none of the previous exploration programs on the Property appears to have been accompanied by an adequate (or any) quality control and assurance program. Analytical methods used to derive the above mentioned values are varied. However, work to date by PTM has indicated that, at least for the Lakemount Zone, the historically reported Cu and Ni values appear to be representative.

Geological Setting

Regional Geology

The Lakemount Property area was initially mapped by Goodwin (1963) followed by Leahy (1971) at a scale of 1:31,680 for the Ontario Department of Mines. The region was last mapped between 1981 and 1984 by R.P. Sage of the Ontario Geological Survey (OGS) (Preliminary Map No. 2439 and 2441) at a scale of 1: 15,840. Traverses in the area were done at approximately 1/2 mile intervals with 1/4 mile intervals in areas requiring more detail.

Regionally, the area is underlain by felsic metavolcanics (mainly lapilli tuffs) and mafic metavolcanic rocks (andesite and basalt) which form the southern limb of the Michipicoten Greenstone Belt (Figure 4). This belt occurs within the Wawa Subprovince of the Superior Province of the Canadian Shield. The Michipicoten belt is comprised of several sequences of Archean felsic to mafic metavolcanics rocks with interbedded clastic and chemical metasediments (iron formation). These volcanic and sedimentary units have been intruded by numerous grantoid to mafic/ultramafic dykes, stocks and small intrusions all believed to be of

Archean age. Northwesterly trending diabase dykes cut all of the other units in the area and are related to late tectonic processes which have effect this portion of the Superior Province.

Table 1 - Lakemount Exploration History - Drilling and Other Work

Year(s)	Company	Notes	# of Holes	Drill Hole Nos.	Footage Drilled	Meters Drilled	Work
1928	Engineers Holding Company Ltd.						Trenching
1939	Corinth Mines Ltd.						Details Unknown
1940	Sylvanite Gold Mines Ltd.						Details Unknown
1943	Lakemount Mines Ltd.	1	10	XR1-10	566.3	172.6	Drilling
1944	Lakemount Mines Ltd.	2	23	11-35	9,395.0	2,863.6	Drilling/Mag
1944	N.A. Timmins Ltd.		28	36-64	16,093.5	4,905.4	Drilling
?	Unknown	3	11	2XR-A thru K	1,415.0	431.3	Drilling
?	Unknown	4	4	S1-4	2,306.0	702.9	Drilling
1951	Kelore Mines Ltd.	5	34	101-136	19,499.0	5,943.4	Drilling
1953	Ventures Ltd.		31	V201-231	17266.3	5,262.8	Drilling
1956-57	New Kelore Mines		14	301-316	12,460.5	3,798.0	Drilling, EM, SP
1957	Lakemount Mines Ltd.		5	?	1,018.0	310.3	Drilling
1962	Algoma Ore Properties Ltd.	6					Mapping, EM
1967	Selco Exploration Company Ltd.						Map, Aeromag and EM
1978-82	Firespur Exploration Ltd.	7	10	NA	3,386.0	1,032.1	Map, EM, Mag

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1989-91	Firesand Resources Ltd.		9	NA	3911	1192	Prospecting, Stripping, Mapping, Sampling
2000	Tidal Explorers		1	KIM00-01	194.0	59.0	Drilling
2002	Rock Resources						Line Cutting - Sunrise
2003	Platinum Group Metals Ltd		8	LK03-01 to - 08	4882.0	1488.0	Drilling
2004	Platinum Group Metals Ltd						Airborne Geotem
2004	Platinum Group Metals Ltd	8	8	LK04-09 to 16	5561.7	1681.4	Drilling
2004	Platinum Group Metals Ltd						Downhole UTEM