MAG SILVER CORP.

Management's Discussion & Analysis
For the years ended December 31, 2018 and 2017

Dated: March 29, 2019

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

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The following Management's Discussion and Analysis ("MD&A") focuses on the financial condition and results of operations of MAG Silver Corp. ("MAG" or the "Company") for the years ended December 31, 2018 and 2017. It is prepared as of March 29, 2019 and should be read in conjunction with the audited consolidated financial statements of the Company for the years ended December 31, 2018 and 2017, together with the notes thereto which are available on SEDAR and EDGAR or on the Company website at www.magsilver.com.

All dollar amounts referred to in this MD&A are expressed in thousands of United States dollars ("US$") unless otherwise stated. The functional currency of the parent, its Mexican subsidiaries and its investment in associate, is the US$.

The common shares of the company trade on the Toronto Stock Exchange and on the NYSE American Stock Exchange both under the symbol MAG. 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 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. 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.

Qualified Person

Unless otherwise specifically noted herein, all scientific or technical information in this MD&A, including assay results and reserve estimates, if applicable, is based upon information prepared by or under the supervision of, or has been approved by Dr. Peter Megaw, Ph.D., C.P.G., a Certified Professional Geologist who is a "Qualified Person" for purposes of National Instrument 43-101, *Standards of Disclosure for Mineral Projects* ("National Instrument 43-101" or "NI 43-101"). Dr. Megaw is not independent as he is an officer and a paid consultant of the Company (see *Related Party Transactions* below).

Cautionary Note Regarding Forward-Looking Statements

Certain information contained in this MD&A, including any information relating to the Company's future oriented financial information are forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995 and applicable Canadian securities laws (collectively "forward-looking statements"). All statements in this MD&A, other than statements of historical facts are forward-looking statements, including statements regarding the anticipated time and capital schedule to production; expectations on the approval of the development of the project; estimated project economics, including but not limited to, mill recoveries, payable metals produced, production rates, payback time, capital and operating and other costs, Internal Rate of Return ("IRR"), anticipated life of mine, and mine plan; expected upside from additional exploration; expected capital requirements and adequacy of current working capital for the next year; and other future events or developments. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from results projected in such forward-looking statements. Although MAG believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements including, but not limited to, commodities prices; changes in expected mineral production performance; unexpected increases in capital costs; exploitation and exploration results; continued availability of capital and financing; differing results and recommendations in the feasibility study commissioned by Minera Juanicipio; whether or not there is a production decision by Minera Juanicipio; risks related to holding a minority investment interest in the Juanicipio Property; and general economic, market or business conditions. In addition, forward-looking statements are subject to various risks, including but not limited to operational risk; environmental risk; political risk; currency risk; capital cost inflation risk; that data is incomplete or inaccurate; the limitations and assumptions within drilling, engineering and socio-economic studies relied upon in preparing the 2017 PEA (as defined herein); and market risks. The reader is referred to the Company's filings with the SEC and Canadian securities regulators for disclosure regarding these and other risk factors. There is no certainty that any forward-looking statement will come to pass and investors should not place undue reliance upon forward-looking statements. The Company does not undertake to provide updates to any of the forward-looking statements in this MD&A, except as required by law.

Assumptions have been made including, but not limited to, the Company's ability to carry on its various exploration and development activities including project development timelines, the timely receipt of required approvals and permits, the price of the minerals produced, the costs of operating, exploration and development expenditures, the impact on operations of the Mexican Tax Regime, and the Company's ability to obtain adequate financing. The Company cannot assure you that actual events, performance or results will be consistent with these forward-looking statements, and management's assumptions may prove to be incorrect. The forward-looking statements in this MD&A speak only as of the date hereof and we do not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change other than as required by applicable law. There is no certainty that any forward-looking statement will come to pass and investors should not place undue reliance upon forward-looking statements.

Note regarding Non-GAAP Measures

This MD&A references a technical report which presents certain financial performance measures, including all in sustaining costs ("AISC"), cash cost and total cash cost that are not recognized or standardized measures under International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), and therefore may not be comparable to data presented by other silver producers. The Company believes that these generally accepted industry measures are relevant indicators of potential operating performance. Non-GAAP financial performance measures should be considered together with other data prepared in accordance with IFRS. This MD&A contains non-GAAP financial performance measure information for a project under development incorporating estimated cost, pricing and other information that will vary over time as the project is developed and mined. It is therefore not practicable to reconcile these forward-looking non-GAAP financial performance measures to GAAP measures.

More information about the Company including its AIF and recent financial reports is available on SEDAR at www.sedar.com and on the U.S. Securities and Exchange Commission's EDGAR website at www.sec.gov.

Cautionary Note to Investors Concerning Estimates of Indicated and Inferred Mineral Resources

This MD&A uses the terms "Indicated Mineral Resources" and "Inferred Mineral Resources". MAG advises investors that although these terms are recognized and required by Canadian regulations (under

National Instrument 43-101 Standards of Disclosure for Mineral Projects), the U.S. Securities and Exchange Commission does not recognize these terms. 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. 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 are considered too geologically speculative to have the economic considerations applied to them to enable them to be categorized as mineral reserves and, accordingly, 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 Resource exists, or is economically or legally mineable.**

1. DESCRIPTION OF BUSINESS

The Company is a Vancouver-based mineral exploration and development company that is focused on the acquisition, exploration and development of district-scale projects located primarily in the Americas. The Company's principal asset is a 44% interest in the Juanicipio joint venture (the "Juanicipio Project") located in Mexico. The Company also owns a 100% interest in the Cinco de Mayo Project, also located in Mexico.

Juanicipio Project

The Company owns 44% of Minera Juanicipio S.A. de C.V. ("Minera Juanicipio"), a Mexican incorporated joint venture company, which owns the high-grade Juanicipio Project, located in the Fresnillo District, Zacatecas State, Mexico. Both exploration and development of the Juanicipio Project are being carried out by the project operator, Fresnillo plc ("Fresnillo"), which holds the remaining 56% interest in the joint venture.

The Juanicipio Project consists of high-grade silver-gold-lead-zinc epithermal vein deposits. The principal vein, the Valdecañas Vein, is an en echelon system comprised of overlapping East and West Veins and several smaller vein splays – the term "Valdecañas Vein" is used to refer to this combined en echelon system.

Exploration and development programs for the Juanicipio Project are designed by the Minera Juanicipio Technical Committee which is represented by both partners, and approved by the Minera Juanicipio Board of Directors. The Company's share of project 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 its own commissioned technical studies and analyses, as well as direct project oversight. Minera Juanicipio is governed by a shareholders agreement and corporate by-laws, pursuant to which each shareholder is to provide funding pro rata to its ownership interest, and if either party does not fund pro rata, their ownership interest will be diluted in accordance with the shareholders agreement.

Underground development commenced at the Juanicipio Project on October 28, 2013 and has focused primarily on advancing the ramp declines, ventilation raises, surface offices and the associated surface and underground infrastructure. With the drilling success on the Juanicipio Project from three drill programs undertaken in 2015 through early 2017 which resulted in initial delineation of the expanding Deep Zone (see '*Juanicipio Resource*' below), along with the resulting project scope changes announced by Fresnillo and MAG in 2017, the previous project technical report became obsolete. As a result, MAG commissioned AMC Mining Consultants (Canada) Ltd. ("AMC") to prepare a Resource Estimate and Preliminary

Economic Assessment for the Juanicipio Project (collectively, the "2017 PEA"), which was completed according to the NI 43-101 *Standards of Disclosure for Mineral Projects* and announced by the Company on November 7, 2017 (see Press Release of said date), with the MAG Silver Juanicipio NI 43-101 Technical Report (Amended and Restated) filed on SEDAR on January 19, 2018.

The 2017 PEA incorporates major overall project upgrades highlighted by the delineation and provision for mining of greatly expanded Indicated and Inferred Mineral Resources in the recently discovered Deep Zone. The volume of these new base metal-rich Deep Zone Resources contributed to a significant expansion of project scope and enhancements to most aspects of the mine design. Truck hauling, shaft hoisting, and conveying, along with underground crushing of the mineralized rock are all projected to be utilized for delivering the mineralized rock to the surface processing plant. An underground winze (internal shaft) is planned to be sunk within the hangingwall of the Valdecañas Vein system, to hoist mineralized rock from lower levels of the mine to the underground crusher and conveying system from the 6th year (2026) after plant start-up (projected as 2020), onward. As envisioned in the 2017 PEA, the proposed process plant and tailings storage facility will be located in newly acquired open, flat ground. It will include a SAG/Ball mill comminution circuit followed by sequential flotation to produce a silver-rich lead concentrate, a zinc concentrate and a gold-rich pyrite concentrate.

Based on the 2017 PEA, the Company views the Juanicipio Project as a robust, high-grade, high-margin underground silver project exhibiting low development risks. At a planned production rate of 4,000 tonnes per day ("tpd"), the Juanicipio Project is expected to produce a payable total of 183 million silver ounces, 750 thousand gold ounces, 1.3 billion pounds of zinc and 812 million pounds of lead over an initial 19 years of mine life, with an opportunity to consider the recovery of copper as well.

While the results of the 2017 PEA are promising, by definition a Preliminary Economic Assessment is preliminary in nature and includes Inferred Mineral Resources that are considered too geologically speculative to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability and there is no certainty that Mineral Resources will ever become Mineral Reserves. There can therefore be no certainty that the results in the 2017 PEA will be realized. In addition, the 2017 PEA was commissioned independently by MAG, and not by Minera Juanicipio. Fresnillo is the project operator and the actual development plan and timeline may be materially different. Minera Juanicipio has commissioned a feasibility study which has not yet been approved by the Technical Committee. Any recommendations to proceed with formal project development may not be based on either the 2017 PEA or the Feasibility Study, and may differ significantly from the scope and design recommended in the 2017 PEA (see '*Outlook*' and '*Risks and Uncertainties*' below).

Cinco de Mayo Project

The Company owns 100% of the mineral concessions comprising the Cinco de Mayo Project. The property is located approximately 190 kilometres northwest of the city of Chihuahua, in northern Chihuahua State, Mexico, and covers approximately 25,113 hectares. The primary concessions of the Cinco de Mayo Project were acquired by way of an option agreement dated February 26, 2004, and the property remains subject to a 2.5% net smelter returns royalty (see *Related Party Transactions* below). The project consists of four major mineralized zones: the Upper Manto silver-lead-zinc inferred resource; the Pegaso deep discovery; the non-core Pozo Seco high grade molybdenum-gold resource; and the surrounding Cinco de Mayo exploration area. As the Company has been unable to negotiate a renewed surface access agreement with the local ejido, a full valuation impairment was recognized in the year ended December 31, 2016.

The Company believes that the Cinco de Mayo Project has significant geological potential and will continue to maintain its mineral concessions in good standing. Although efforts to regain surface access are ongoing, the Company has no current plans to conduct any geological exploration programs on the property.

2. HIGHLIGHTS – DECEMBER 31, 2018

- ✓ Juanicipio development is actively ongoing with a current focus on:

  - advancing three internal spiral footwall ramps at depth to access the full strike length of the Valdecañas Vein system;
  - excavating and constructing the underground crushing chamber;
  - advancing the conveyor ramp from both ends to and from the planned mill site (the box cut for the underground conveyor exit portal is complete along with approximately one kilometre of the underground conveyor ramp); and,
  - integrating additional ventilation and other associated underground infrastructure.

- ✓ Over 18.5 kilometres (11.5 miles) of total underground development at Juanicipio has now been completed, with 6.6 kilometres (4.1 miles) (36% of total) achieved in 2018

- ✓ Detailed engineering continues for the internal shaft and other mine infrastructure, and mill-site preparation is in progress.

- ✓ According to Fresnillo, contractual commitments with suppliers of processing equipment (in the amount of \$23,100) and with development contractors (in the amount of \$69,500) have been committed to with respect to the Juanicipio Project as at December 31, 2018.

- ✓ Partners are currently negotiating an Engineering, Procurement and Construction Management ("EPCM") agreement for the construction of the process plant and associated surface infrastructure, and an Operator Services agreement which will become effective upon commercial production being achieved, as well as lead and zinc off-take agreements.

- ✓ Fresnillo recently provided guidance that production will commence in H2-2020.

- ✓ Exploration drill program completed late in 2018 and assays for 46,060 metres ("m") announced subsequent to the year end:

  - Valdecañas Deep Zone expanded
    - ▪ Deep Zone West: Infill Hole P22 11.6 m (true width) grading 783 grams per tonne ("g/t") (22.9 ounces per ton ("opt")) silver, 2.57 g/t gold, 6.52% lead, 9.46% zinc, 0.32% copper.
    - ▪ Deep Zone East: Step-out Hole P26: 6.3m (true width) grading 246 g/t (7.2 opt) silver, 1.78 g/t (capped) gold, 7.20% lead, 11.63% zinc, 0.40% copper
  - New "*Pre-Anticipada*" hangingwall vein discovered in step-out Hole P28: 3.2 m (estimated true width) grading 472 g/t (13.8 opt) silver, 0.31 g/t gold, 0.39% lead, 0.43% zinc and 0.03% copper.
  - New "*Venadas Vein*" discovered with unique North-East ("NE") orientation: Hole VEN-1 cut 3.0 m (drilling width) grading 392 g/t (11.5 opt) silver & 5.6 g/t gold providing new Juanicipio exploration potential.

(expressed in thousands of US dollars except as otherwise noted)

- ✓ MAG is well funded with cash and cash equivalents as at December 31, 2018 of $130,180 while Minera Juanicipio held $16,715 as at December 31, 2018.

3. JUANICIPIO RESOURCE

The Mineral Resource estimate included in the 2017 PEA was generated using a cut-off Net Smelter Return ("NSR") value of $55/t and drilling data available up to December 31, 2016. This estimate, reported below on a 100% basis, has an effective date of October 21, 2017 (see **Table 1**) and reflects the results of both infill and exploration holes drilled in 2014 through 2016, with the greatest increase shown within the Deep Zone discovered in 2015. The Valdecañas Vein displays well the vertical mineralization gradations from upper silver-rich zones to deep base metal-dominant areas that are typical of Fresnillo District veins and epithermal silver veins in general. Because of this vertical compositional zonation, and significant dimensional increases with depth, the Mineral Resource estimate has been manually divided into the Bonanza Zone and the Deep Zone to highlight the definition of each zone.

Table 1: Juanicipio Project Mineral Resource estimate (100% basis) by zone (October 21, 2017):

Zone	Resource Category	Tonnes (Mt)	Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Cu (%)	Ag (Moz)	Au (Koz)	Pb (Mlbs)	Zn (Mlbs)	Cu (Mlbs)
Bonanza Zone	Indicated	8.17	550	1.94	1.63	3.08	0.08	145	509	294	554	14
	Inferred	1.98	648	0.81	1.32	2.80	0.06	41	52	58	123	3
Deep Zone	Indicated	4.66	209	2.39	2.96	4.73	0.23	31	359	304	486	24
	Inferred	10.14	151	1.57	2.69	5.05	0.31	49	510	601	1,129	69

Notes:

1) *2014 CIM Definition Standards were used for reporting the Mineral Resources.*
2) *Mineral Resources are reported at a resource NSR cut-off value of $55/t.*
3) *The Mineral Resource estimate uses drill hole data available as of December 31, 2016.*
4) *Resource NSR values are calculated in US$ using factors of $0.61 per g/t Ag, $34.27 per g/t Au, $19.48 per % Pb, and $19.84 per % Zn. These factors are based on metal prices of $20/oz Ag, $1,300/oz Au $0.95/lb Pb, and $1.00/lb Zn and estimated recoveries of 82% Au, 95% Ag, 93% Pb, 90% Zn. The Mineral Resource NSR does not include offsite costs.*
5) *Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.*
6) *Totals may not add correctly due to rounding.*

Approximately 78% of the total silver ounces in the Bonanza Zone are now classified as Indicated. The Resource Estimate included in the 2017 PEA significantly expanded the Inferred and Indicated resources in the base metal-rich Deep Zone and included a maiden copper resource.

4. JUANICIPIO PROJECT ACTIVITY UPDATE

Total Juanicipio Project expenditures incurred and capitalized directly by Minera Juanicipio (on a 100% basis) for the year ended December 31, 2018 amounted to $45,858 (December 31, 2017: $34,192) of which $41,087 (December 31, 2017: $31,891) are estimated to be development expenditures and the remaining $4,771 (December 31, 2017: $2,301) estimated as exploration expenditures.

(expressed in thousands of US dollars except as otherwise noted)

UNDERGROUND DEVELOPMENT – Juanicipio Project

Access to the mine is envisioned via twin underground declines to the top of the mineralization, at which point the access route splits into three internal spiral footwall ramp systems. Underground development via the main access decline had progressed to the uppermost reaches of the Valdecañas Vein in December 2016. The twinning of this original access decline was considered necessary to provide expanded capacity for hauling additional mineralized rock and waste stemming from the planned increase in processing capacity to 4,000 tpd. The twin ramp was started in 2017 and completed in the second half of 2018 and is accessible through a second entry portal for the mine also completed in 2018. The twin ramps will allow for streamlined underground traffic flow and increased safety through the mine having a second egress. The three ramps into the mineralized envelope are designed to provide access to the mineralized material and form initial stopes within the mine and are required to facilitate the planned increase in mining rate to 4,000 tpd.

Current development is now actively focused on:

- advancing the three internal spiral footwall ramps at depth to be used to further access the full strike length of the Valdecañas Vein system;
- excavating and constructing the underground crushing chamber;
- advancing the conveyor ramp to and from the planned surface processing facility from both faces (the box cut for the underground conveyor surface exit portal was completed subsequent to the year end, and approximately 1 kilometre of the underground conveyor ramp has also been completed);
- integrating additional ventilation and other associated underground infrastructure; and,
- progressing the construction of surface infrastructure facilities.

As of 2017, Minera Juanicipio has intensified underground development by engaging additional development contractors. The underground development metres achieved in 2017 and 2018 reflect the increased number of contractors and accelerated activity:

Period	**Development Metres** (excluding ventilation raises)	**%age of total metres advanced achieved to date**
Oct 28, 2013 – December 31, 2016	5,307	28%
January 1 – December 31, 2017	5,634	30%
January 1 – December 31, 2018	6,636	36%
January 1 – February 28, 2019	942	5%
Cumulative Total to Date	**18,519**	**100%**

The underground development in the year ended December 31, 2018 totaled 6,630 metres advanced, and accounts for 36% of the total underground development advanced on the project to date. Total underground development at Juanicipio is now in excess of 18.5 kilometres.

Concurrent with the ongoing underground development, detailed engineering continues for the internal shaft and other mine infrastructure, and mill-site preparation is underway. According to the operator, Fresnillo, negotiations with suppliers of processing equipment and development contractors have begun and respective contractual commitments of $23,100 (processing equipment) and $69,500 (development contractors) with respect to the Juanicipio Project have been committed to as at December 31, 2018. Fresnillo has publicly advised that it now expects Minera Juanicipio to commence production in H2-2020.

A photo gallery of current progress on the Juanicipio development is available at http://www.magsilver.com/s/PhotoGallery.asp

EXPLORATION – Juanicipio Project

Drilling designed both to convert the Inferred Resources included in the Deep Zone into Indicated Resources, and to further trace the Deep Zone laterally and to depth, was ongoing through 2018. Directional drilling was in full use (being rotated between three separate "mother holes") for most of 2018. In the second half of 2018, drilling also commenced on the western extension of the Juanicipio Vein as part of the exploration program to pursue other high priority drill targets within the Juanicipio property. These targets were formulated at a late March 2018 Minera Juanicipio exploration meeting, attended on behalf of the Company by Dr. Peter Megaw and Lyle Hansen, the Chief Exploration Officer and Geotechnical Director, respectively.

Subsequent to the year end, the Company reported assays from 48-holes (46,060 m) completed by late 2018 on the Juanicipio Joint Venture Property during the above-noted diamond drill program (see *Press Release dated March 4, 2019*). The program was designed to expand and infill the wide, high-grade Deep Zone Mineral Resource estimate outlined in the Company's 2017 PEA.

Valdecañas Deep Zone expanded and significant new hangingwall vein discovered

These latest drill results extend and confirm continuity to depth of high-grade mineralization in the East and West Valdecañas Vein Deep Zones and in the Anticipada Vein. Drilling also coincidentally discovered the new Pre-Anticipada vein in the hangingwall above the system.

Outstanding intercepts included:

DEEP ZONE WEST: Infill Hole P22: 11.6 m (true width) grading 783 g/t (22.9 opt) silver, 2.57 g/t gold, 6.52% lead, 9.46% zinc, 0.32% copper.

DEEP ZONE EAST: Step-Out Hole P26: 6.3m (true width) grading 246 g/t (7.2 opt) silver, 1.78 g/t (capped) gold, 7.20% lead, 11.63% zinc, 0.40% copper.

ANTICIPADA VEIN: Infill Hole P24-1: 6.2 m (true width) grading 275 g/t (8 opt) silver, 4.02 g/t gold, 7.28% lead, 9.24% zinc and 0.30% copper.

NEW DISCOVERY — "PRE-ANTICIPADA VEIN": Step-out Hole P28: 3.2 m (estimated true width) grading 472 g/t (13.8 opt) silver, 0.31 g/t gold, 0.39% lead, 0.43% zinc and 0.03% copper.

Since the discovery of the Deep Zone as an extension at depth of the high-grade Bonanza Zone (see '*Juanicipio Resource'* above and Press Release April 23, 2015), the Valdecañas Vein System has emerged as a multi-stage, high-grade vein swarm comprising the overlapping East and West Veins, the hangingwall Anticipada Vein, the newly discovered Pre-Anticipada Vein and several other splays. The latest holes include the deepest lateral intercepts to date on the Valdecañas Vein, with deep mineralization now traceable continuously over a strike length exceeding 2,000 m and up to 1,100 m vertically from the top of the Bonanza Zone. Vein widths range from approximately 2 m to over 29 m. Deep mineralization on the Valdecañas Veins remains open laterally for several hundred metres to the claim boundaries on both ends;

to the east claim boundary for Anticipada; and Pre-Anticipada and to depth across all veins (see http://www.magsilver.com/s/NewsReleases.asp?ReportID=846343 for diagrams).

Notably, the Valdecañas deep zones continue to demonstrate atypically high silver grades that MAG believes are ascribable to stacking or superimposition of later mineralization related to a deeper, fluctuating boiling zone, as well as the increasing copper grades normally expected in the "root zone" of an epithermal vein. Gold grades remain high and remarkably consistent from top to bottom. These phenomena, as interpreted, reflect proximity to a major mineralizing-fluid upwelling zone where multiple repeated pulses of mineralization combined to generate exceptionally high-grade polymetallic mineralization.

Valdecañas Vein West

Eleven new intercepts on the Valdecañas Vein West were reported (See *Table of drill assays* at http://www.magsilver.com/s/NewsReleases.asp?ReportID=846343). Three fall within the Deep Zone Mineral Resource estimate (see '*Juanicipio Resource*' above) and reinforce those results. The best is Hole P22, which cut 11.6 m (true width) grading 783 g/t (22.9 opt) silver, 2.57 g/t gold, 6.52% lead, 9.46% zinc, 0.32% copper in the heart of the Dilatant Zone (See Press Releases dated August 15, 2016 and February 14, 2017). Three more intercepts are high and confirm the upper limits of the mineralized envelope (see "*Shallow Holes*" discussion below). The remaining five intercepts are 100 m step-outs designed to extend the resource envelope, the best being Hole P21, the westernmost deep hole on the Valdecañas Vein West. P21 cut 9.8 m (true width) grading 84 g/t (2.5 opt) silver, 2.74 g/t gold, 2.95% lead, 1.89% zinc, 0.11% copper. At the eastern extreme of this zone, Hole D6-1 cut 3.8 m (true width) grading 359 g/t (10.5 opt) silver, 0.09 g/t gold, 0.96% lead, 2.31% zinc, 1.68% copper. The Valdecañas West Deep Zone remains open to depth and laterally, especially to the southwest towards the claim boundary, which lies 200 - 300 m farther west.

Valdecañas Vein East

Twenty-four new intercepts were reported from the Valdecañas Vein East (See *Table of drill assays* at http://www.magsilver.com/s/NewsReleases.asp?ReportID=846343). Six fall within the boundary of the Deep Zone Mineral Resource estimate (see '*Juanicipio Resource*' above) and reinforce those results. The best of these is Hole TIV, which cut 4.8 m (true width) grading 278 g/t (8.1 opt) silver, 1.78 g/t gold (capped), 4.88% lead, 10.48% zinc, and 1.20% copper. Five more intercepts are high and confirm the upper limits of the mineralized envelope. (see "*Shallow Holes*" discussion below). The remaining thirteen intercepts were 50 – 100 m step-outs designed to extend the Deep Zone Mineral Resource estimate envelope. Eight cut strong mineralization with the best being Hole P26, drilled under the middle of the zone, which cut 6.3 m (true width) grading 246 g/t (7.2 opt) silver, 1.78 g/t gold (capped), 7.20% lead, 11.63% zinc, 0.40% copper. Overall the Valdecañas East Deep Zone remains open to depth and laterally, especially in the middle; but it does appear to weaken towards the east at these depths. Hole VM-11 is an isolated hole drilled 200 m below the base of the Deep Zone Mineral Resource estimate. It hit thick but relatively weak mineralization in the Valdecañas Vein but did cut very strong mineralization in the Anticipada about 120 m uphole (see '*Anticipada Vein "VANT"*' below).

Anticipada Vein "VANT"

Fourteen of the reported holes coincidentally cut the Anticipada Vein 50 to 100m before reaching their primary target: the Valdecañas Vein East Deep Zone (See *Table of drill assays* at http://www.magsilver.com/s/NewsReleases.asp?ReportID=846343). Seven fall within the boundary of the Deep Zone Mineral Resource estimate (see '*Juanicipio Resource*' above) and significantly expand this vein, especially in a vertical zone along its western reaches. The best of these is Hole P24-1, which cut 6.2 m (true width) grading 275 g/t (8 opt) silver, 4.02 g/t gold, 7.28% lead, 9.24% zinc and 0.30% copper. The remaining seven holes were 50 to 100m step-outs that served to test the limits of the Deep Zone Mineral Resource estimate mineralized envelope. The three easterly intercepts show relatively weak mineralization but the four westernmost holes extend the strong vertical zone of high-grade mineralization mentioned above. The deepest of these (VM-11) cuts about 150m below the bottom of the Anticipada Vein and reported 2.0 m (true width) grading 146 g/t (4.3 opt) silver, 0.12 g/t gold, 2.40% lead, 17.32% zinc and 0.64% copper. This is the deepest and westernmost intercept in the Anticipada Vein, which remains open to depth and for several hundred metres towards the eastern property limit.

Pre-Anticipada Vein (New Discovery)

Sixteen of the holes that cut the Anticipada Vein on their way to the Valdecañas Vein East Deep Zone also encountered the previously unknown Pre-Anticipada Vein 50 - 100 m farther into the hangingwall (See *Table of drill assays and figures* at http://www.magsilver.com/s/NewsReleases.asp?ReportID=846343). The easternmost four appear to form a coherent zone with significant width and grade which is open 200 – 300 m to the east property boundary and to depth. The best hole is Hole P28, which cut 3.2 m (estimated true width) grading 472 g/t (13.8 opt) silver, 0.31 g/t gold, 0.39% lead, 0.43% zinc and 0.03% copper. Notably, Hole P19, 50 m deeper to the west reported 1256 g/t (36.7 opt) silver, a remarkable silver value for this depth in the system. Overall, the results for Pre-Anticipada show strong silver values with the best intercepts lying at an elevation between the base of the Bonanza Zone and the top of the Dilatant Zone of the Valdecañas Vein East Deep. These holes also report very low base metal values indicating a high-level position relative to the epithermal vein zoning model. It is possible that Pre-Anticipada represents mineralization related to postulated deeper boiling zone emplaced into a structure separate from those that host the base metal rich roots of the earlier mineralization stage.

Both the Pre-Anticipada and Anticipada Veins are open to depth and for 200-300 m eastward to the property boundary.

Shallow Holes

Five holes (SA-1 to 4 and D8-1) were reported that were drilled to refine the upper limits of the Bonanza Zone in both the East and West Valdecañas veins. As expected, all five hit relatively narrow, silver-dominant mineralization except Hole SA-4 which cut 1.7 m (true thickness) grading 4341 g/t (126 opt) silver, 1.03 g/t gold, 3.14% lead, 5.81% zinc, 0.09% copper in the East Vein.

Venadas Vein discovery - New Juanicipio exploration potential

The discovery of the new Venadas Vein was also reported subsequent to year end (see *Press Release dated March 4, 2019*). The Venadas Vein is believed by the Company to be the first ever mineralized vein in the Fresnillo district oriented at a high angle (NE) to the historically mined northwest ("NW") oriented veins. The NE-oriented Venadas Vein was inferred from the alignment of fifteen previously unconnected intercepts (See Table and Figures at http://www.magsilver.com/s/NewsReleases.asp?ReportID=846344) before being cut in an underground development working as a 1.1 m wide vein, reporting 116 g/t (3.4 opt) silver, 3.16 g/t gold. Hole VEN-1, the first drill hole specifically designed to test the Venadas Vein, cut 3.0 m (drilling width) grading 392 g/t (11.5 opt) silver and 5.54 g/t gold. All intercepts contain negligible base metals and lie above 1,750 m elevation, with most significantly higher than the top of the Valdecañas Vein at 1850 m elevation. This indicates a very high-level overall position in the vein zoning model, suggesting that Venadas has considerable depth potential.

Notably, other much larger NE structures with intense surface alteration are known farther afield within the Juanicipio property and are now priority exploration targets. None have ever been directly drilled.

Quality Assurance and Control: The samples (half core) are shipped directly in security-sealed bags to ALS-Chemex Laboratories preparation facility in Guadalajara, Jalisco, Mexico (Certification ISO 9001). Samples shipped also include intermittent standards and blanks. Pulp samples are subsequently shipped to ALS-Chemex Laboratories in North Vancouver, Canada for analysis. Two extra pulp samples are also prepared and are analyzed (in progress) by SGS Laboratories (Certification ISO 9001) and Inspectorate Laboratories (Certification ISO 9001) (or another recognized lab). The remaining half core is placed back into the core boxes and is stored on site with the rest of the drill hole core in a secured core storage facility. The bulk reject is subsequently sent to CIDT (Center for Investigation and Technical Development) of Peñoles in Torreon, Mexico for metallurgical testing where a fourth assay for each sample is analyzed and a calculated head grade is received on the basis of a concentrate balance. The CIDT also does a full microscopic, XRF and XRD mineralogical analysis.

5. OUTLOOK

While the Company's principal focus is the successful development of the Juanicipio Project and to further explore the Juanicipio property, the Company continually looks to enhance its project portfolio by evaluating new available projects and through successful exploration of its current property holdings. The Company's working capital position remains strong, and it continues to execute its business plan prudently, with on-going project evaluations focusing on potential high-grade, district scale properties.

Minera Juanicipio

On site, underground and other development actively continues with emphasis on: developing the three internal spiral footwall ramps at depth to access the full strike length of the Valdecañas Vein system; excavating and constructing the underground crushing chamber; advancing the conveyor ramp from both ends to and from the planned mill site (with the box cut for the underground conveyor exit portal now complete); integrating additional ventilation and other associated underground infrastructure, and progressing the construction of surface infrastructure facilities. As well, the partners of Minera Juanicipio are currently negotiating an EPCM agreement which defines the specific terms by which Fresnillo will oversee the construction of the process plant and associated surface infrastructure. An Operator Services agreement is also being negotiated by the partners which will become effective upon commercial production being achieved. And finally, both lead and zinc off-take agreements are being prepared by the partners.

An independent feasibility study is required by the Minera Juanicipio Shareholders' Agreement in order to formally approve the project. AMC was therefore commissioned by Minera Juanicipio in late 2017 to prepare such a study (the "Feasibility Study") and a draft remains under review by both Joint Venture partners. Upon approval of the Feasibility Study by the Technical Committee, Minera Juanicipio is expected to present the study to both its Board and the respective Joint Venture partner Boards for formal development approval. MAG expects to support the development of the project, and Fresnillo has publicly advised that it expects Minera Juanicipio to commence production in H2-2020.

By regulatory definition, a feasibility study cannot include Inferred Mineral Resources in the mine plan, the Minera Juanicipio Feasibility Study is therefore based solely on Indicated Mineral Resources. It will also include more detailed engineering than the Company's 2017 PEA. These factors may lead to changes in the project's scope as compared to that of the 2017 PEA. Without Inferred Mineral Resources in the mine plan, the Feasibility Study will reflect a shorter mine life than envisioned in the 2017 PEA and the study is expected to contain an incremental increase in the estimated initial capital cost. With these and other possible scope changes, the project's modeled economics are expected to decrease as compared to those in the 2017 PEA (see '*Risks and Uncertainties*' below). Nonetheless, development on site continues to prepare for production from areas of the project which include areas currently classified as Inferred Resources in the Deep Zone.

(expressed in thousands of US dollars except as otherwise noted)

On the exploration front, there are currently five drill rigs on site with another underground rig expected shortly. There are two Devico directional drills turning on the Valdecañas Vein, and three conventional rigs elsewhere: one on the newly discovered Venadas Vein; one on a prospective target on the property; and, one drilling from underground.

6. INVESTMENT IN ASSOCIATE

Minera Juanicipio

Minera Juanicipio is the corporate entity through which the Company records and holds its Investment in Associate (see Notes 2(b) and 6 in the audited consolidated financial statements of the Company as at December 31, 2018).

	Year ended December 31,			
		2018		2017
Joint venture oversight expenditures incurred 100% by MAG	$	330	$	754
Cash contributions to Minera Juanicipio		23,583		18,700
Total for the current year		23,913		19,454
Equity pick up of current income for the year		227		308
Balance, beginning of year		57,074		37,312
Balance, end of year	$	81,214	$	57,074

In the year ended December 31, 2018, the Company incurred Juanicipio oversight expenditures of $330 (December 31, 2017: $754) and made joint venture cash advances to Minera Juanicipio of $23,583 (December 31, 2017: $18,700) representing its 44% share of capital contributions made during the year.

In the year ended December 31, 2018, the Company recorded an equity income pick up of $227 from its Investment in Associate (December 31, 2017: $308). The $227 equity income pick up for the year is the Company's 44% share of a foreign exchange gain and deferred income tax benefit recognized within Minera Juanicipio.

7. EXPLORATION AND EVALUATION ASSETS

Option Earn-in Projects

In 2017, the Company entered into an option earn-in agreement with a private group whereby the Company can earn up to a 100% interest in a prospective land claim package. To earn a 100% interest in the property package, the Company must make combined remaining cash payments of $425 over the second, third, fourth and fifth annual anniversaries of the agreement, and the vendors would retain a 2% net smelter returns royalty ("NSR"). There are no further exploration funding requirements under the agreement as at December 31, 2018.

In late 2018, the Company entered into an option agreement with a private group whereby the Company has the right to earn 100% ownership interest in a company which owns a prospective land claim package. The Company paid $150 upon signing the agreement. To earn a 100% interest in the property, the Company must make combined remaining cash payments of $1,850 over the next 10 years, and fund a cumulative of $30,000 of eligible exploration expenditures by the tenth anniversary date of the agreement. Included in these commitments, is a firm commitment of $1,250 of eligible exploration expenditures in 2019, with the balance of both the cash payments and exploration commitments optional at the Company's discretion. The vendors would retain a 2% NSR.

Cinco de Mayo Project

The Company owns 100% of the mineral concessions comprising the Cinco de Mayo Project, located in the northern part of Chihuahua State, Mexico. In late 2012, certain members of the local ejido challenged the Company's surface right access to the property and have since prevented the Company from obtaining the surface access permission required as part of a Federal Government exploration permit process. With the continuing ejido impasse, in 2016 the Company recognized a full impairment charge relating to the property. Expenditures to maintain these claims and to potentially restore surface access, are no longer capitalized as exploration and evaluation assets. Rather they are expensed as part of 'mining taxes and other property costs.'

The Company believes that the Cinco de Mayo Project has significant geological potential and will continue to maintain its mineral concessions in good standing. Efforts to restore surface access are ongoing, although the Company has no current plans to conduct any geological exploration programs on the property.

Portfolio Divestiture

During the year ended December 31, 2018, the Company rationalized a portion of its non-core project portfolio.

Lagartos Project

On June 22, 2018, the Company sold its non-core, Lagartos concessions in the Zacatecas Silver District to Defiance Silver Corp ("Defiance") for consideration of 5,000,000 shares of Defiance. The Defiance shares were valued at $1,202 upon closing, and the transaction resulted in a consolidation of their holdings in the Zacatecas silver district, while providing MAG with approximately a 5% equity position in Defiance.

Guigui and Batopilas Projects

In the year ended December 31, 2018, the Company sold its non-core Guigui and Batopilas concessions to Reyna Silver Corp ("Reyna"), a private company, for consideration of 100 preferred shares of Reyna. Reyna will continue to advance these projects with the objective ultimately listing on a public exchange, at which time, the 100 Reyna preferred shares are convertible into 20% of the newly listed entity.

(expressed in thousands of US dollars except as otherwise noted)

8. SELECTED ANNUAL INFORMATION

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 IFRS.

	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016
Revenues(1)	$3,118	$1,755	$1,115
Net Loss(2)	($5,802)	($6,497)	($55,846)
Net Loss per Share	($0.07)	($0.08)	($0.71)
Total Assets(3)	$217,557	$222,492	$177,240
Long Term Debt	Nil	Nil	Nil
Dividends(4)	Nil	Nil	Nil

Notes:

(1) The Company's only source of revenue during the years ended December 31, 2016, 2017 and 2018 was interest income from cash and term deposits 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 and evaluate its mineral properties as appropriate. The loss variation from year to year above reflects, amongst other things, the periodic impairment of exploration and evaluation assets (a non-cash charge), and share based payment expense (a non-cash charge). There are no impairments of exploration and evaluation assets in the current and prior year's net loss (see "*Review of Financial Results*" below) compared to a $53,893 impairment in 2016. The current year's net loss also includes share based payment expense of $2,109 compared to $2,268 and $2,263 in 2017 and 2016 respectively.

(3) Included in 'Total Assets' at the end of 2018, the Company held $130,180 in cash and cash equivalents, compared to $160,395 at December 31, 2017 and $138,347 at December 31, 2016. In the year ended December 31, 2018, the Company completed no financings compared to a private placement for total gross proceeds of $48,158 completed in the year ended December 31, 2017 and a bought deal public offering of $74,757 completed in the year ended December 31, 2016. Also included in 'Total Assets' at the end of 2018, the Company's Investment in Associate totaled $81,214 compared to $57,074 and $37,312 at December 31, 2017 and 2016 respectively.

(4) The Company has not declared or paid dividends on its common shares, and has no intent on paying dividends in the immediate future, as it anticipates that all available funds will be used to finance the operations and growth of its business until positive operating cash flow is achieved from its projects.

(expressed in thousands of US dollars except as otherwise noted)

9. REVIEW OF FINANCIAL RESULTS

Year Ended December 31, 2018 vs Year Ended December 31, 2017

	Year Ended December 31	
	2018	2017
EXPENSES		
Accounting and audit	$ 533	$ 406
Amortization	15	20
Filing and transfer agent fees	254	290
Foreign exchange loss (gain)	72	(349)
General office expenses	843	755
Legal	468	309
Management compensation and consulting fees	2,697	2,521
Mining taxes and other property costs	1,121	1,091
Share based payment expense	2,109	2,268
Shareholder relations	456	539
Travel	312	324
	8,880	8,174
Interest income	3,118	1,755
Gain on sale of exploration and evaluation assets	1,151	-
Change in fair value of warrants	(622)	342
Equity pick up from Associate	227	308
Loss for the year before income tax	$ (5,006)	$ (5,769)
Deferred income tax expense	(796)	(728)
Loss for the year	**$ (5,802)**	**$ (6,497)**

The Company's net loss for the year ended December 31, 2018 amounted to $5,802 (December 31, 2017: $6,497).

A foreign exchange loss of $72 was recorded in the year ended December 31, 2018 (December 31, 2017: $349 foreign exchange gain), resulting from holding cash denominated in Canadian dollars ("C$") required to fund Canadian corporate expenses. The C$ cash held is exposed to exchange risk relative to the US$, and results in a gain or loss as the exchange rate fluctuates.

Share based payment expense recorded in the year ended December 31, 2018 decreased slightly to $2,109 (December 31, 2017: $2,268), and is determined based on the fair value of equity incentives granted and vesting in the year. In addition, during the year ended December 31, 2018, 40,946 Performance Share Units ("PSUs") from a 2015 PSU grant did not vest in their allotted three year performance period for failing to meet pre-specified performance conditions (December 31, 2017: nil). Accordingly, $284 of share based payment expense (previously expensed) was reversed in the year (December 31, 2017: nil). Although no stock options, PSU or Deferred Share Units ("DSUs") were granted during the year ended December 31, 2018 (compared to 285,522 stock options, 88,665 PSUs and 79,434 DSUs that were granted in the year ended December 31, 2017), the Board of Directors approved a designated dollar amount in each category ($967 for stock options, $886 for PSUs, and $770 for DSUs) to be granted subsequent to the year end.

Other expenses incurred during the year ended December 31, 2018 included accounting and audit fees of $533 (December 31, 2017: $406), amortization of $15 (December 31, 2017: $20), filing & transfer agent fees of $254 (December 31, 2017: $290), general office expenses of $843 (December 31, 2017: $755), legal of $468 (December 31, 2017: $309), management compensation and consulting fees of $2,697 (December 31, 2017: $2,521), mining taxes and other property costs of $1,121 (December 31, 2017: $1,091), shareholder relations expenses of $456 (December 31, 2017: $539) and travel of $312 (December 31, 2017: $324) and were all either comparable with the prior period's expense or the change was not significant to the overall operations during the period.

During the year ended December 31, 2018, the Company sold its non-core Lagartos concessions and related exploration data in the Zacatecas Silver District to Defiance as noted above resulting in a net gain in other income of $1,151 after transaction costs (December 31, 2017: nil). The Company also earned interest income on its cash and cash equivalents of $3,118 (December 31, 2017: $1,755) during the year ended December 31, 2018, and recorded its 44% equity income pick up of $227 (December 31, 2017: $308) from Minera Juanicipio as described above in Investment in Associate. In addition, the Company recorded an unrealized loss of $622 (December 31, 2017: $342 unrealized gain) on warrants held and designated as fair value through profit and loss.

The Company recorded a deferred tax expense of $796 for the year ended December 31, 2018 (December 31, 2017: $728) in relation to the change in temporary timing differences between the book and tax base of its Mexican non-monetary assets. As well, the tax basis of these non-monetary assets is determined in a different currency (Mexican Peso) than the functional currency (US$), and changes in the exchange rate can give rise to temporary differences that result in deferred tax liability.

Other Comprehensive Loss:

	Year Ended December 31			
		2018		2017
Loss for the year	$	(5,802)	$	(6,497)
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized (loss) gain on equity securities, net of taxes		(1,895)		332
Total comprehensive loss	**$**	**(7,697)**	**$**	**(6,165)**

In Other Comprehensive Income and Loss ("OCI") during year ended December 31, 2018, the Company recorded an unrealized market loss of $1,895 (December 31, 2017: $332 unrealized gain) on equity securities held as strategic investments.

10. SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected quarterly financial information for each of the last eight quarters (as determined under IFRS (expressed in US$000's except Net Loss per Share):

(expressed in thousands of US dollars except as otherwise noted)

Quarter Ending	Revenue (1)	Net Income (Loss) (2)	Net Income (Loss) per Share
December 31, 2018	$841	$(3,829)	$(0.04)
September 30, 2018	$812	$597	$0.01
June 30, 2018	$783	$(2,753)	$(0.03)
March 31, 2018	$682	$183	$ 0.00
December 31, 2017	$517	$(4,077)	$(0.05)
September 30, 2017	$460	$(786)	$(0.01)
June 30, 2017	$416	$(1,322)	$(0.02)
March 31, 2017	$362	$(312)	$(0.00)

Notes:

(1) The Company's only source of revenue during the quarters listed above was interest earned on bank cash, cash equivalents and term deposits. The amount of interest revenue earned correlates directly to the amount of cash, cash equivalents and term deposits on hand during the period referenced and prevailing interest rates. At this time, the Company has no operating revenues.

(2) Net income (loss) by quarter is often materially affected by the timing and recognition of large non-cash expenses (specifically share based payments, exploration and evaluation property impairments, and deferred tax changes) as discussed above when applicable in "Review of Financial Results."

11. FOURTH QUARTER

Three Months Ended December 31, 2018 vs. Three Months Ended December 31, 2017

The Company's net loss for the three months ended December 31, 2018 was $3,829 compared to a net loss of $4,077 in the comparable prior period.

Share based payment expense relating to equity incentives (stock options, restricted share units, performance share units, and deferred share units) accruing and vesting in the quarter ended December 31, 2018 was $892 (December 31, 2017: $394), The increase in the current quarter was attributable to a DSU share based payment expense where the equivalent expense in the prior year was in the 2nd quarter. The fair value of all stock option share based payment expense is estimated using Black-Scholes-Merton option valuation model. The fair value of deferred and restricted share units is based on the fair market value of a common share equivalent on the date of grant, and the fair value of performance share units with a market condition is determined using a Monte Carlo pricing model.

Legal expense of $202 (December 31, 2017: $109) and mining taxes and other property costs of $206 (December 31, 2017: $133), both increased compared to the prior quarter due to legal and due diligence costs associated with an option earn-in agreement (as discussed above) executed in the quarter ended December 31, 2018.

Other loss and expenses incurred during the three months ended December 31, 2018 included accounting and audit fees of $293 (December 31, 2017: $241), amortization of $4 (December 31, 2017: $5), filing and transfer agent fees of $4 (December 31, 2017: $43), a foreign exchange loss of $22 (December 31, 2017: $58), general office expenses of $163 (December 31, 2017: $157), management compensation and consulting fees of $1,328 (December 31, 2017: $1,228), shareholder relations expenses of $86 (December 31, 2017: $142) and travel of $88 (December 31, 2017: $113) were all either comparable with the prior period's expense or the change was not significant to the overall operations in the period.

(expressed in thousands of US dollars except as otherwise noted)

In other income and expenses for the quarter ended December 31, 2018, the Company earned interest income on its cash and cash equivalents of $841 (December 31, 2017: $517), with the increase attributable to both higher interest rates and higher average cash and cash equivalent balances on hand. The Company also recorded an unrealized loss of $112 (December 31, 2017: $107) on warrants held and designated as fair value through profit and loss and recorded a 44% equity income pick up of $302 from its Investment in Associate (December 31, 2017: $547 equity loss pick up) related to the fluctuating Mexican Peso and its impact on exchange loss and deferred taxes.

In OCI for the quarter ended December 31, 2018, the Company recorded an unrealized market loss of $551 (December 31, 2017: $497) on equity securities held as strategic investments.

12. CASH FLOWS

The following table summarizes the Company's cash flow activities for the year ended December 31, 2018:

	Year ended December 31	
	2018	2017
Cash flow from operations before changes in non-cash working capital	$ (3,580)	$ (4,486)
Changes in non-cash working capital	(365)	533
Operating activities	(3,945)	(3,953)
Investing activities	(26,212)	32,428
Financing activities	-	48,218
Change in cash during the year	(30,157)	76,693
Effects of exchange rate changes on cash	(58)	355
Cash and cash equivalents, beginning of year	160,395	83,347
Cash and cash equivalents, end of year	**$ 130,180**	**$ 160,395**

Operating Activities

During the year ended December 31, 2018, the Company used $3,580 in cash for operations before changes in non-cash working capital, compared to $4,486 in the year ended December 31, 2017. The Company's non-cash working capital (accounts receivable, prepaid expenses less trade and other payables) in the year ended December 31, 2018 decreased by $365 (December 31, 2017: $533). The total use of cash from operating activities in the year ended December 31, 2018 was $3,945 (December 31, 2017: $3,953).

Investing Activities

During the year ended December 31, 2018, the net cash used by investing activities amounted to $26,212. (December 31, 2017: $32,428 net cash provided primarily from a redemption of term deposits previously not classified as 'cash equivalents'). The Company used cash to fund advances to Minera Juanicipio, which combined with MAG's Juanicipio expenditures on its own account, for the year ended December 31, 2018 totaled $23,942 (December 31, 2017: $19,435). The Company makes capital contributions through cash advances to Minera Juanicipio as 'cash called' by operator Fresnillo, based on approved joint venture budgets. In the year ended December 31, 2018, the Company also expended $2,216 (December 31, 2017: $1,420) on its other exploration and evaluation properties.

(expressed in thousands of US dollars except as otherwise noted)

Financing Activities

In the year ended December 31, 2018, no financing activities were undertaken (December 31, 2017: $47,935 from issuance of common shares and $283 from 45,400 stock options exercised). During the year ended December 31, 2018, 135,000 stock options were exercised under a less dilutive cashless exercise provision of the plan (December 31, 2017: 225,000 stock options), whereby 58,191 shares were issued in settlement of the stock options (December 31, 2017: 127,845 shares), and the remaining 76,809 stock options were cancelled (December 31, 2017: 97,155 stock options).

13. FINANCIAL POSITION

The following table summarizes the MAG Silver Corp.'s financial position as at:

	December 31, 2018	December 31, 2017
Cash and cash equivalents	$ 130,180	$ 160,395
Other current assets	699	447
Total current assets	130,879	160,842
Investments	1,781	3,096
Equipment	35	47
Investment in associate	81,214	57,074
Exploration and evaluation assets	3,648	1,433
Total assets	$ 217,557	$ 222,492
Total current liabilities	$ 1,563	$ 936
Deferred income taxes	2,113	1,317
Total liabilities	3,676	2,253
Total equity	213,881	220,239
Total liabilities and equity	$ 217,557	$ 222,492

Total current assets decreased from $160,842 at December 31, 2017 to $130,878 as at December 31, 2018. Cash and cash equivalents totaled $130,180 at December 31, 2018 compared to $160,395 at December 31, 2017, with the change in cash discussed above in 'Cash Flows'. Other current assets as at December 31, 2018 included prepaid expenses of $327 (December 31, 2017: $287) and accounts receivable of $372 (December 31, 2017: $160). The accounts receivable is comprised primarily of interest receivable on invested cash and cash equivalents, and value added refundable taxes.

Investments of $1,781 are comprised of warrants and equity securities held by the Company as strategic investments (December 31, 2017: $3,096).

The Investment in Associate balance increased from December 31, 2017 to December 31, 2018 from $57,074 to $81,214 and reflects the Company's ongoing investment in Minera Juanicipio as discussed in

(expressed in thousands of US dollars except as otherwise noted)

'*Investing Activities'* and '*Investment in Associate*' both above. Exploration and Evaluation assets as at December 31, 2018 increased to $3,648 (December 31, 2017: $1,433) reflecting exploration expenditures incurred on its option earn-in properties described above in '*Exploration and Evaluation Assets*.'

Current liabilities at December 31, 2018 amounted to $1,563 (December 31, 2017: $936) and are attributable to accrued exploration and administrative expenses. The deferred income tax liability increased to $2,113 at December 31, 2018 (December 31, 2017: $1,317) as a result of a change in temporary timing differences between the book and tax base of its Mexican non-monetary assets.

14. LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2018, the Company had working capital of $129,316 (December 31, 2017: $159,906) including cash and cash equivalents of $130,180 (December 31, 2017: $160,395). The Company currently has no debt and believes it 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 continually evaluates debt and equity financing alternatives, as it may require additional capital in the future to meet its project related expenditures, including its cash calls on the Juanicipio Project in light of the possible scale and scope changes in the upcoming Feasibility Study (see '*Outlook'* above and '*Risks and Uncertainties*' below).

Funding of the Juanicipio Project Development
Capital expenditure estimates have been prepared for both initial and sustaining capital in the 2017 PEA. The initial capital expenditures for the project, inclusive of capitalized operating costs as estimated by AMC (as of January 1, 2018 and prior to the 2018 capital expenditures of approximately $41,087) are $360,000 (MAG 44% $158,400 before current year's share of capital expenditures of approximately $17,861), including all mine development-related costs to be incurred prior to the envisaged commencement of commercial operations in 2020. Capital costs incurred after start-up are assigned to sustaining capital and are projected to be paid out of operating cash-flows. Contingencies have been added at appropriate percentages to each component of the project, excluding capitalized operating costs, resulting in an overall contingency of $39,700 or 17%.

A summary timeline of scheduled capital costs as reported in the 2017 PEA is shown in **Table 2**. The 2017 PEA is preliminary in nature, and actual costs and development time may exceed those estimated in the 2017 PEA.

Table 2: Initial Capital and Sustaining Capital Schedule effective January 1, 2018:

Year	Initial Capital ($M) (1) At 100%	Sustaining Capital ($M) (2) At 100%
2018	124	-
2019	156	-
2020	80	44
2021	-	88
2022	-	42
2023 - 2038	-	306
Total	**360**	**480** (1)

(1) *Assumes remaining capital expenditure estimates as of January 1, 2018.*
(2) *Sustaining capital is projected to be funded from operational cash-flow in the 2017 PEA.*

The Company's 44% share of initial capital as of January 1, 2018 envisioned in the 2017 PEA amounts to $158,400 (before the 2018 capital expenditures were incurred). In the year ended December 31, 2018, capital development expenditures of approximately $40,593 were expended by Minera Juanicipio (MAG's 44% share $17,861), and the Company has cash and cash equivalents on hand of $130,180 as at December 31, 2018. As well, as at December 31, 2018 Minera Juanicipio had working capital of $20,125 (MAG's attributable 44% share $8,855) including a cash balance of $16,715 (MAG's attributable 44% share $7,355).

Although a project development budget and a timeline to production will only be formalized upon project approval by Minera Juanicipio, according to the operator, Fresnillo, contractual commitments with suppliers of processing equipment (in the amount of $23,100) and with development contractors (in the amount of $69,500) have been committed to with respect to the Juanicipio Project as at December 31, 2018.

The Feasibility Study in process will not include Inferred Mineral Resources in the mine plan and is based on more detailed engineering which may change the development scope. As a result, the Feasibility Study may contain an incremental increase in the estimated initial capital cost as compared to the 2017 PEA (see '*Outlook'* above and '*Risks and Uncertainties*' below). The Company may therefore need to raise additional capital in the future in order to meet its full share of initial capital required to develop the Juanicipio Project. It is unlikely that the Company will generate sufficient operating cash flow to fund such obligations, and accordingly, future liquidity will depend upon the Company's ability to arrange debt or additional equity financings. The inability of the Company to fund its 44% share of cash calls would result in dilution of the Company's ownership interest in Minera Juanicipio in accordance with the shareholders' agreement.

Actual vs Expected Use of Proceeds – Prior Financings

In the Company's Short Form Prospectus dated July 9, 2014 and in its February 23, 2016 Prospectus Supplement to a Short Form Base Shelf Prospectus (collectively, the "Offering Documents"), the Company provided the expected use of proceeds with respect to each offering. The table below provides a comparison of the Company's estimated actual use of proceeds to date, as compared to the use of proceeds presented in the Offering Documents:

Intended Use of Proceeds	Expected Use of Proceeds July 9, 2014 (000s of $C)	Estimated Actual Use of Net Proceeds to date (1) (000s of $C)	Expected Use of Proceeds February 23, 2016 (000s of $US)	Estimated Actual Use of Net Proceeds to date (000s of $US)
Exploration expenditures at the Juanicipio Property	$3,000	**$3,350** (2)	$5,000	**$5,000**
Development expenditures at the Juanicipio Property	$71,470	**$66,426** (3)	$50,000	**$ -** (3)
Development contingency at the Juanicipio Property	$ -	**$ -**	$7,500	**$ -**

(1) Cash calls advanced Minera Juanicipio are made in U.S. dollars and for the purposes of the July 9, 2014 analysis, have been converted to C$ based on the closing US$/C$ exchange rate on the day the funds were advanced to Minera Juanicipio.

(2) After reviewing exploration results of four new deep exploration holes in 2015, Fresnillo and MAG agreed to an additional 10,000 metre $1,500 (MAG's 44% share is $660) drill program to further delineate the extent of the new deep zone. This drill program was funded by the Joint Venture partners in September 2015, but was not anticipated in the 2014 offering. Therefore, more was expended than outlined in the July 9, 2014 offering document.

(expressed in thousands of US dollars except as otherwise noted)

(3) As the initial development is focused primarily on ramp decline and underground infrastructure, and the majority of the capital expenditures are yet to be incurred and are expected to be incurred in the latter part of the development plan (late 2019-2020).

15. CONTRACTUAL OBLIGATIONS

The following table discloses the contractual obligations of the Company and its subsidiaries as at December 31, 2018 for committed exploration work and committed office lease and other obligations.

		Less than 1 year	1-3 Years	3-5 Years	More than 5 years
	Total	**2019**	**2020-2021**	**2022-2023**	**2024 & over**
Committed exploration expenditures	$ 1,250	$ 1,250	-	-	-
Minera Juanicipio (1) & (2)	-	-	-	-	-
Office and other commitments	353	217	136	-	-
Total Obligations and Commitment	**$ 1,603**	**$ 1,467**	**$ 136**	**$ -**	**$ -**

1) Although the Company makes cash advances to Minera Juanicipio as cash called by the operator Fresnillo (based on approved Minera Juanicipio budgets), they are not contractual obligations. The Company intends, however, to continue to fund its share of cash calls and avoid dilution of its ownership interest in Minera Juanicipio.

(2) According to the operator Fresnillo, contractual commitments for processing equipment of $23,100 and for development contractors of $69,500 with respect to the Juanicipio Project have been committed to as at December 31, 2018 (see *Liquidity and Capital Resources* above).

The Company also has optional commitments for property option payments and exploration expenditures as outlined above in *Exploration and Evaluation Assets*. There is no obligation to make any of those payments or to conduct any work on its optioned properties. As the Company advances them, it evaluates exploration results and determines at its own discretion which option payments to make and which additional exploration work to undertake in order to comply with the funding requirements.

The Company may provide guarantees and indemnifications in conjunction with transactions in the normal course of operations. These are recorded as liabilities when reasonable estimates of the obligations can be made. Indemnifications that the Company has provided include an obligation to indemnify directors and officers of the Company for potential liability while acting as a director or officer of the Company, together with various expenses associated with defending and settling such suits or actions due to association with the Company. The Company has a comprehensive director and officers' liability insurance policy that could mitigate such costs if incurred.

16. SHARE CAPITAL INFORMATION

The Company's authorized capital consists of an unlimited number of common shares without par value. As at March 29, 2019, the following common shares, stock options, RSUs, PSUs and DSUs were outstanding:

(expressed in thousands of US dollars except as otherwise noted)

	Number of Shares	Exercise Price or Conversion Ratio	Remaining Life
Capital Stock	85,539,476	n/a	n/a
Stock Options	2,134,294	\$5.35 - \$17.55	0.2 to 3.6 years
Performance Share Units("PSUs") (1)	186,904	1:1	1.6 to 3.6 years
Restricted Share Units("RSUs")	43,343	1:1	0.3 to 1.2 years
Deferred Share Units ("DSUs") (2)	452,739	1:1	n/a (2)
Fully Diluted	88,356,756		

(1) Includes two PSU grants of 69,085 and 88,665 PSUs respectively, where vesting is subject to a market price performance factor, each measured over a three-year performance period to 2019 and 2020, respectively, which will result in a PSU payout range from 0% (nil and nil PSUs) to 200% (138,170 and 177,330 PSUs).

(2) To be share settled, but no common shares are to be issued in respect of a participant in the DSU Plan prior to such eligible participant's termination date.

17. 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 efforts to regain surface access with the local ejido.

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

Tax Law for the State of Zacatecas.

On December 31, 2016, the State Government of Zacatecas, Mexico published a new Tax Law for the State (Ley de Hacienda del Estado de Zacatecas, the "Zacatecas Tax Law"), which came into effect on January 1, 2017. On February 11, 2019, the Supreme Court of Mexico issued a ruling regarding a specific constitutional issue presented by the former administration of the Federal Government, which challenged the ability of the State of Zacatecas to impose environmental taxes on aspects such as (i) extraction of rocks; (ii) emissions into the air; (iii) discharges of industrial residues, and (iv) disposal of industrial waste. The ruling of the Supreme Court establishes that, from a constitutional point of view, there is no express limitation granting the Mexican State at a Federal level the sole power to impose such taxes; therefore, the State of Zacatecas has a joint right to create these taxes. Notwithstanding the foregoing, the Court did not exhaust the analysis of the legality of each particular tax created by the State of Zacatecas.

Minera Juanicipio had previously challenged the legality of such taxes and in 2017 obtained an injunction from a Federal Court. The State of Zacatecas has appealed this ruling and the final result is pending.

As Minera Juanicipio's operations are located in the State of Zacatecas, this tax, if upheld, will apply to the Juanicipio project, the effects of which have not been quantified. Managements' assessment of this tax however, is that it will not have an impact on the viability of the Juanicipio Project.

Value Added Tax ("VAT") also known as "IVA"

In Mexico, VAT is charged on the sale of goods, rendering of services, lease of goods and importation of the majority of 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.

The Company has traditionally held a VAT receivable balance due to the expenditures it incurs whereby VAT is paid to the vendor or service provider. Collections of these receivables from the Government of Mexico often take months and sometimes years to recover, but the Company has to date been able to recover all of its VAT paid.

Amendments were made to Mexican VAT legislation, effective January 1, 2017, that may impact the Company's future ability to recover VAT paid after January 1, 2017. Although still subject to interpretation and confirmation of intent from the Mexican government, companies in a pre-operative/exploration stage may have to satisfy additional criteria in order to claim valid refunds. The Company's IVA paid that falls into this category, is not material or significant to the Company's overall operations.

The 2017 changes are not expected to have any material impact on Minera Juanicipio and its ability to recover VAT paid, given the expectation Minera Juanicipio will become a producing mine.

18. TREND INFORMATION

As both the price and market for silver are volatile and difficult to predict, a significant decrease in the silver price could have an adverse material impact on the Company's operations and market value.

The nature of the Company's business is demanding of capital for property acquisition costs, exploration commitments, development 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. In addition, access to capital to fund exploration and development companies remains difficult in current public markets, which could limit the Company's ability to meet its objectives.

Surface rights in Mexico are often owned by local communities or "ejidos" and there has been a trend in Mexico of increasing ejido challenges to existing surface right usage agreements. The Company has already been impacted by this recent trend at its Cinco de Mayo Project. Any further challenge to the access to any of the properties in which the Company has an interest may have a negative impact on the Company, as the Company may incur delays and expenses in defending such challenge and, if the challenge is successful, the Company's interest in a property could be materially adversely affected. Also see "*Risks and Uncertainties*" below.

Apart from these and the risks referenced below in "*Risks and Uncertainties*," management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

19. RISKS AND UNCERTAINTIES

The Company's securities should be considered a highly speculative investment and investors are directed to 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 29, 2019 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 or Mexican Pesos. The Company also has cash and other monetary assets and 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 consolidated financial statements of the Company as at December 31, 2018).

Feasibility Study

A feasibility study, as required by the Minera Juanicipio Shareholders Agreement in order to make a formal mine development decision, was commissioned by Minera Juanicipio in late 2017 and a draft remains under review by the partners of Minera Juanicipio. By regulatory definition the Feasibility Study cannot include Inferred Mineral Resources in the mine plan and this, combined with additional detailed engineering may result in changes in the project's scope. As a result, the Feasibility Study will show a shorter mine life than envisioned in the 2017 PEA and the study is expected to contain an incremental increase in the estimated initial capital cost. With these and other possible scope changes, the project's modeled economics are expected to decrease as compared to the 2017 PEA. As well, changes to the mine plan and mine design recommended in the Feasibility Study, if approved and implemented, may impact the Juanicipio Project's construction schedule, operating costs, cash flows and timeline to production, the impact of which cannot be quantified at this time. As a result, there are additional risks as to the size and grade of the resource, extent of capital and operating costs, mineral recovery and financial viability.

Upon approval of the Feasibility Study, the Minera Juanicipio Technical Committee is expected to recommend development of the Juanicipio Project, and present a development proposal to both MAG and Fresnillo (the "Shareholders") for formal development approval. Should either shareholder choose not to participate in the project development, the non-participating Shareholder's interest may be purchased by the other Shareholder for an amount equivalent to its capital contributions to date. There is no assurance that the Technical Committee will approve the Feasibility Study or that Feasibility Study will recommend proceeding with the project development, or that a formal mine development decision will be made.

20. OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

21. 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"). Dr. Peter Megaw, the Company's

(expressed in thousands of US dollars except as otherwise noted)

Chief Exploration Officer, is a principal of both IMDEX and Cascabel, and is remunerated by the Company through fees paid to IMDEX. In addition to corporate executive responsibilities with the Company, Dr. Megaw is responsible for the planning, execution and assessment of the Company's exploration programs, and he and his team developed the geologic concepts and directed the acquisition of the Juanicipio Project.

During the year, the Company incurred expenses with Cascabel and IMDEX as follows:

	December 31, 2018	December 31, 2017
Fees related to Dr. Megaw:		
Exploration and marketing services	$ 424	$ 379
Travel and expenses	75	98
Other fees to Cascabel and IMDEX:		
Administration for Mexican subsidiaries	72	92
Field exploration services	384	508
	$ 955	$ 1,077

All transactions are incurred in the normal course of business, and are negotiated on terms between the parties which are believed to represent fair market value for all services rendered. A portion of the expenditures are incurred on the Company's behalf, and are charged to the Company on a "cost + 10%" basis. The services provided do not include drilling and assay work which are contracted out independently from Cascabel and IMDEX. Included in trade and other payables at December 31, 2018 is $107 related to these services (December 31, 2017: $286).

Any amounts due to related parties arising from the above transactions are unsecured, non-interest bearing and are due upon receipt of invoices.

The Company is obligated to a 2.5% NSR royalty on the Cinco de Mayo Project payable to the principals of Cascabel under the terms of an option agreement dated February 26, 2004, whereby the Company acquired a 100% interest in the property from Cascabel, and under the terms of assignment agreements entered into by Cascabel with its principals.

Intercorporate Structure

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 significant subsidiaries and ownership interests are as follows:

Significant subsidiaries of the Company are as follows:

Name	Country of Incorporation	Principal Activity	MAG's effective interest 2018 (%)	MAG's effective interest 2017 (%)
Minera Los Lagartos, S.A. de C.V.	Mexico	Exploration	100%	100%
Minera Pozo Seco 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.

(expressed in thousands of US dollars except as otherwise noted)

Minera Juanicipio, S.A. de C.V. ("Minera Juanicipio"), created for the purpose of holding and operating the Juanicipio Project, is held 56% by Fresnillo plc ("Fresnillo") and 44% by the Company. Fresnillo is the operator of Minera Juanicipio, and with its affiliates, beneficially owns 11.4% of the common shares of the Company as at December 31, 2018, as publicly reported. 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.

During the year, compensation of key management personnel (including directors) was as follows:

	December 31, 2018	December 31, 2017
Salaries and other short term employee benefits	$ 1,567	$ 1,540
Share based payments	1,369	1,409
	$ 2,936	$ 2,949

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 and the Chief Financial Officer.

22. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS, 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 deferred exploration and evaluation costs, (ii) provision for reclamation and closure, (iii) deferred income tax provision (iv) share based payments, (v) equity investments, and (vi) financial instruments, as the main estimates for the following discussion. Please refer to Note 2 of the Company's consolidated financial statements as at December 31, 2018 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 and assesses when events or changes in circumstances indicate the carrying values of its properties may exceed their estimated net recoverable amount, and a provision is made for any impairment in value. IFRS also requires 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 does 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, forfeiture rates, and expected lives of the options. The fair value of performance share units awarded with market price conditions is determined using a risk-neutral asset pricing model, based on certain assumptions including dividends to be paid, historical volatility of the Company's share price, a risk free interest rate, and correlated stock returns.

The Company may invest in equity investments for strategic reasons. In such circumstances, management considers whether the facts and circumstances pertaining to each investment result in the Company obtaining control, joint control or significant influence over the investee entity. In some cases, the determination of whether or not the Company has control, joint control or significant influence over the investee entities requires the application of significant management judgment to consider individually and collectively, a variety of factors.

Under IFRS 9 – *Financial Instruments*, the Company is required to value warrants that meet the definition of derivatives at fair value with unrealized gains and losses recognized in the statement of loss. To measure this fair value, warrants listed on a recognized exchange are valued at the latest available closing price. Warrants not listed on a recognized exchange, but where a secondary market exists, are valued at independent broker prices (if available) traded within that secondary market. If no secondary market exists, the warrants are valued using the Black Scholes option pricing model.

23. CHANGES IN ACCOUNTING STANDARDS

(i) Adoption of new and amended IFRS pronouncements.

Certain pronouncements were issued by the IASB that are mandatory for accounting periods after December 31, 2017. Pronouncements that are not applicable to the Company have been excluded from those described below. The following new standards have been adopted effective January 1, 2018:

IFRS 2 *Share-based payment.* In June 2016, the IASB issued amendments to IFRS 2 *Share-based Payment* to address certain issues related to the accounting for cash settled awards and the accounting for equity settled awards that include a 'net settlement feature' in respect of employee withholding taxes. The Company adopted this standard as of January 1, 2018 and it had no impact on the consolidated financial statements.

IFRS 9 *Financial Instruments*. The Company adopted all the requirements of IFRS 9 *Financial Instruments* ("IFRS 9") as of January 1, 2018 and elected not to retroactively restate comparative periods. This standard replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple determination rules in IAS 39. The classification now depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The Company's classification of its financial instruments has not changed significantly as a result of the adoption of the new standards. Financial assets previously classified as available for sale are now classified as fair value through other comprehensive income. The requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. The Company's accounting policy for financial instruments has been updated to reflect the new IFRS 9 standard. (Refer to *Note 2(e)* of the consolidated financial statements as at December 31, 2018).

IFRS 15 *Revenue from Contracts with Customers.* The final standard on revenue from contracts with customers was issued on May 8, 2014 and is effective for annual reporting periods beginning on or after January 1, 2018. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of goods to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods. The Company adopted this standard as of January 1, 2018 and it had no impact on the consolidated financial statements as the Company's only source of revenue to date is interest income from high interest savings accounts and term deposits.

IFRIC 22 *Foreign currency transactions and advance consideration*. In December 2016, the IASB issued IFRS interpretation, IFRIC 22 which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when a related non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency is derecognized. The Company has adopted this guidance as of January 1, 2018 and it had no impact on the consolidated financial statements.

(ii) Recent accounting pronouncements

The Company has reviewed new accounting pronouncements that have been issued but are not yet effective at December 31, 2018. These include:

IFRS 16 *Leases*. In January 2016, the IASB published a new accounting standard, IFRS 16 – *Leases* (IFRS 16) which replaces IAS 17 – *Leases* and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019.

The Company will adopt this standard on the effective date and select the cumulative catch-up approach resulting in no restatement of prior year comparatives. The Company will also elect to apply the available exemptions as permitted by IFRS 16 to recognize a lease expense on a straight line basis for short term leases (lease term of 12 months or less) and low value assets. The Company will also elect to apply the practical expedient whereby leases with terms that end within 12 months of the date of initial application would be accounted for in the same way as short term leases.

As at December 31, 2018, the Company has undertaken and completed a detailed review of its existing operating lease contracts and service contracts and has identified which contracts contain right of use assets within the scope of IFRS 16. The Company does not expect the new standard to have a significant impact on the Company's consolidated financial statements.

IFRIC 23 *Uncertainty over Income Tax Treatments*, provides guidance on the accounting for current and deferred tax liabilities and assets in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning January 1, 2019. The Company does not expect the application of the Interpretation to have a significant impact on the Company's consolidated financial statements.

Annual Improvements 2015-2017 Cycle. In December 2017, the IASB issued narrow-scope amendments to IFRS 3- Business Combinations, IFRS 11-Joint Arrangements, IAS 12 – Income Taxes and IAS 23 - Borrowing Costs. These amendments are effective for annual periods beginning on or after January 1, 2019 and are not expected to have significant impact on the Company's consolidated financial statements.

24. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company maintains a set of disclosure controls and procedures designed to provide reasonable assurance 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 design and effectiveness of the Company's disclosure controls and procedures as of December 31, 2018 through inquiry and review, as well as by drawing upon their own relevant experience. 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, 2018.

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 in 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 IFRS. The Company retains a third party specialist annually to assist in the assessment of its internal control procedures. The Board of Directors approves the financial statements and MD&A before they are publicly filed and ensures that management discharges its financial responsibilities. The consolidated financial statements and MD&A for the year ended December 31, 2018 were approved by the Board on March 25, 2019. 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 Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the design and effectiveness of the Company's internal control over financial reporting as of December 31, 2018 based on the criteria set forth in **Internal Control – Integrated Framework (2013)** issued by the Committee of Sponsoring Organizations of the Treadway Commission 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, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

25. ADDITIONAL INFORMATION

Additional information on the Company is 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.